Analysis of Financial Literacy on Community Investment Decisions (Study in Tanjung Medan Village, Labuhanbatu Regency)

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Abstract

This study aims to analyze the impact of financial knowledge on individual investment decisions. The tests focus on each indicator to determine which factors most influence individual investment decisions. This study involved 80 respondents residing in Tanjung Medan Village and were identified using a non-probability sampling technique with a purposive sampling design. This study is descriptive and quantitative with primary data collected using questionnaire techniques. The results of the study show that financial literacy indicators, specifically general financial knowledge, lending and saving, investing and risk management, have a positive and significant impact on decision-making. investment decisions, both partially and simultaneously, in which loan and savings indices have the dominant influence. Meanwhile, in the determination coefficient test, financial knowledge has an 89.70% influence on people's investment decisions, the rest is affected by other factors not considered in the study.

Keyowrd : Financial Literacy, Investment Decisions

1. Introduction

Financial management is one of the classic problems of the economic sector, especially in rural communities. In general, Indonesians allocate their acquired or held capital in many forms, including consumption, savings, and investment (Yushita, 2017). Village communities that tend to be left out of various programs aimed at promoting financial literacy have poor understanding of investments. In fact, a good understanding of each individual's financial knowledge will help them decide on the allocation of the money they have as a reserve fund in unpredictable emergency situations (Agus Arman, 2022). The decision to invest is the courage of a person to put part of his money into a certain object with the hope that it will benefit him in the future (Anthonia, 2021). The investment object in question can be an entity or one of the other aspects that have future economic value. As stated (Cull et al., 2009), the essence of investing is to place a certain number of currently held funds in the hope of earning profits in the future, both short-term investments and long-term investments. Making an investment decision is an important decision and should be carefully considered by individuals (Christanti & Mahastanti, 2011). The main considerations are the returns that will be obtained and the level of risk that will be encountered when planning and implementing the investment.The survey tape determining literacy levels, specifically the National Survey on Financial Literacy and Inclusion (SNLIK), shows the results of surveys conducted by OJK over the past 9 (nine) years shown in Figure I below :
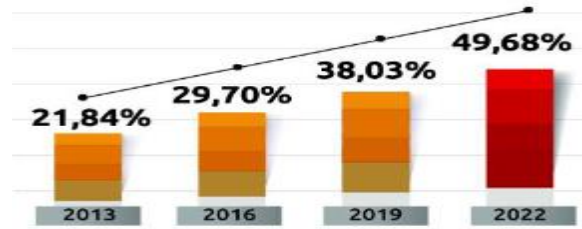
Source: ojk.go.id, 2023

Figure 1 National Financial Literacy Index

The graphic above shows that the nation's financial literacy level continues to increase each year. This is encouraging news because the above data shows that the community's literacy level has increased significantly. Therefore, the public must be protected from various types of investment solicitations that may constitute fraudulent or illegal investments. Therefore, how individuals identify good and safe investments is determined by their level of financial literacy. Based on growth data on unique investor identification numbers (SIDs) from 2019 to November 3, 2022, the number of investors reached 10,000,628, of which the structure of the number of domestic investors is 99.78%.
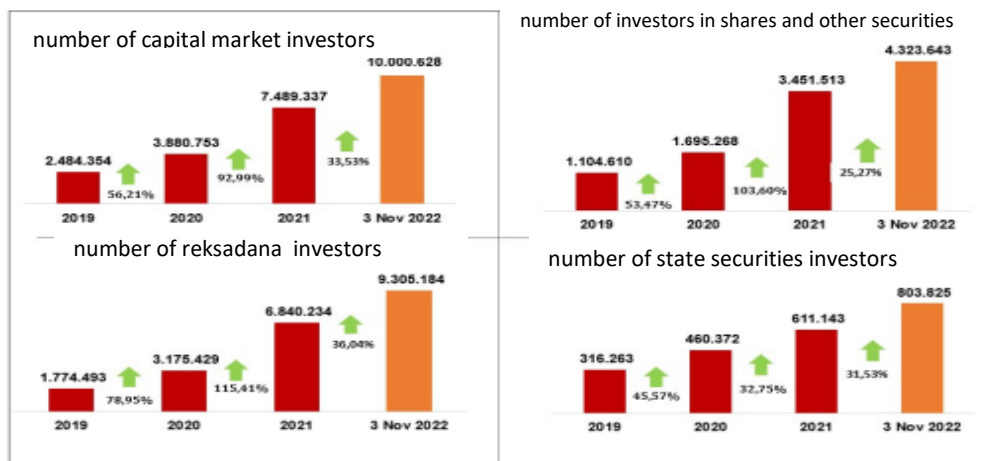
Source : PT. Kustodian Sentral Efek Indonesia

