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RESEARCH ARTICLE

THE IMPACT OF FINANCIAL LITERACY, FINANCIAL BEHAVIOR, AND FINANCIAL MOTIVATION ON STUDENTS' INVESTMENT DECISION

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ABSTRACT

The current study aims to determine the impact of financial literacy, financial behavior, and financial motivation on students' investment decision. The population consists of Economics and Business Faculty (FEB) students at the UPN "Veteran" Yogyakarta. In this study, we adopted a quantitative research approach. To collect samples, we employed a purposive sampling method and to analyze the data we used a statistical technique known as multiple linear regressions. The results of analysis conducted in this study show that financial literacy has an impact on students' investment decision, while financial behavior and financial motivation have no impact on students' investment decision.

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INTRODUCTION

Recently, investment has been widely discussed among the general public, including students. Investment is the sacrifice of certain present value for possible higher future value (Upadana&Herawati, 2020). Being rational in dealing with the stock trading market is one of the steps to minimize risks. Also, investors should have sharp vision to the future and the sustainability of a company whose shares are traded. Besides sharpness of vision and skills in making decisions to invest, behavior also has a significant impact on the investors. By behavior we mean financial management behavior that includes financial literacy. Financial literacy as financial knowledge is also necessary for everyone to avoid various financial problems. Financial problems usually come not only from the earned income, but also from financial mismanagement such as incorrect use of credit and the absence of careful financial planning. This may happen due to a person's lack of financial literacy and experience. Therefore, it is necessary to understand what is meant by financial literacy. The latter is necessary for a person to stay away from financial trouble because, after all, everyone has to deal with tradeoff i.e. the situation where you give up one thing in order to get something else. Financial literacy among students remains relatively low due to the lack of college-based personal finance education. A study by Mega Mutiara Pertiwi (2018) found that financial literacy among college students remains relatively low. Another study also stated that financial literacy affects investing decision-making (Safriyani et al., 2020). This runs contrary to that of a study by Ariani (2015) stating that financial literacy has no significant impact on investment decision. KSEI data as of December 23, 2020 show us that the number of investors with single investor identification (SID) has grown by 45.51%. They consist of investors in securities, mutual funds, stocks, and government securities (SBN). From the demographic viewpoint, young investors make up 73.83% of the total number of investors. From their current education status, undergraduate and graduate students make up 47.2% and 5.65%, respectively (KSEI 2020). This certainly is an interesting phenomenon.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial Literacy: According to OJK (2013), financial literacy is made up of knowledge, skills, and belief that affect a person's attitude and behavior to improve the quality of decision making and financial management in order to achieve prosperity. Widyawati (2012) opined that there are 3 factors affecting the financial literacy: parents' socioeconomic status, family education of financial management, and college learning. Thus, it is safe to say that there are, indeed, many factors affecting the financial literacy. Pertiwi (2018) studied the impact of financial literacy and demography on investment decision in stock market; a case study of students of seven universities in Yogyakarta who are members of an organization named KSPM. The results indicate that financial literacy has a significant impact on students' investing decision-making. Students with higher level of literacy will likely make better investing decisions. On the other hand, the demographic characteristics of the students such as gender, age, year of admission, and pocket money, have no significant impact on investment decision making.

Financial Behavior: Nofsinger (2002) define financial behavior as study of how humans actually behave in making financial decision. The definition implies a psychological impact on a person when making an investment decision. Therefore, it is expected that individuals behave properly in deciding when to spend their money for consumption or for investment purposes.A study by Fauziah (2019), entitled "Analysis of the Impact of Financial Literacy Level and Religiosity on Investment Decision", found that financial behavior has a positive impact on investment decision.

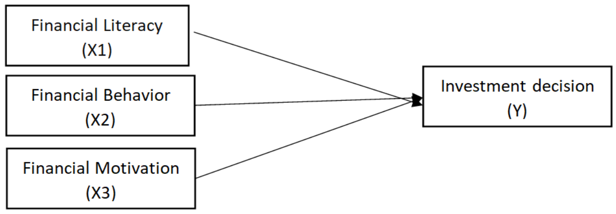
Financial Motivation: According to Wardani (2016), motivation can be defined as the will and desire that one has that made up the reason for him or her to act or behave in a particular way.By being motivated, it is hoped that someone can achieve financial prosperity and be able to increase awareness of the importance of investing. The relationship between motivation and investment decisions will later focus on the extent to which motivation affects investment decision.A study by Wardani and Lutfi (2019) found that financial literacy, experienced regret, risk tolerance, and motivation have no significant impact on investment decision among Balinese people.

Investment Decision: According to Wardani& Lutfi (2019), types of investment can be categorized based on the risk the investors can tolerate. First, low risk assets invested in banking products such as savings, deposits, and current accounts. Second, moderate risk assets invested in the real sector wherein investment can be made in tangible and measurable assets such as land, house, car etc. Third, high risk assets invested in stock market products such as stocks and mutual fund.Decision making is one of important components for a person to manage his or her money. Therefore, investment decisions that have been made correctly will affect a person's ability to make profit and to prosper.

Based on the above mentioned points, we formulate the hypotheses as follow:

H1: Financial literacy affects investment decision.
H2: Financial behavior affects investment decision.
H3: Motivation affects investment decision.

