

The Influence of Financial Literacy and Behavior Finance on Investment Decision in the Millennial Generation in the Sub-District Across From Ulu II Palembang City

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Abstract

Investment decision is a policy or decision taken to invest in one or more assets to gain future profits or a problem of how one should allocate funds into forms of investment that will be able to generate future profits. The data analysis used is qualitative which is quantified with the aim of knowing the effect of financial literacy and financial behavior on investment decisions. The population in this study were residents of Seberang Ulu II District, Palembang City. A sample of 100 respondents. Data collection was carried out by distributing questionnaires to predetermined samples via the Google form. Data analysis technique using multiple linear regression, hypothesis testing. The results of this study indicate that financial literacy has a positive and significant influence on investment decisions and financial behavior has a positive and significant influence on investment decisions, while the R Square correlation value is 0.718. This shows that the variables of financial literacy and financial behavior as a whole have an influence of 71.8% on investment decisions, while the remaining 28.2% is explained by other constructs outside the study.

Keywords: financial literacy, financial behavior, investment decisions.

1. Introduction

Economic developments in the current era of globalization make people have to be good at managing finances properly and wisely. Because people are not aware of the importance of managing finances. Often people are faced with problems where expenses are greater than income. High consumptive behavior will cause various problems to arise, such as not being used to saving, lots of loans, and being very dependent on credit cards. Therefore, every individual must manage their finances very carefully to think about every expenditure in the future. The Financial Services Authority (OJK) emphasizes the importance of financial literacy, especially investment for the millennial generation, especially since the millennial generation is a financially vulnerable group. Based on the 2019 OJK National Financial Literacy Survey (SNLK), the financial literacy index increased to 38%, while the inclusion index became 76.19%.

Financial literacy is about the whole process of how individuals can manage their finances by using their knowledge of finance itself (Kumar, Watung, Eunike, & Liunata, 2017). Financial literacy has a very important role in managing one's finances

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and making investment decisions. Everyone must have knowledge and skills related to financial management in order to be able to make the right decisions, one of which is by investing in order to increase one's standard of living (Safryani, Aziz & Triwahyuni (2020).

Investment planning in managing finances is the most important thing for individuals at this time, because investment is a process of learning financial management now and in the future (Pritazahara & Sriwidodo, 2015). Apart from financial literacy and financial behavior, another factor that influences a person's investment decisions is income (Safryani et al., 2020). Income correlates with investment, the greater a person's income, the greater the investment (Herawati & Dewi, 2020). This is very risky because the large amount of access to finance for the community is not accompanied by an increase in financial knowledge so that the community will be vulnerable to fraud in financial terms, especially investment.

The increase in the growth in the number of investors, which is dominated by millennials, is not supported by good financial literacy. The financial literacy of millennials is still relatively low, with a millennial literacy rate at the age of 18-25 years of 32.1%, while at the age of 25-35 years it is 33.5%. There are still many millennials who are financially vulnerable due to their lack of preparation and ability to manage finances (Bisnis.com, 2020). The President of the Republic of Indonesia Jokowi also said that the knowledge and behavior of the Indonesian people's finances was still relatively low when compared with neighboring countries. He also said that the Indonesian people's financial literacy index is currently only around 38.03%, still very far from neighboring countries whose average financial literacy index is above 70%, while the inclusion or access to public finance is still very much different. This is very risky because the large amount of access to finance for the community is not accompanied by an increase in financial knowledge so that the community will be vulnerable to fraud in financial terms, especially investment.

The level of financial literacy in the millennial generation of Palembang city is Loans of 47.5%, Savings of 50%, and Investments of 50%. The level of financial behavior in the millennial generation of the city of Palembang, namely, Impulsive Buying is 45%, Waste is 35%, Seeking Pleasure is 35%. The level of investment decisions in the millennial generation of the city of Palembang, namely, Expected Return of 57.5%, and Risk of 62.5%. Financial literacy has a positive effect on investment decisions (Safryani et al., 2020). This is supported by research conducted by Upadana & Herawati (2020), Khairiyati & Krisnawati (2019), Putri & Hamidi (2019), Pratiwi & Wahyudi (2019), and Baihaqqy et al., (2020). Meanwhile, research conducted by Arianti (2018), Wardani & Lutfi (2019), and Salerindra (2020) shows that financial literacy has no positive effect on investment decisions. Financial behavior has a positive influence on investment decisions (Arianti, 2018). This research is also supported by research conducted by Upadana & Herawati (2020). However, this is not in line with research conducted by Safryani et al., (2020) which shows the results that financial behavior does

not have a positive influence on investment decisions.

