

Article

The Influence of Financial Literacy on Investment Decision-Making Behavior in the Community of Jember City

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Abstract: This study examines the factors influencing investment decision-making in Jember City, focusing on income, money management, and expenditure. Despite the critical role of financial literacy in fostering investment, a 2019 survey by KSEI revealed only 4,102 registered investors in Jember Regency, indicating low investment interest. Addressing this gap, the study employs a quantitative approach with purposive sampling, involving 80 respondents from the local community. Multiple linear regression analysis reveals that income, money management, and expenditure significantly and positively affect investment decisions, with significance values of 0.002, 0.003, and 0.000, respectively. The model's R^2 value of 0.930 indicates that these variables explain 93% of the variance in investment decisions. The findings suggest that enhancing financial literacy and personal financial management skills can boost investment participation in the region.

Keywords: Finance, Financial Literacy, Decision Making



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1. Introduction

Investment basically includes all forms of allocation of funds or resources to gain profit in the future. Investment is not only limited to financial instruments such as stocks and bonds, but also involves productive assets such as property, business, and education.[1]. Decision-making behavior refers to the mental and emotional processes involved in selecting an action or option from among available alternatives. By understanding the dynamics of these factors, investors, companies, and governments can make smarter and more sustainable investment decisions. Psychological factors such as risk aversion or the tendency to follow market trends can also influence financial decisions.[2]. In financial literacy, understanding the factors that influence investment decisions is key to building financial intelligence.[3]. Financial literacy teaches individuals to understand and analyze economic conditions, monetary policy, and capital market dynamics.[4]. With this knowledge, one can make more informed investment decisions, manage risk wisely, and maximize potential investment returns.[5].

Awareness of the importance of financial literacy in the context of investment decision-making among urban communities. Urban communities often face complex economic challenges, and in that context, a good understanding of financial literacy can be the key to optimizing financial management and investment. In this modern era, especially with the rapid development of

information and communication technology, society is faced with the demand to understand and adopt technology in the context of financial literacy. Smart investment decision-making can make a significant contribution to the economic development of society[6]. In the context of urban society, investment decisions are often a determining factor in efforts to improve living standards and overcome the economic challenges faced.[7].

In Jember Regency, the technological aspect is an important factor that needs to be taken into account. How people in the Jember area interact with technology in the context of financial literacy can affect their level of readiness in making investment decisions. Meanwhile, according to the 2019 survey data conducted by KSEI, capital market inclusion in Indonesia is still low, with only around 0.45% of the Indonesian population becoming investors as of January 31, 2020. The focus on the Jember area only recorded 4,102 SID. Despite the increase in the number of investors in Jember from year to year, this city is still relatively small compared to several other cities in East Java, such as Malang 15,498 SID, Sidoarjo 12,768 SID, Kediri 6,758 SID, and Gresik 4,809 SID (KSEI Survey, 2020).

The phenomenon of lack of investment interest that occurred in Jember Regency was also reinforced by the Regent of Jember Regency, as conveyed by Regent Hendy Siswanto. The statement that the investment climate is still not running well in Jember, and difficulties in infrastructure development are indicators that local people may face obstacles and challenges in making decisions to invest. This study will further explore how the level of financial literacy of the community in Jember City impacts their perceptions and decisions regarding investment. It is hoped that with a better understanding of financial literacy, more effective solutions and efforts can be identified to increase investment interest and support economic development in the region.

2. Materials and Methods

This study uses a quantitative approach. Data collection using research instruments, data analysis is quantitative/statistical, with the aim of testing the established hypothesis, namely the influence of financial literacy on the decision-making behavior of the suburban community of Jember City. The population in this study consisted of the entire community of Jember City. The population of this study consisted of the entire community of Jember City. The sampling technique in this study used purposive sampling. The sampling method is based on certain considerations and criteria given.

