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The Effect of Financial Literacy on Investment Decisions Mediated by Financial Behavior

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Abstract
The expected benefits of this study are to deepen the results of previous research on how financial literacy variables affect investment decision variables and also to analyze whether financial behavior variables as mediating variables can strengthen or weaken the relationship between financial literacy variables and investment decision variables. The sample population used was 34 employees who worked in the South Jakarta Jamsostek Tower area. The research data was obtained by distributing questionnaires using a Likert scale as a measuring tool. The technique used to understand the data is descriptive quantitative and assisted by data analysis of the Smart PLS application. The results showed that financial literacy variables have an influence on investment decision variables and financial literacy variables have an influence on financial behavior variables. However, financial behavior does not affect the investment decision variable and the financial behavior variable does not provide influence in mediating the effect of financial literacy on investment decisions.

Keywords: Financial Literacy, Investment Decision, Financial Behavior

Introduction

Investment is one of the promising activities as an option to strengthen financial conditions, which is currently very attractive to the public. Investment is an activity of investing capital in the form of money or assets that are owned now to obtain benefits in the form of profit in the future. Before deciding to invest, it is better for people to learn various things related to the type of investment they are interested in, so that by having a lot of knowledge and understanding related to investment products, the expected benefits of obtaining profits can be realized. However, many people still do not understand the importance of literacy in investment products and have the potential to become targets of fraud by fake investment people (Halim & Astuti, 2015).

Based on Indonesia's capital market statistics for 2024, it appears that Indonesians are very interested in investing. A total of 31,103,839 investors were registered, which represents a 69% growth since 2021. The number of investors is registered at the KSEI institution in the form of mutual funds, debt securities, government securities, and shares. The following is data on the growth in the number of investors in 2021 - April 2024 in Indonesia.

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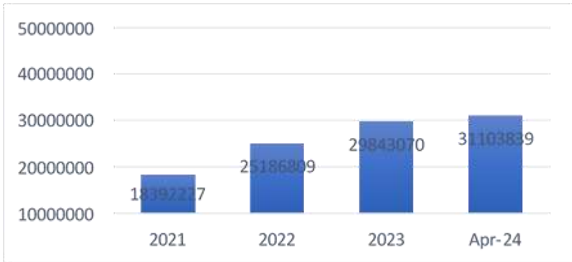

Figure 1. Investor growth (PT Kustodian Sentral Efek Indonesia, 2024)

Investing requires a precise and measurable decision outcome because each decision outcome can affect the return on investment later. Everyone will act rationally and the other side can also be irrational when making decisions, depending on the data he or she collects. Someone who understands finance may have better control in deciding what type of investment is right in a diversity of investment products because they have a large amount of financial data that can be used as a comparison. For example, by knowing interest rates and market conditions, knowing how their credit risk appetite and current situation match the terms and conditions of an investment product so that they can choose which investment is most suitable for them (Safriyani et al, 2020).

The financial literacy process is an important stage in investment planning because the decision-making process should be oriented based on more focused and accurate data (Putri and Rahyuda, 2017). Financial literacy is very useful in understanding how to manage finances and opportunities to improve quality of life. Someone who has a better understanding of finance will be more confident in using various investment tools. Low financial literacy towards financial management can lead to debt accumulation, credit extortion, bankruptcy threats, housing foreclosures and even financial fraud that may occur. The results of research on similar variables previously conducted by Halim and Astuti (2015) and Rustiaria (2017) show that it turns out that testing the financial literacy variable is proven to have an influence on the variable being influenced, namely investment decisions.

One of the government agencies, the Financial Services Authority, in 2022 made a national level survey on the condition of financial literacy in 34 provinces in Indonesia. The survey found that the index on public financial literacy in Indonesia is 49.68% although it has increased from 2013 which was 21.84%. However, this only means that about 40 out of 100 citizens have adequate skills, knowledge and confidence in the various services and products provided by financial services. It is this lack of financial knowledge that causes Indonesians to still often fall victim to illegal investments. Based on the survey data, there is the largest gap between financial literacy and financial inclusion in Jakarta province, which is 43.73%. The gap in the province became the basis for researchers to conduct research in the Jakarta area.