Theoretical Framework



Source: Processed Data, 2021

METHODS

The present study employed a quantitative method. In this study we used primary data collected using questionnaires. In this case, the respondents' answers to the research questions serve as the data source for further analysis. These answers will be used to identify the impact of financial literacy, financial behavior, and financial motivation on students' investment decision.The population consists of economics and business students of UPN "Veteran" Yogyakarta majoring in Accounting, Management, and Development Economics in the period 2018-2020. To collect samples, we used a purposive sampling technique which is a form of sampling that relies on certain consideration. This technique was adopted in order to collect samples that are most compatible with the research purposes.

RESULTS AND DISCUSSION

The study used a sample of 74 student respondents taken from the Faculty of Economics and Business at the UPN "Veteran" Yogyakarta.

Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.723	3.379		.510	.612
	Financial literacy	.293	.064	.614	4.589	.000
	Financial behavior	.025	.145	.024	.172	.864
	Financial motivation	.265	.149	.202	1.786	.081

b.Dependent Variable: Investment decision; Source: Processed primary data, 2021

Of 74 respondents, 70% were students majoring in accounting, 19% in management, and 11% in development economics. As for the respondents' gender, 66% were female and 25% were male. From the tests that we have conducted, it can be stated that all of the questions are valid and reliable. The results of normality test show that all data in this study are normally distributed. The test of multicollinearity indicates that there is no multicollinearity in the research data. This can be proven by the VIF values of financial literacy (X1), financial behavior (X2), and financial motivation (X3) that amount to 1,821; 1,987; 1,303 < 10 and the tolerance values amounting to 0,549; 0,503 and 0,767 > 0,1. This indicates that no multicollinearity was found in the data. The next test had been the test for heteroscedasticity. From the test results presented in the table, we can see that the significance level in all variables are greater than 0.05, i.e. 0.563 for financial literacy, 0.874 for financial behavior, and 0.739 for financial motivation.

This indicates that no heteroscedasticity was found in the research data. Based on the results of t-test, the impact of independent variable on the dependent variable can be explained as follow:

First Hypothesis Test (H1). The significance level of the impact of financial literacy (X1) on (Y) is 0.000 < 0.05. Thus, it can be concluded that H1 is accepted, which means that financial literacy (X1) has an impact on investment decision (y).

Second Hypothesis Test (H2)

The significance level of the Impact of Financial Behavior (X2) on Y is 0.864>0.05. Thus, it can be concluded that H2 is rejected, and this means that financial behavior (x2) has no impact on investment decision (Y).

Third Hypothesis Test (H3)

The significance level of the Impact of Financial Motivation (X3) on (Y) is 0.081>0.05. Thus, it can be concluded that H3 is rejected, and this means that financial motivation (X3) has no impact on investment decision (Y). The results of the t-test indicate that financial literacy has a significance level of 0.000 < 0.05 which means that financial literacy has a significant impact on students' investment decision. Thus, the first hypothesis (H1) is accepted.

This indicates that financial literacy has an impact on students' investment decision.From the points described earlier, we see that students of the faculty of economics and business (FEB) of UPN "Veteran" Yogyakarta had relatively good financial literacy. This can be proven by the fact that the questionnaires distributed and returned indicated that students can answer the questions and scored high. One of the factors that can improve students' financial literacy is their college-based learning. Moreover, they have already taken courses related to finance and, thereby, familiar with the basics of financial literacy.The findings of this study are in line with those of Upadana&Herawati (2020). Their study shows that financial literacy has an impact on students' investment decision. Therefore, it can be stated unequivocally that investment decision is affected by financial literacy. With higher financial literacy there must also come better investment decision.

The results of the t-test presented in table 2 show that financial behavior has a significance level of 0.864 > 0.05 which means that financial behavior has no significantimpact on students' investment decision. Thus, the second hypothesis (H2) is rejected. The results indicate that financial behavior has no impact on the investment decision made by the FEB students of UPN "Veteran" Yogyakarta. The reason to reject the hypothesis is that the indicators of financial behaviors such as money saving, money management, and being economical contribute insignificantly to affecting investment decision.This study confirms Safriyani et al., (2020) as the latter stated that financial behavior has no impact on investment decision. Thus, it can be stated that financial behavior has no impact on students' investment decision. The results of t-test show that financial motivation has a significance level of 0.081 > 0.05 which means that financial motivation has no significant impact on students' investment decision. Thus, the third hypothesis (H3) is rejected. Hence, the results show that financial motivation has no impact on investment decision made by the FEB students of UPN "Veteran" Yogyakarta. The fact that the hypothesis was rejected means that high motivation cannot significantly affect investment decision. Even a person with a relatively high financial motivation may nonetheless feel hesitant or afraid to invest, let alone students whose earnings come mostly from pocket money. This may have been because they consider investing so risky that they decided to spend their money for daily needs.The results of this study are in line with those of Wardani (2016) whose finding shows that financial motivation has no impact on investment decision. Thus, it is safe to state that based on the results of this study financial motivation has no impact on students' investment decision.

CONCLUSION

From the results of statistical tests for data with three independent variables (financial literacy, financial behavior, and financial motivation) and data with one dependent variable (students' investment decision), we come to the following conclusions:

- Financial literacy has an impact on students' investment decision.
- Financial behavior has no impact on students' investment decision.
- Financial motivation has no impact on students' investment decision.

The limitation of our study lies in the data collection that uses questionnaire to which the respondents are considered to have seriously answered the questions based on their actual conditions. However, their answers still remain difficult to control.

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