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The Effect of Financial Literacy, Investment Motivation and Financial Behavior on Investment Interest

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ABSTRACT

This study aims to determine the effect of financial literacy, investment motivation and financial behavior on students' interest in investing. The population in this study were students of the Muhammadiyah Riau University accounting study program class of 2018-2019. The sampling technique in this study used a probability sampling technique with a total of 84 students. The results of this study indicate that (1) financial literacy has a significant effect on student interest in investing, (2) investment motivation has a significant effect on student interest in investing, and (3) financial behavior has a significant effect on student interest in investing.

1. INTRODUCTION

Investment is a means of saving funds or money to obtain immense profits in the future (Octary et al., 2021). The capital market is one of the places that can be used as a place to invest funds. The capital market offers various investment instruments, such as stocks, bonds, exchange-traded funds (ETF), and derivatives. However, interest is essential to invest in the capital market. Someone interested in investing will try to find information and learn about investment-related matters, such as types of investment, benefits or profits to be obtained, risks, investment performance, and so on (Perdana, 2019).

Based on data from the Indonesian Central Securities Depository (KSEI) as of June 2022, capital market investors are dominated by millennials under 30 years old, with a percentage of 59.72% of total assets of 49.94 trillion rupiahs. The growth of investors among students is quite good. This is inseparable from the role of Investment Galleries in Higher Education. The Investment Gallery is a form of cooperation between universities and the Indonesian Stock Exchange which aims to provide socialization and education about the capital market for students (Ramashar et al., 2022). In addition to the relatively high growth of investors among students, there still needs to be a solution. Namely, many students are dormant or withdrawing the capital they have deposited from their capital market accounts (Lorenza, 2019). As a result, many students become passive investors because they do not make any more transactions after withdrawing the capital.

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In addition, investment interest among students of the Accounting study program at the Muhammadiyah University of Riau still needs to be higher. It is based on the results of a pre-survey of 498 class 2018 and 2019 students who had received education about the capital market. From the survey, only 30.9% had a Single Investor Identification (SID).

One of the factors that can affect interest in investing in financial literacy. Individuals with good financial literacy can plan and make sound financial decisions to achieve financial prosperity in the future (Faidah, 2019). Financial literacy allows a person to choose or buy financial products and services carefully and skillfully. It relates to the interest in investing. The better a person's financial literacy, the higher the interest in investing. The effect of financial literacy on investment interest has been proven by Tehupelasuri (2021) and Hakim (2020), who say that financial literacy affects investment interest. However, contradictory results were obtained by Taufiqoh et al. (2019), who said that financial literacy did not affect investment intentions.

In addition, motivation plays an essential role in growing someone's interest in investing because motivation is the spirit that drives someone to do something (Darmawan et al., 2019). Someone who understands the benefits of investing will be motivated and interested in investing. The greater the motivation received, the greater the desire and interest to invest. It is in line with the results of research by Darmawan et al. (2019) and Hudha (2021), which state that investment motivation influences investment intentions. Contrary to these results, research conducted by Yunia et al. (2020) found that motivation does not affect investment intentions.

Furthermore, financial behavior is also a factor that can influence investment intentions. Someone with good financial behavior will be able to allocate his finances such as spending, saving, and investing. Someone can allocate the funds they have to invest in the capital market based on their knowledge, financial ability, and style. Based on research conducted by Tehupelasuri et al. (2021) and Upadana & Herawati (2020), financial behavior influences investment intentions. Meanwhile, the research conducted by Syafryani et al. (2020) found that financial behavior did not affect students' interest in investing.

Based on the description above, this research aims to determine the effect of financial literacy on investment intention, the effect of investment motivation on investment intention, and financial behavior on investment interest.

2. LITERATURE REVIEW

Theory Of Planned Behaviour

This theory is a development of the Theory of Reasoned Action (TRA), developed in 1967, and then the theory was continuously revised and expanded by Icek Ajzen and Martin Fishbein. Starting in 1980, the theory was used to study human behavior and to develop more effective interventions. In 1985, another thing was added to the existing reasoned action model and later named the Theory of Planned Behavior (TPB), to overcome the deficiencies found by Ajzen and Fishbein through their studies using TRA.

The theory of Planned Behavior (TPB) explains that one can predict individual behavior based on interest in carrying out the behavior. TPB places a person's interest in behaving as influenced by three factors: attitudes, subjective norms, and perceptions of behavior control. If individuals have favorable attitudes toward certain behaviors, opportunities arise to develop a positive interest in behaving (Salisa, 2020).

Investment

Investment is allocating or investing resources at this time, hoping to get future benefits. These resources are usually translated into monetary units or money. Investments are beneficial for individuals and families to meet their needs and desires in the future (Darmawan et al., 2019).

Financial Literacy

Financial literacy is knowledge and understanding of personal finance concepts resulting in the ability to make effective decisions about the money. It is a process that regulates how well

an individual can understand financial concepts and implement and manage finances properly to make investments (Darmawan et al., 2019).

Investment Motivation

Motivation is an attitude formation characterized by forms of activity or activity with psychological processes, both those influenced by intrinsic and extrinsic factors that can direct it in achieving what it wants for someone to want to act (work) according to what is expected (Hudha, 2021).

Financial Behavior

Financial behavior is related to how the person manages and uses his financial resources. Someone with finances tends to take reasonable responsibility for using his money, such as making a budget, saving, controlling expenses, investing, and paying obligations on time (Tehupelasuri et al., 2021). Meanwhile, according to Yundari and Artati (2021), Financial behavior is a person's ability to manage daily financial funds properly (planning, budgeting, checking, managing, controlling, searching, and storing).