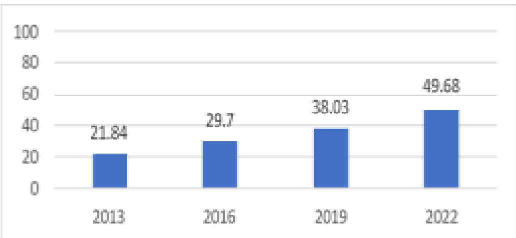

Figure 2. Indonesia's financial literacy index (OJK, 2022)

In addition to financial literacy (knowledge), another cause that can also have a significant impact on investment-related decisions is the variable of financial behavior. Financial behavior is a collection of a person's actions and habits related to managing and managing their finances. How much money is earned and spent will always be a problem for everyone. It is possible that the amount of money a person receives is smaller than the amount of money spent due to the pattern of financial behavior of the individual. Those who treat their financial conditions well tend to use their resources or funds more wisely and intelligently, such as controlling spending, recording every expense, and making investments. Between financial behavior and investment decisions are two things that cannot be separated and influence each other. (Suryanto, 2017). The results of research on similar variables conducted previously by Upadana & Herawati (2020) and Fitriarianti (2018) show that the variable (intermediary) of financial behavior has a real impact on the quality of investment decision results.

Investment-related decisions can be influenced by an individual's financial behavior. If financial literacy is related to the level of knowledge and understanding of an individual, then financial behavior is related to the scope of how an individual manages their finances in reality. Someone who is proficient in financial management but not good enough with good financial arrangements can affect how the investment decision-making process, Conversely, people who are financially aware but also then in practice are balanced with good financial management later can help them in the investment decision- making process. Therefore, for the purpose of this study, researchers want to use financial behavior variables as moderating variables to see whether financial behavior can weaken or strengthen the relationship pattern of the influence of financial literacy variables on investment decision variables.

Method

The population used is employees at Menara Jamsostek South Jakarta who have invested in stocks, deposits, mutual funds, and securities. Employee respondents at Menara Jamsostek South Jakarta are very numerous and the criteria are not clear, therefore the sampling technique used by researchers is incidental sampling. The method of sampling data that will be used in this study is a type of non-probability sampling in the form of incidental sampling, which is a method of determining the sample by taking respondents who happen to be there or available somewhere in accordance with the established research context (Notoatmodjo, 2010). Based on this technique, the number of samples obtained was 34 respondents. The main data in this study were collected through distributing questionnaires in the form of google forms. The analysis method used to determine in depth the relationship between variables is Smart Partial Least Square (SmartPLS). Questionnaire data content for this study was distributed by providing statements that had been prepared according to the context of the dependent, independent, interviening variables previously to respondents. The statement relates to the variable (independent) financial literacy, variable (interviening) financial behavior and variable (dependent) investment decisions used. Likert scale is used as a measurement interpretation on the results of the questionnaire in each statement.

Results and Discussion

Demographic Characteristics of Respondents

The questionnaire containing the statements sent consists of three stages, the first stage is in the form of a screening question to select respondents who meet the main criteria of respondents, namely employees at Menara Jamsostek South Jakarta and have investment products, the second part uses respondent profiles to identify respondent demographics grouped by monthly income level, education level, gender, age, type of work, and investment instruments owned. In the third part, respondents were asked to respond to a number of statements related to investment decision variables, financial literacy variables, and financial behavior variables. Based on observations on the results of the questionnaire, it can be seen that the dominance of data by respondents in this study is known to be male by 56% with an age of 23-35 years by 46%, respondents with the last education S1 by 79%, respondents who have an income per month by 62%, respondents with married status by 51%, respondents who have investment experience for more than 2 to 3 years by 74%, and respondents have shares to invest with the highest percentage of 51%.