2. Literature Review

Investing is very important in managing income. By investing someone will get high profits with high risks as well. Investment is the activity of placing capital into a particular business with the aim of obtaining additional income and profits (Ayu & Iramani, 2014). Investment is a commitment to a number of funds or other resources that are carried out in the present, with the aim of obtaining future profits (Tandelilin, 2010:2). From the understanding above, it shows that investment is in principle the use of financial resources and other resources at a certain time from everyone who expects future profits from this investment with certain risks (Al-May, 2020).Nyoman & Nuryasman (2020) cited in an economic journal the factors that influence investment decisions, namely financial literacy, financial experience, locus of control, and experienced regret.Tandelilin (2010) states that indicators of investment decisions are the expected return rate, risk level, and the relationship between return and risk.

Financial Literacy. Financial literacy is often referred to as the ability to read, analyze, manage and communicate about financial conditions which directly affect material well-being. Financial understanding includes the ability to see financial options, discuss money and financial matters, and plan for the future.Lusardi & Mitchell (Ismanto et al., 2019), explained that financial literacy refers to individual cognitive abilities and financial knowledge that influence financial attitudes and activities that can improve financial well-being. Huston (Ismanto et al., 2019) states the definition of financial literacy is as capital for humans consisting of knowledge and abilities that can be applied in financial activities that affect financial behavior and financial well-being.Baiq & Nisa (2018), factors that influence financial literacy are income, financial behavior, education level, work experience.Chen & Volpe (1998) there are 4 indicators of financial literacy, namely general knowledge about personal finance, insurance, investment. savings and loans,

Financial Behavior. Nofsinger defines that financial behavior is studying how humans actually behave in a financial setting, in particular studying how psychology influences financial decisions. Financial behavior is an approach that explains how humans make investments or those related to finance that are influenced by psychological factors (Weyaningtyas et al., 2016).Suryanto (2017) explains that financial behavior is how a person treats, manages and uses the financial resources he has. Someone who has responsibility for his financial behavior will use money effectively by budgeting, saving money and controlling expenses, making investments and paying bills on time.Factors that influence financial behavior Gromman et al (2015) in Zannah (2019), namely financial literacy, numeracy skills, quality of education. Lina (1997) in Palamba (2018) mentions indicators of financial behavior including impulsive purchases, wastefulness, seeking pleasure.

3. Research Method

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The type of research used in this research is associative research. This research is used to determine the relationship between the influence of financial literacy and financial behavior on investment decisions. The location of this research was conducted in Seberang Ulu II District, Palembang City. The population in this study amounted to 33,066 residents. The number of samples taken was 100 residents with purposive sampling method. The data used in this study are primary data and secondary data, where the primary data in this study were obtained from the results of questionnaires distributed to respondents. While the secondary data in this study is population data to determine the sample sourced from GIS Dukcapil. The data analysis used is quantitative qualitative analysis. The analysis technique used is multiple linear regression analysis, f test, t test and determination.

4. Findings and Discussions

The results of the multiple linear regression equation are as follows: $Y = 3.483 + 0.350 X_1 + 0.489 X_2$. Based on the calculation of the multiple linear regression equation above, the constant value is 3.483, which means that if the financial literacy and financial behavior variables are in a fixed condition, the investment decision has a value of 3.483. The results of calculating the coefficient of the financial literacy variable above have a parameter value of 0.350 and have a positive slope, indicating that the financial literacy variable has a positive effect on investment decisions. This means that if there is an increase in the level of financial literacy, investment decisions will increase by 0.350, and vice versa if the level of financial literacy decreases, investment decisions will also decrease. This shows that the more financial knowledge that millennials have can also increase the level of withdrawal investment decisions on the millennial generation. The results of the calculation of the coefficient of the financial behavior variable above have a parameter value of 0.489 and have a positive slope, indicating that the financial behavior variable has a positive effect on investment decisions. This means that if there is an increase in the financial behavior variable, the investment decision will increase by 0.489, and vice versa if the behavior decrease, investment decisions will also decrease. This shows that the more financial literacy that millennials have can also increase the level of investment decision making in the millennial generation.