Researchers use this sampling technique because with the sample criteria listed, it can help researchers to obtain more representative data results in accordance with the research objectives. The number of samples in this study was 80 respondents. In this study, to measure the variables that have been determined using a Likert scale. The Likert scale used in this study is a minimum score of 1 and a maximum score of 5. The five alternative answers are: Strongly Agree (SS), Agree (S), Neutral (N), Disagree (TS), and Strongly Disagree (STS). Data instrument testing uses validity test, reliability test, multiple regression analysis test, classical assumption test, t-test, and coefficient of determination (R²).

3. Results

Validity Test

Validity test is the level of accuracy between the information presented in the subject and the effects reported by the researcher.[8]. The significance value of an item can be used to determine its validity or invalidity. If the significance value is less than 0.05, the item is declared valid, but if it is more than 0.05, the item is declared invalid and must be corrected or discarded.

Table 1. Validity Test

Variables	Item		Rtable	Rtotal	Sign	Note
Financial Literacy (X)	Income (X1.1)	1	0.361	.966**	0.001	Valid
		2	0.361	.938**	0.001	Valid
	Money Management (X1.2)	1	0.361	.962**	0.001	Valid
		2	0.361	.962**	0.001	Valid
	Expenditure (X1.3)	1	0.361	.934**	0.001	Valid
		2	0.361	.938**	0.001	Valid
Investment Decision Making (Y)	Investment Security (Y1.1)	1	0.361	.857**	0.001	Valid
		2	0.361	.880**	0.001	Valid
	Investment Risk (Y1.2)	1	0.361	.924**	0.001	Valid
		2	0.361	.879**	0.001	Valid
	Rate of Return (Y1.3)	1	0.361	.900**	0.001	Valid
		2	0.361	.920**	0.001	Valid
	Time Value (Y1.4)	1	0.361	.882**	0.001	Valid
		2	0.361	.815**	0.001	Valid
	Liquidity Level (Y1.5)	1	0.361	.825**	0.001	Valid
2		0.361	.666**	0.001	Valid	

Source: Data processed, 2024.

Based on table 1.1, it can be explained from the table above that the Rcount value of the table based on the significant test is 0.05, meaning that the items are valid. Because $r_{count} \geq r_{table}$, with $n = 30$; $df = n - 2 = 30 - 2 = 28$, then at $\alpha = 0.05$ $r_{table} = 0.361$ is obtained.

Reliability Test

Reliability testing aims to check whether the measurement results have the same results when measurements are taken several times with the same tool at different times.[8]. To determine whether an instrument is reliable (feasible) or unreliable (unfeasible) if the Cronbach's alpha value > 0.70 then it is declared reliable.

Table 2. Reliability Test Results

Research Variables	Cronbach's Alpha if item deleted	Reliability standards	Information
Income (X1.1)	0.926	0.70	Reliable
Money management (X1.2)	0.938	0.70	Reliable
Expenditure (X1.3)	0.917	0.70	Reliable
Investment Decision Making (Y)	0.981	0.70	Reliable

Source: Data processed, 2024.

Table 1.2 shows the results of reliability testing on the variable instruments Income (X1.1), Money Management (X1.2), Expenditure (X1.3), and Investment Decision Making (Y) with Cronbach's Alpha or r alpha values above 0.70. This proves that the research instrument in the form of a questionnaire is reliable because the r alpha has a greater value.

Multiple Linear Regression Analysis

Multiple linear regression analysis is an analysis to measure the magnitude of the influence between two or more independent variables on one dependent variable and to estimate the dependent variable using independent variables.[8].

Table 3. Results of Multiple Linear Regression Analysis

Variables	Regression Coefficient	Sig	Information
Constant	0.827	0.422	Significant
Income (X1.1)	0.653	0.277	Significant
Money Management (X1.2)	0.382	0.003	Significant
Expenditure (X1.3)	0.735	0,000	Significant

Source:Data processed, 2024.

Based on Table 1.3, the results can be obtained by obtaining the following multiple linear regression equation:

$$Y = 0.827 + 0.653X1 + 0.383X2 + 0.735X3 + e$$

1. Constant value

From the equation above, a positive constant value is obtained, which means that if the value of the independent variables Income (X1.1), Money Management (X1.2), and Expenditure (X1.3) is equal to zero, then Investment Decision Making (Y) also has a positive value.

