

The Influence of Financial Literacy on Investment Decisions During the Pandemic

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This study aims to determine the effect of financial literacy on investment decisions during the pandemic. The object of this research is the students of the Faculty of Economics and Business, Universitas Muhammadiyah Sumatera Utara by using the Slovin formula in taking the sample. The test is carried out by simple linear regression where the classical assumptions have been tested previously. The results showed that there was a significant influence of financial literacy on investment decisions. The pandemic has made everyone, including students, start investing for future needs. Students are advised to continue to improve their financial literacy for the better. With increasing financial literacy, financial management will also be better and lead to investment.

Keywords: Financial Literacy and Investment decision

JEL Classification: B26, G00, G10

INTRODUCTION

Corona viruses (Cov) are viruses that infect the respiratory system. This viral infection is called COVID 19. This virus usually attacks the respiratory tract in humans with initial symptoms of the common cold to more severe diseases such as Middle East Respiratory Syndrome (MERS-CoV) and severe acute respiratory syndrome (SARS-CoV). Transmission of this virus is through respiratory droplets from coughing or sneezing (Mukharom, M., & Aravik, 2020).

The first case of this virus came from the city of Wuhan, China at the end of December 2019. Day by day the number of the spread of this virus continued to increase to an alarming level, so the World Health Organization (WHO) on March 11, 2020 announced that the outbreak was happening. Now, as a global pandemic. The impact of the Corona Virus or Corona virus disease 2019 (Covid-19) in Indonesia has made economic activity decline sharply, including consumption, investment and imports exports. Indonesia's economy contracted 2.07% last year (Muhammad Idris, 2021).

One of those who have felt the impact of the corona virus is millennials who, according to statistical data, amounted to 68.38 million people or 25.87% of the total population of Indonesia (*BPS: Penduduk Indonesia didominasi generasi Z dan Milenial*, 2021). Millennials feel an extreme impact on financial conditions them. This is not only due to the impact of the overall economic contraction, it is also due to the hedonistic lifestyle of millennials, following the latest trends and the rapid development of the digital world, so that they use their finances wrongly, have a consumptive lifestyle and forget to invest in preparation for their future.

Investment is a preparation made by someone to prepare for everything in the future, where the preparation can be done by investing (saving, managing money to be a business, or participating in insurance that is useful in the future). By investing, the community also contributes to the development of the country's economy, this is because with investment, the government can monitor the money circulating in the market.

Lembaga Penjamin Simpanan (LPS) recorded a decrease in the value of community savings on a monthly basis even though the savings account increased. The number of deposit accounts as of January 2020 reached 303.13 million accounts. Up 0.48% (monthly/MoM) compared to December 2019 to 301.69 million. Meanwhile, in terms of quantity, total deposits in commercial banks decreased by 0.7% (MoM) from IDR 6.077 trillion in December 2019 to IDR 6.035 trillion in January 2020. From this amount, the number of savers from millennials was around 15% (Maria Elena, 2020).

Seeing this data, financial literacy skills are important to note, including millennials. Not only understanding financial matters, but also being able to manage finances well. Especially during this pandemic, financial management is important in addition to staying alive as well as a solution to prepare yourself for an economic crisis that has the potential to get even worse in the future. Based on research conducted by (Astuti, Tanjung, & Putri, 2019) stating that financial literacy affects students' interest in shopping online, which shows that the higher the literacy level of students, the lower their interest in making purchases.

Head of the Department of Financial Literacy and Inclusion, Otoritas Jasa Keuangan (OJK), Kristina Puji Rahayu said "financial literacy among millennials is still relatively low. Research from the Financial Services Authority shows that millennials aged 18-25 years only have a literacy rate of 32.1%, while those aged 25-35 years have a literacy

rate of 33.5%, there are still many millennials who are financially vulnerable. This means that preparation and financial management capabilities are still minimal. The data obtained that only 10.7% of the income saved by millennials. Then only 35.1% have their own house, while 51.1% of millennial income is used up for monthly needs (Andriani, 2020).

Several research results from previous studies concluded that financial literacy has a positive effect on investment decisions (Upadana & Herawati, 2020), (Gustika, GS., Hasanah, 2021), (Rikziana, Y. P., 2017). This means that students who are able to manage finances are able to manage finances to invest. However, student financial literacy is still very low. Therefore, it is necessary to apply financial literacy to students, especially during a pandemic, so that students are able to use their finances well. Based on the explanation above, the author wants to examine the effect of financial literacy on student investment decisions in the midst of a pandemic.