Research Framework

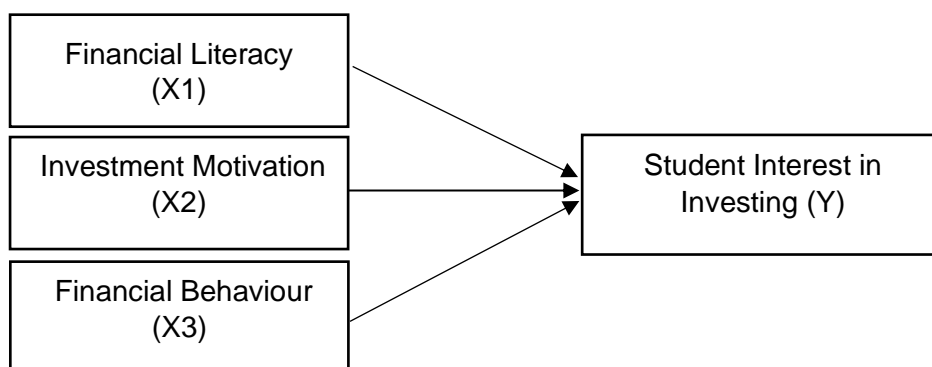


Figure 1. Research Framework

Hypothesis

1. H1: Financial literacy has a significant effect on student interest in investing
2. H2: Investment motivation has a significant effect on student interest in investing
3. H3: Financial behavior has a significant effect on student interest in investing

3. RESEARCH METHOD

The type of research in this research is a descriptive quantitative research using primary data obtained from distributing questionnaires. The population in this study was 498 students of the Muhammadiyah Riau University Accounting study program for 2018 and 2019. The sample was drawn using a non-probability sampling technique using the slovin formula, and a sample of 84 respondents was obtained.

4. RESULT

This research has gone through data quality tests and classical assumption tests. While the coefficient of determination test, multiple linear regression analysis, and hypothesis testing can be explained as follows:

Koefisien Determinasi (R^2)

Table 1. Koefisien Determinasi (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.728 ^a	.530	.513	4.567

a. Predictors: (Constant), Financial Literacy (X1), Investment Motivation (X2), Financial Behaviour (X3)

Table 4.6 above shows the correlation coefficient value of 0.728 or 72.8%. It shows that the relationship between the factors influencing the interest in investing in students is quite positive. The Adjusted R Square value is 0.513 or 51.3%, which shows that the interest in investing in students can be explained by the variables Financial Literacy, Investment Motivation, and Financial Behavior is 0.513 or 51.3%. At the same time, the remaining 0.487 or 48.7% is influenced by other variables not explained in this study.

Hypothesis Test

Table 3. Hypothesis Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1 (Constant)	7.640	4.944		1.545	.126
Financial Literacy (X1)	.303	.133	.262	2.272	.026
Investment Motivation (X2)	.401	.110	.365	3.650	.000
Financial Behaviour (X3)	.194	.092	.220	2.118	.037

a. Dependent Variabel: Minat Mahasiswa Berinvestasi (Y)

Discussion

The Effect of Financial Literacy on Student Interests in Investing

Based on the results of hypothesis testing, it was found that financial literacy has a significant effect on students' interest in investing. It is because students believe that someone with good financial literacy will know financial concepts and products. With the knowledge they have, they can make good personal financial planning and management. Understanding the benefits of investing will foster someone's interest in investing. It follows the Theory of Planned Behavior, which states that realizing certain behaviors is influenced by one's perceptions regarding beliefs about the availability of resources and opportunities. Thus, the better a person's financial literacy, the greater the interest in investing. The results of this study support research from Audini et al. (2020) and Ovami & Lubis (2020), which concluded that financial literacy significantly affects student interest in investing.

The Effect of Investment Motivation on Students' Interest in Investing

Based on the results of hypothesis testing, it was found that investment motivation significantly affected student interest in investing. This study proves that students of the Muhammadiyah Riau University Accounting Study Program have enthusiasm for investing after gaining knowledge and understanding of the benefits and convenience of investing. In TPB, it is

explained that the behavior carried out by individuals arises because of the intention of the individual to behave, and the intention is caused by internal and external factors that encourage and direct certain behaviors. Thus, the higher the investment motivation, the higher the interest in investing. This research supports the research of Hudha (2021) & Darmawan et al. (2019), who concluded that investment motivation significantly affects student interest in investing.

The Influence of Financial Behavior on Students' Interest in Investing

Based on the results of hypothesis testing, it was found that financial behavior has a significant effect on students' interest in investing. This study proves that students of the Muhammadiyah University of Riau's accounting study program have good financial behavior. Students can already manage their finances well, such as saving and planning expenses and have thought about setting aside their funds so they can invest to gain future profits. This research supports TPB, which explains that people's tendency to behave is influenced by belief in behavior or positive and negative attitudes towards behavior. Thus, the better a person's financial behavior, the greater the interest in investing. The results of this study are in line with the research of Tehupelasuri (2021) and Audini (2020), which concluded that financial behavior has a significant effect on student interest in investing.

5. CONCLUSION

Based on the results of the analysis and discussion that have been described, it can be concluded that financial literacy significantly affects student interest in investing. It shows that good financial literacy will increase interest in investing. Furthermore, investment motivation has a significant effect on student interest in investing. It can be interpreted that the higher the investment motivation students receive, the higher their interest in investing. In addition, financial behavior also has a significant effect on student interest. That is, good financial behavior will foster students' interest in investing.

6. LIMITATION

This study has several limitations, such as the scope of the research, which is only limited to accounting students from the Muhammadiyah University of Riau. It only uses the variables of Financial Literacy, Investment Motivation, and Financial Behavior. Suggestions for further research can increase the scope of research even more broadly and add other factors such as socialization, investment capital, and others that can influence investment intentions.

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