2. Income (X1.1)

The coefficient value of the Income variable is positive, which means that the better the value of the Income variable, the better the Investment Decision Making (Y).

3. Money Management (X1.2)

The coefficient value of the Money Management variable is positive, which means that the better the value of the Money Management variable, the better the Investment Decision Making (Y).

4. Expenditure (X1.3)

The coefficient value of the Expenditure variable is positive, which means that the better the value of the Expenditure variable, the better the Investment Decision Making (Y).

Normality Test

The normality test aims to test whether there are any confounding variables or residual variables from a normally distributed regression model.[9]. This study uses Kolmogorov-Smirnov, namely the level of significance is 0.05 with the testing criteria, namely if the significance value ≥ 0.05 then the data is normally distributed and if the significance value ≤ 0.05 then the data is not normally distributed. The results of the data normality test are presented in the following table.

Table 4. Normality Test Results

	Tests of Normality						Significance Level	Information
	Kolmogorov-Smirnova			Shapiro Wilk				
	Statistics	df	Sig.	Statistics	df	Sig.		
X1.1	0.246	80	0,000	0.820	80	0.200	0.05	Normal
X1.2	0.272	80	0,000	0.835	80	0.200	0.05	Normal
X1.3	0.308	80	0,000	0.772	80	0.200	0.05	Normal

Source:Data processed, 2024.

Based on table 1.4 the results of the Normality Test using the Kolmogorov-Smirnov Test, it is known that each significance value seen from Sig. is 0.200, which means that the value listed is > 0.05 , so the data is normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether a regression model has a correlation between

independent variables.[9]. A good regression model should not have correlation between independent variables. In this study, multicollinearity can be assessed from the tolerance value and Variance Inflation Factor (VIF). The results of the multicollinearity test are as follows:

Table 5. Multicollinearity Test Results

Variables	Collinearity statistics		Information
	Tolerance	VIF	
Income (X1.1)	0.054	18,369	No multicollinearity
Money Management (X1.2)	0.159	6,292	No multicollinearity
Expenditure (X1.3)	0.046	21,591	No multicollinearity

Source:Data processed, 2024.

Based on the results of the Collinearity Statistics analysis which can be seen in table 1.5, it is known that the model does not experience multicollinearity. This is indicated by a VIF value <10 and tolerance> 0.1.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether or not there is equality of variance of residuals from one observation to another in a regression model.[9]. The results of the heteroscedasticity test are as follows:

Table 6. Heteroscedasticity Test Results

Model	Coefficientsa					Significance Level	Information
	Unstandardized Coefficients		Standardized Coefficients		t		
	B	Std. Error	Beta	Sig.			
1 (Constant)	0.668	0.827		0.808	0.422	0.05	No Heteroscedasticity Occurs.
X1.1	-0.715	0.653	-0.142	1,094	0.277	0.05	No Heteroscedasticity Occurs.
X1.2	-1,154	0.382	-0.230	3,023	0.203	0.05	No Heteroscedasticity Occurs.
X1.3	6,827	0.735	1,308	9,292	0.200	0.05	No Heteroscedasticity Occurs.

a. Dependent Variable: Total Y

Source: Data processed, 2024.

Based on the results of the heteroscedasticity test through the Glejser test in table 1.6, it can be seen that the sig. in each variable is worth more than 0.05, so it can be said that there is no heteroscedasticity in the regression model in this study, and the independent variables can be stated not to experience heteroscedasticity.

Hypothesis Testing

t-test

The t-test is conducted to determine whether the independent variables individually have an effect on the dependent variable.[9]. The significance of the acceptance or rejection provisions is that

if the significant number is below or equal to 0.05 then the alternative H is accepted and H₀ is rejected. The results of the t-test are as follows:

Table 7. t-Test Results

Variables	Sig	Information
Income (X1.1)	0.002	H ₀ Rejected
Money management (X1.2)	0.003	H ₀ Rejected
Expenditure (X1.3)	0,000	H ₀ Rejected

Source:Data processed, 2024.