Figure 2 Growth in the Number of Single Investor Identification

Financial literacy is the ability a person possesses to apply knowledge of financial concepts and risks so that they can determine and implement appropriate financial management (Ratnasari & Yudiantoro, 2023). Financial knowledge plays an important role in achieving a prosperous life (Sufyati & Lestari, 2022). A person with a good level of financial literacy will be better able to classify, select and make investment decisions in target objects or organizations (Sufyati & Lestari, 2022).The researchers' observations show that there are still many people who do not have any form of investment for the future. The excess money you have is just kept in the bank, or even at home, and is considered a reserve fund for sudden or future needs. The majority of people do not invest for the future because they do not have a complete understanding of financial literacy (Tomášková et al., 2011). In fact, if the money you have is used to invest, it will

be much better and bring great benefits in the future. Financial knowledge is an important factor in making investment decisions. The government has made every effort to encourage improved literacy skills, with one of the main goals being financial education. The promulgation of the Financial Services Authority (OJK) Regulation No. 3 of 2023 on promoting financial literacy and financial inclusion in the financial services sector for consumers and communities (POJK March 2023) is one of the decisive factors for OJK to strengthen its finances. literate (Source:ojk.go.id, 2023)

People with good financial understanding make better and smarter investment decisions. Making decisions when wanting to invest is often based on information about the profits that will be gained and tends to ignore the level of risk that will occur. However, thanks to a good level of financial literacy, they will be smarter and tend to avoid fraudulent or illegal investments. Making investment decisions not only belongs to individuals with an above-average income, but society must also know how to manage finances well (Panjaitan & Listiadi, 2021). According to Chen and Volve in (Angraeni, 2023), the four main indicators of financial literacy are: a) General financial knowledge (general knowledge of personal finance); b) Lending and saving (borrowing and saving); c) Investment (capital investment); d) Risk management (risk management). An investment decision is defined as a decision by an individual or group to determine the allocation of available capital to certain investment objects/entities/instruments (Panjaitan & Listiadi, 2021). An investment decision is an activity performed by an individual in the present and planned for the future with the aim of receiving better support and well-being (Ilyas & Djawahir, 2021). According to Tendellin in (Ayudiastuti, 2021), indicators in investment decisions include a) profit (margin of return), b) risk, c) time factor (time).

2.   Methodology

This type of research is quantitative research with an experimental, traditional and empirical approach. This case study focuses on testing the proposed theory and hypothesis by measuring the research variables numerically and performing data analysis involving statistical procedures and mathematical modeling (Sugiyono, 2018). The population of this study included residents of Tanjung Medan Village, West Bilah District, Labuhanbatu District, with a total of 3,635 people. The sampling technique used in this study used a non-probability sampling technique with a purposive sampling design. Purposive sampling is chosen as the sampling method, which is based on certain considerations when choosing the sample to be taken and used in the research for the given efforts to be undertaken. Using the Slovin formula, the sample used was 80 respondents. The type of data used in this research is primary data, data . Data is collected directly by distributing questionnaires to 80 predetermined samples, the scale used is a 5-category Likert scale.