Measurement Model Test

Before conducting structural model and hypothesis tests, it is necessary to check the suitability of the model parameters (measurement model) to determine how the quality of the validity and reliability levels on the indicators used are suitable for use in evaluating research variables. The results obtained from model testing are displayed in the form of data table 1. All variables have been declared valid, this is because the value criteria are greater than 0.7. All research variables to be observed have also been declared reliable because the Cronbach's Alpha measurement is more than 0.7 and the Composite Reliability measurement is more than 0.8. The discriminant validity value is presented in table 1. The measurement value of Average Variance Extracted (AVE) Discriminant validity is said to be possible when the AVE value is more than 0.5.

Table 1. Outer Model

Variables	Outer Loading	Cronbach's Alpha	Composite Reliability	Average Variance Extracted	Conclusion
Financial Literacy (X)		0.793	0.857	0.546	Reliable
X1	0.724				Valid
X2	0.730				Valid Valid
X3	0.743				Valid Valid
X4	0.745				
X5	0.751				
Investment Decision (Y)		0.814	0.866	0.565	Reliable
Y1	0.742				Valid
Y2	0.788				Valid
Y3	0.734				Valid
Y4	0.723				Valid
Y5	0.768				Valid
Financial Behavior (Z)		0.797	0.855	0.541	Reliable
Z1	0.708				Valid
Z2	0.742				Valid
Z3	0.706				Valid
Z4	0.789				Valid
Z5	0.731				Valid

Source: SmartPLS 4 Processing Results, 2024

The results show that the discriminant validity of all constructs has been proven to be met, where the measurement model used in this research model has a sufficient level of confidence, convergent validity, and discriminant validity that meets the requirements.

Structural Model Testing

Structural model testing is made to determine the significance value of the relationship between the t test and latent variables based on the parameters in the R- Square value of the research model and its structural path.

Table 2. R-Square

Endogenous Variable	R-Square
Investment Decision	0.178
Financial Behavior	0.243

Source: Smartpls processing results, 2024

Table 2 displays data for the model test. It can be seen that the processing value of the R-square formula for variables that provide intermediary influence, namely financial behavior, the R-square value of 0.243 is included in the strong category, which means that the financial literacy variable has an influence of 24.3% and 75.7% is influenced by other variables. This R-square value shows that investment decisions are affected by independent variables and intervening variables (intermediaries) by 17.8% while the remaining 82.2% is affected by other variables. However, for the investment decision variable, the R-square value is 0.178, which means that the independent variable, namely financial literacy, has an influence on the investment decision variable through the intermediary variable, namely financial behavior. The analysis test was carried out through the SmartPLS 4.0 application by performing the calculate-bootstraping step and found that the results were as follows:

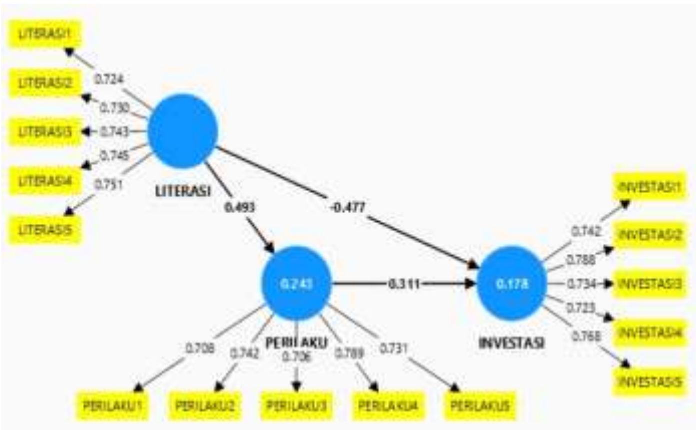

Figure 3. PLS Algorithm Results
Source: Model testing results, 2024

Hypothesis Testing

Table 3 shows the flow of influence between variables in the model. The independent variable, namely financial literacy, has an influence on the dependent variable of investment decisions, financial literacy has an influence on financial behavior variables, financial behavior does not have an influence on investment decision variables, and financial behavior does not have an influence in mediating the influence of the independent variable of financial literacy on the dependent variable of investment decisions.