Based on table 1.7 above, the magnitude of the influence of each independent variable on the dependent variable can be seen as follows:

1. The result of sig. value 0.002 is smaller than 0.05, meaning that the Income variable does not have a significant effect on Investment Decision Making in Jember City.
2. The result of sig. value 0.003 is smaller than 0.05, meaning that Money Management variable has a significant effect on Investment Decision Making in Jember City.
3. The result of sig. value 0.000 is smaller than 0.05, meaning that the Expenditure variable has a significant effect on Investment Decision Making in Jember City.

Coefficient of Determination Test (R²)

The determination coefficient test (R²) aims to measure the model's ability to explain variations in the dependent variable.[9]. The results of the Determination Coefficient Test are as follows:

Table 8. Results of Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965a	.930	.928	3.433

a. Predictors: (Constant), X1.3, X1.2, X1.1

b. Dependent Variable: TotalY

According to table 1.8, the R Square coefficient value is 0.930 or 93%, so it can be concluded that the magnitude of the influence of income, money management, and expenditure variables on investment decision making in Jember City is 0.930 (93%)

4. Discussion

The Influence of Income on Investment Decision Making in Jember City

Based on the research that has been done, the significance of the t-test is $0.002 < 0.05$ (=5%) then H₀ is rejected and H₁ is accepted, so it can be interpreted that income has a significant effect on investment decision making in the city of Jember. The higher the income obtained by the people of Jember, the higher the level of investment opportunities of the people of Jember, so that the high and low levels of investment among the people of Jember depend on the high and low income, if the income is low then the level of investment of the people of Jember will be low.

These results indicate that there is a significant influence of Income on Investment Decision Making of the community in Jember City. Specifically, the higher the level of income obtained by the Jember community, the greater their chances of making investments. This shows that investment decisions are inseparable from the financial condition of the individual; when people have higher incomes, they tend to have greater capacity and willingness to invest. Conversely, individuals with low incomes will be more likely to avoid investment risks, which results in low levels of investment. In other words, fluctuations in the income level of the Jember community directly affect the

investment decisions taken. Low income will result in limitations in the allocation of funds for investment activities, so that individuals or households with low incomes tend not to make optimal investment decisions. This phenomenon reflects the importance of the income aspect as the main determinant in investment decision making. Income is closely related to investment decision-making behavior. A stable and adequate income can affect a person's ability to invest in financial instruments that have the potential to provide profitable returns[10].

The results of this study are in line with research conducted by Gita et al. (2021), Lindananty & Angelina (2021), Serli et al. (2024) These studies also show that Income has a significant effect on Investment Decision Making. The alignment of the results of this study not only strengthens the arguments in the literature but also provides empirical validation of the statement that Income is a key factor in people's investment behavior.

Thus, these findings have important implications for the development of economic policies in Jember City. Increasing community income not only has the potential to improve individual welfare, but can also encourage community participation in investment. Therefore, efforts are needed from the government and policy makers to formulate programs that can increase community income, such as skills training, creating better jobs, and increasing access to information about investment.

The Influence of Money Management on Investment Decision Making in Jember City

Based on the research that has been done, the significance of the t-test is $0.003 < 0.05$ (=5%) then H_0 is rejected and H_1 is accepted, so it can be interpreted that Money Management has a significant effect on Investment Decision Making of the community in Jember City. The better the Money Management carried out by the Jember community, the higher the level of Investment Opportunities of the Jember community, so that the high and low levels of investment among the Jember community depend on the good or bad financial management of the community, if the management is not good then the level of investment among the Jember community will also be low.

These results indicate that the quality of individual financial management contributes significantly to their ability to invest. The better the Money Management implemented including budget planning, spending control, and allocation of funds for investment, the higher the individual's chances of making profitable investments. In other words, people who are able to manage their finances well will be more likely to make smart and risky investment decisions.