3.   Result and Discussion

The data analyzed in this study are primary data collected from respondents using questionnaires distributed through Google Form to provide answers. The number of questionnaires distributed was 80 copies distributed throughout the village area. Number of questions: Each question has 8 (eight) statements about each financial knowledge index, specifically: a) General financial knowledge (general knowledge of personal finance); b) Lending and saving (borrowing and saving); c) Investment (capital investment); d) Risk management, and 8 (eight) statements about investment decision variables.The descriptive test performed showed that, according to gender, 77.5% of the respondents were men, that is, 62 people, and 22.5%, that

is, 18 people, were women. Based on age, 75% of respondents were between 30 and 45 years old and the rest were above 45 years old. When it comes to businesses, survey participants with effective business activities dominate at a rate of 68%, while the remaining 32% are people working in public or private agencies and earning income. fixed input. According to education level, 70% of respondents have high school education and 30% have university education. From the interpretation of the data, it can be concluded that the respondents who participated in this study were representative and clearly understood the purpose and content to be researched.

In classical hypothesis testing, we can see that the value of Asymp. Sig is 0.816 in the normality test, which means that the data in this study are normally distributed. In the multicollinearity test, we can see that the Variance Inflation Factor (VIF) value represents a VIF value > 10 and a Tolerance value < 10 > 0.05. To test the hypothesis, multiple regression analysis was performed, as shown in Table 1. Based on the calculation results of multiple regression analysis in Table 1, the following equation results were obtained:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$
$$Y = 6{,}770 + 0{,}180 + 0{,}259 + 0{,}258 + 0{,}166$$

Based on the above regression problem, it can be seen that the constant value is 6.770, which shows that if all indicators of the financial knowledge variable (X1) have a value of 0, then the variable determines the investment decision. (Y) has a constant value, the investment decision variable has a value of 6.770. In addition, the general financial knowledge indicator (X1.1) has a value of 0.180 and a positive regression coefficient value, so it can be concluded that general financial knowledge has a positive impact on positive and significant to investment decisions (Y). This shows that for every 1 increase in general financial knowledge, investment decisions increase by 0.180. In addition, the lending and savings index (X1,2) is 0.259, the regression coefficient is positive, so it can be concluded that lending and savings have a positive and significant impact on investment decisions (Y). . This shows that for every increase in borrowing and savings by 1, the investment decision increases by 0.259. In addition, the value of the investment index (X1,3) is 0.258, the regression coefficient is positive, so it can be concluded that investment has a positive and significant impact on investment decisions (Y). This shows that for every increase in investment by 1, the investment decision increases by 0.258. Furthermore, the value of the time management index (X1.4) is 0.166, the regression coefficient is positive, so it can be concluded that risk management has a positive and significant impact on investment decisions (Y). . This shows that for every 1 increase in risk management, investment decisions increase by 0.116.

Table 1 Results of Multiple Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.770	.972		6.962	.000
	General Knowledge of Finance	.180	.061	.235	2.945	.005
	Loans and Savings	.259	.089	.290	2.894	.005
	Investment	.258	.072	.297	3.593	.001
	Risk Management	.166	.080	.201	2.062	.043
a. Dependent Variable: Investation Decision						

The results of testing the financial literacy variable indicator for the investment decision variable of the Tanjung Medan village community show that the regression coefficient value is 0.235 with a significance value of 0.005 with a positive t value of 2.945, showing that General financial knowledge has a positive and positive impact. function. significantly influenced the investment decisions of the Tanjung Medan village community. This shows that people with good general financial knowledge will tend to manage their finances better, including trying to plan investments. They will manage their finances by setting aside a portion of their income for investment purposes. Additionally, people with general financial knowledge will easily avoid many scams or fraudulent investments that could harm them. The community has also planned an investment program for a better future. Therefore, it can be concluded that the more people have good general financial knowledge, the better their investment decisions will be. This research result is consistent with the research results of (Fitriarianti, 2018), (Fitriarianti, 2018), (Fitriarianti, 2018) also showing that the general financial knowledge index in the variable Financial literacy has a positive impact. and significantly influence investment decisions.