Table 3. Estimation

Flow	P-Value	Conclusion
Direct Effect	0.027	Significant Significant
Literacy > Investment Literacy >	0.018	Not Significant
Behavior Behavior > Investment	0.279	
		Not Significant
Indirect Effect	0.376	
Literacy>Behavior>Investment		

Source: Smartpls processing results, 2024

Discussion

Based on the results of the estimation model calculation, it can be seen that the adequacy of financial literacy obtained is enough to make investors dare to take investment products. With good financial literacy, investors are more confident so that they feel the security of the investment taken. Good knowledge of finance also makes the investor's mentality in behavior will be more objective in deciding which investment suits their needs.

The Effect of Financial Literacy on Investment Decisions

This study shows the findings that the financial literacy variable has a significant effect on the investment decision variable with a coefficient value of 0.027. The higher the financial literacy, the higher the quality of investment decisions, but on the contrary, if financial literacy is low, the quality of investment decisions will be low. These results are in accordance with research previously conducted by Wardani and Lestari (2020), according to the results of this study, housewives' investment decisions are influenced by financial literacy variables. Someone who is good at managing money will be able to utilize financial resources for profitable purposes that have a positive impact on future financial well-being through investment. High financial literacy can help investors in estimating investments and investing in the right way to gain future profits.

Effect of Financial Literacy on Financial Behavior

The results that can be observed from the research show the findings that the independent variable of financial literacy has a real influence on the financial behavior variable with a coefficient value of 0.018. This means that if financial literacy increases, it also causes an increase in financial behavior. The results of this study are in line with previous research. Sugiharti and Maula (2019) on the effect of financial literacy on student financial behavior. This study found that there is a significant positive effect between financial literacy owned by students and financial behavior. The relationship between financial literacy and financial behavior is in accordance with the results of Raut's research (2020) which provides an explanation that individuals will only act in ways that are considered beneficial to them and vice versa, they will refuse to do anything they think will harm them. In terms of investment plans, an individual who has decided to make an investment will be motivated to study investment because this is considered beneficial to him and vice versa.

Financial Behavior on Investment Decision

The results of the study found that the financial behavior variable had no influence on the investment decision variable with a coefficient value of 0.279. The results of this study are supported by the results of research by Safryani et al (2020) which states that there are indicators and factors in financial planning, budgeting, management, and storage that do not have much influence on investment decisions. There are several causes such as individual risk profiles and capital availability. Financial behavior may only help people build attitudes in investment but not create the drive and confidence to start investing.

The Effect of Financial Literacy on Investment Decisions Mediated by Financial Behavior

The results of this study show the finding that financial behavior variables have no effect in strengthening the relationship between the influence of financial literacy variables on investment decision variables. Habits in terms of budgeting and comparing prices do not make the quality of choosing a suitable investment better, because financial literacy is the main factor to strengthen the quality of investment decisions. Financial behavior that tends to be very cautious actually makes a high fear of investing. In the context of financial attitudes or behaviors, complicated factors such as risk, uncertainty, and many options for investment. Under these circumstances, financial literacy is more important than financial behavior. If individuals are knowledgeable about finance, they will be better suited to make judgments about their investment risks based on data collected and the ability to handle them better.

Conclusions

Financial literacy variables have an influence on investment decision variables. Financial literacy variables have an influence on financial behavior. Financial behavior variables have no effect on investment decisions. Financial behavior variables have no effect in mediating the effect of financial literacy on investment decision variables. Since childhood, it should be a concern that having strong knowledge, skills, and beliefs about finance, so that they can plan and set financial goals, regulate how to consume, manage savings, investments, credit, the importance of budgeting, and manage personal expenses in the future, which can later improve financial well-being. The research conducted was only on employees in the South Jakarta Jamsostek Tower area with a low number of respondents, so further research is needed with a wider coverage space. And it is also hoped that other researchers will re-examine the findings in this study.

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