On the other hand, if financial management is done carelessly, individuals will have difficulty in allocating funds for investment. This can result in low levels of participation in investment, reflecting the importance of good financial management as a prerequisite for improving investment decisions.

The results of this study are in line with the findings produced by Gita et al. (2021), Lindananty & Angelina (2021), and Serli et al. (2024), Gita et al. (2021) found that individuals with good managerial skills tend to be more successful in making the right investment decisions. Lindananty & Angelina (2021) showed that good financial management increases people's access to greater investment opportunities. Meanwhile, research by Serli et al. (2024). emphasized that individuals with poor financial management often avoid investing, resulting in lost potential profits.

Overall, the results of this study confirm that increasing knowledge and skills in Money Management is very important to encourage community participation in investment. Therefore, it is recommended that policy makers and educational institutions develop financial education programs aimed at improving the community's financial management skills. Thus, the Jember community can be better prepared to invest, which in turn will contribute to sustainable local economic growth.

The Influence of Expenditure on Investment Decision Making in Jember City

Based on the research that has been done, the significance of the t-test is $0.000 < 0.05$ (=5%) then H_0 is rejected and H_1 is accepted, so it can be interpreted that Expenditure has a significant effect on Investment Decision Making of the community in Jember City. The lower the Expenditure for the needs of the Jember City community, the higher the level of Investment Decision Making of the

Jember community, so that the high and low levels of investment among the Jember community depend on the high and low levels of expenditure generated, if the expenditure is not controlled then the level of investment among the Jember community will also be low, because the funds that should have been allocated for investment are actually used up for needs outside the needs that are purchased impulsively.

The results of this study indicate a significant negative relationship between spending and investment decision making. The lower the spending for daily needs, the higher the tendency of people in Jember City to make better investment decisions. Efficient spending management provides an opportunity for individuals to allocate more funds for investment, which is essential in building assets and improving long-term economic welfare.

On the other hand, if spending is not managed well, such as in the case of impulsive purchases that do not consider basic needs, then funds that should be allocated for investment can be eroded by unproductive spending. Limitations in allocating funds for investment can hinder individuals from achieving potential financial gains. In this context, unplanned spending cycles have the potential to create financial instability that hinders more strategic and low-risk investment decisions.

The results of this study are in line with the findings of several previous studies, including those conducted by Darmawan et al. (2019), Puspasari et al. (2020), and Ernitawati et al. (2020). Research by Darmawan et al. (2019) shows that individuals with high expenditures tend to ignore investment opportunities that can increase their assets. Puspasari et al. (2020) underline the importance of good expenditure planning as a factor that increases an individual's capacity to invest. Meanwhile, Ernitawati et al. (2020) emphasize that good financial management contributes to smarter and more strategic investment decision-making. These findings strengthen the argument that expenditure is a key factor influencing individual investment decisions.

These results are in line with research conducted by Darmawan et al. (2019), Puspasari et al. (2020), Ernitawati et al. (2020) which also stated that Expenditure has an influence on Decision Making, so that the results of this study can be a reinforcement of previous research

5. Conclusion

1. Based on the results of the t-test, it shows that income has a significant positive effect on investment decision-making behavior in the Jember City community. Income has a significant positive effect on Investment Decision Making. These results are in line with research conducted by Gita et al. (2021), Cipta et al. (2022), Serli et al. (2024) which also stated that Income has an influence on Decision Making, so that the results of this study can be a reinforcement of previous research.
2. Based on the results of the t-test, it shows that money management has a significant positive effect on investment decision-making behavior in the Jember City community. These results are in line with research conducted by Gita et al. (2021), Lindananty & Angelina (2021), Serli et al. (2024) which also stated that Money Management has an influence on Decision Making, so that the results of this study can strengthen previous research.
3. Based on the results of the t-test, it shows that expenditure has a significant positive effect on investment decision-making behavior in the Jember City community. These results are in line with research conducted by Darmawan et al. (2019), Puspasari et al. (2020), Ernitawati et al. (2020) which also stated that expenditure has an influence on decision-making, so that the results of this study can be a reinforcement of previous research.

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