The Influence of Financial Literacy and Financial Behavior on Investment Decisions. Based on the results of the analysis that has been carried out, it is known that there is an influence of financial literacy and financial behavior variables on investment decisions in the millennial generation in Seberang Ulu II District, Palembang City. So it can be said that investors in this study have a good level of literacy in making investment decisions. In addition, respondents also understand financial concepts and have the ability and confidence in managing personal finances through making appropriate short-term decisions and long-term financial planning. This is also in line with behavioral finance theory because the higher the level of financial literacy one has, the better one is at managing personal finances, the better understanding of conditions

and cognitive errors because an individual also acts irrationally in making decisions. The results of this study are in line with research conducted by Upadana & Herawati (2020) where in their research the variables of financial literacy and financial behavior have a significant effect on investment decisions. Meanwhile, the results of this study are not in line with the research of Yundari & Artati (2021), Safryani et.al (2020) where the variables of financial literacy and financial behavior do not have a significant influence on investment decisions.

The Effect of Financial Literacy on Investment Decisions. The results of the study show that there is a significant influence between financial literacy variables on investment decisions in the millennial generation in Seberang Ulu II District, Palembang City. This shows that financial literacy is able to increase investment decisions in the millennial generation of Seberang Ulu II Palembang District, where with a good level of financial literacy owned by the millennial generation so that the millennial generation is able to manage their finances thus the millennial generation will invest. Financial literacy is closely related to financial management where the higher the level of one's financial literacy, the better one's financial management will be. Knowledge of financial literacy which includes general knowledge, savings and loans, insurance and investment will make it easier for someone to make investment decisions. As a millennial generation who already understands financial literacy well, millennials in Seberang Ulu II Palembang District can apply the knowledge they have in their daily lives, so that their ability to manage finances increases and becomes wiser over time. Huston & J (2010) define financial literacy as the process of measuring a person's level of understanding in digesting financial information. Having financial literacy can make it easier for someone when faced with making the investment decision they choose. Financial decisions based on good financial literacy can benefit someone in facing financial problems. Financial literacy is very important for an individual so that they are not investment decisions. They will be more careful and selective in wrong in making choosing the right investment and be careful in their investment decisions. The results of this study are in line with the results of research by Ferdiawan, Gama, & Astiti (2022), Astini & Pasek (2022) which state that financial literacy variables have a significant effect on investment decisions. The results of this study are not in line with the results of research conducted by Yundari & Artati (2021), Fitriarianti (2018) which states that financial literacy variables do not have a significant influence on investment decisions.

Effect of Financial Behavior on Investment Decisions. The results of the study show that there is a significant influence between financial behavior variables on investment decisions in the millennial generation in Seberang Ulu II District, Palembang City. With good financial behavior, the millennial generation will be wiser in making decisions regarding financial management. Millennials with good financial behavior will have a good mindset about money, namely their perception of the future, be able to control the financial situation, manage the use of money so they can make ends meet, not spend money and be able to control its consumption, be able to balance expenditure and income,

allocate money to save and invest. Rikziana & Kartini (2017) define financial behavior as a science that describes human behavior in taking an action based on psychological factors and information obtained in their environment. The better a person's financial attitude or mentality, the better a person's financial behavior in making investment decisions, if the worse a person's financial attitude or mentality, the worse a person's financial behavior will be in making investment decisions. Someone who is effective and responsible in managing his personal finances, for example doing budgeting, recording income and expenses tends to have good financial behavior. The results of this study are in line with research conducted by Upadana & Herawati (2020), Siregar & Anggraeni (2022) where financial behavior variables have a significant effect on student investment decisions. The results of this study are not in line with research conducted by Safryani, Aziz & Triwahyuningtyas (2020) which states that financial behavior variables do not have a significant influence on investment decisions for FEB permanent lecturers.

5. Conclusion

Based on the results of the research and discussion, it can be concluded as follows: (1) There is a significant effect of Financial Literacy and Financial Behavior on Investment Decisions in Millennials in Seberang Ulu II District, Palembang City. (2) There is a significant effect of Financial Literacy on Investment Decisions in the Millennial Generation in Seberang Ulu II District, Palembang City. (3) There is a significant effect of Financial Behavior on Investment Decisions in the Millennial Generation in Seberang Ulu II District, Palembang City.

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