Furthermore, the lending and savings indices show a regression coefficient value of 0.290 with a significance value of 0.005 with a positive t value of 2.894 indicating that the lending and savings indices have a positive impact. and significantly affects the investment decisions of Tanjung Medan residents. Village. This shows that people with a lot of savings will more easily decide to invest, and will even dare to borrow capital to be able to participate in the investment they are aiming for in the hope of gaining profits in the future. However, this is very risky if you make the decision to invest in an unsuitable entity or object, therefore, the investment decision made must be fully informed (Liana, 2020) or receive an advice from the right people to avoid fraud under the guise of investing. or fraudulent investment. . The results of this study are supported by research findings (Perwito et al., 2020), (Fitriarianti, 2018) and (Bhaskara, 2017). Furthermore, the investment indicator shows a regression coefficient value of 0.297 with a significance value of 0.001 with a positive t value of 3.593 showing that the investment indicator has a positive and significant impact on the investment decision. of residents of Tanjung Medan village. This shows that people who have invested part of their money in certain entities or objects will find it easier to manage their finances well and start investing again at a later stage because they are familiar and familiar with certain forms of investment.

Furthermore, the risk management indicator shows a regression coefficient value of 0.201 with a significance value of 0.043 with a positive t value of 2.062 indicating that the investment management indicator has a positive and significant influence on the investment decisions of the people of Tanjung Medan Village. This shows that people's astuteness and knowledge regarding investment risk management will make it easier for people to make investment decisions (Botín et al., 2011). Simultaneous test results show that the Fcount value is 147.070 with a significance value of 0.000 which can be interpreted as all indicators together having a positive and significant influence on investment decisions with the contribution shown in the determination test (R2) being 89.70% while the rest is influenced by other factors not examined in this research. The results of the simulation test (F) and the coefficient of determination (R2) can be seen in the following table:

Table 2 Simultaneous Test Results (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1228.271	4	307.068	147.070	.000[b]
	Residual	131.538	63	2.088		
	Total	1359.809	67			

a. Dependent Variable: Investation Decision
b. Predictors: (Constant), General Knowledge of Finance, Loans and Savings, Investment, Risk Management

Table 3 Determination Coefficient Test Results (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950[a]	.903	.897	1.445

a. Predictors: (Constant), General Knowledge of Finance, Loans and Savings, Investment, Risk Management

Simple regression analysis testing also shows a positive and strong relationship between the two variables. Based on the results of simple regression analysis calculations in Table 2, the following equation results are obtained:

$$Y = a + \beta 1 X1 + e \quad \rightarrow \quad Y = 12.349 + 0.147$$

Table 4. Results of Simple Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12.349	1.008		7.765	.000
	Financial Literacy	.147	.054	.183	3.746	.000

a. Dependent Variable: Investation Decision

The results of testing the hypothesis about the influence of financial literacy on the investment decision variables of the Tanjung Medan village community show that the regression coefficient value is 0.183 with a significance value of 0.000 with a positive t value of 3,746 shows that financial literacy has a positive and negative impact. significantly influenced the investment decisions of the Tanjung Medan village community. These results show that the residents of Tanjung Medan village are financially literate through good general financial knowledge and will be able to manage their finances by creating and preparing to realize a budget. your finances by setting aside funds for investment. Savings and lending factors are equally important determinants of investment decision making, as are investment habits and knowledge related to risk management in financial management.The results of this study are consistent with research conducted by (Krisnawati, 2019), (Loprang et al., 2022) and (Safryani et al., 2020) which also showed that financial literacy has an impact positively and significantly to people's investment. decisions.

4. Conclusion

Based on the research results and discussion that have been described, it can be concluded that: 1) Financial knowledge has a positive and significant impact when tested by indicators, specifically financial knowledge general finance, lending and savings, investment and risk

management, for investment decisions. both partially and simultaneously, with loan and savings indices having the greatest influence on investment decision making. for the villagers of Tanjung Medan; 2) Financial knowledge has a positive and significant influence on the investment decisions of Tanjung Medan Village residents, with a contribution rate of 89.70%, while the remaining 11.30% is influenced by Other factors that were not considered in this study.

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