LITERATURE REVIEW

Financial Literacy

Every individual must have good financial literacy in order to get prosperity in life. Because if you are able to manage your finances well and are supported by good financial literacy, it is hoped that your standard of living will increase, this applies to every income because no matter how high a person's income level is, without good financial management it will be difficult to achieve (Awais, Laber, Nilofer, & Khrusheed Aisha, 2016). Literacy is the ability to read and write. In the past, the word literacy was rarely used, but now the word literacy is very familiar, especially in the world of education. Capital market literacy which is part of financial literacy is financial knowledge and the ability to apply it or knowledge and abilities (Lusardi & Mitchell, 2007).

According to (Huston, 2010) there are two dimensions in financial literacy, namely: (1) Knowledge dimension, as a collection of financial knowledge and its implementation through the form of financial decisions in everyday life. The scope of financial knowledge is only limited to individual knowledge about how to use financial products obtained through education or personal experience. (2) Application dimension, is the ability of individuals based on their confidence in using their financial knowledge to use financial products properly.

Strategi Nasional Literasi Keuangan Indonesia (SNLKI) (revised 2017) also states that there are four basic principles that need to be implemented in implementing financial literacy, namely: planned and measurable, achievement-oriented, sustainable, and collaborative.

Investment Decision

Making investments requires the right decisions so that every decision chosen will affect the results. Investment is defined as delaying current consumption to be used in efficient production for a certain period of time (Hartono, 2009). Every individual who determines investment decisions will behave rationally and irrationally depending on the information he obtains. Financial information such as interest rate ranges, market conditions, credit risk owned by someone with good financial literacy then they can determine which investment is best for them (Hilgert, M., Hogarth, J., & Beverly, 2003). An investment decision is an action or policy taken in investing in one or more assets to generate a profitable return in the future (Ayu Wulandari and Iramani 2014). Investment decisions are policies on assets owned to be managed so as to generate profits in the future. Meanwhile, the reasons for someone to invest include: (1) to get a better life in

the future, (2) to reduce inflationary pressure; and (3) incentives to save on taxes (Tandelilin, 2010).

RESEARCH METHOD

This study is explanatory research that identifies the relationship between variables and is a quantitative descriptive study. The population of this study was all students of the Faculty of Economics and Business, Universitas Muhammadiyah Sumatera Utara. The samples in this study were students in semester 2, 4 and 8. While the data used in this study was primary data, namely data obtained from respondents' answers to questionnaires or questionnaires given to students who were respondents in this study. collected by researchers using validity and reliability testing of data. The aim is to find out each question item is trusted and believed to be able to measure each variable it represents. The data analysis technique used simple linear regression, where the previous classical assumption was tested.

RESULTS

1. Normality Test

Table 1. Normality Test

One-Sample Kolmogorov-Smirnov Test			Financial Literacy	Investation Decision
N			100	100
Normal Parameters ^{a,b}	Mean		65,9000	66,0300
	Std.			
	Deviation		5,02217	4,70859
Most Extreme Differences	Absolute		,093	,080
	Positive		,093	,078
	Negative		-,065	-,080
Test Statistic			,093	,080
Asymp. Sig. (2-tailed)			,132 ^c	,116 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Data Processing Results

The test above shows that the value of each variable that has met the predetermined standards can be seen in the Asymp value. sig value. (2-tailed) from the Asymp value row. sig value. (2-tailed) of 0.132 and 0.116. This shows that the variables are normally distributed.

2. Simple Linear Regression

Table 2. Simple Linear Regression

Coefficients^a

Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	9,717	6,248		11,158	,000
Literasi Keuangan	,556	,095	,060	2,592	,035

a. Dependent Variable: Investation Decision

Source: Data Processing Results

From these tests the regression equations that can be made are:

$$Y = 9,717 + 0,556X$$

The regression equation above can be explained as follows:

1. The value of 9.717 indicates that if the value of financial literacy is considered constant, then the investment decision that occurs is 9.717.
2. The value of 0.556 with a positive direction indicates that if the value of financial literacy increases by 1%, then it will be followed by an increase in investment decisions of 0.556.

Hypothesis Testing

The test table above shows the financial literacy value of $2,592 > 1,984$ and a significance value of $0.035 < 0.05$, which means that there is a positive and significant influence between financial literacy on investment decisions.

1. Coefficient of Determination

Table 3. Coefficient of Determination

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,760 ^a	,354	,327	,72412

a. Predictors: (Constant), Financial Literacy

b. Dependent Variable: Investation Decision

Source: Data Processing Results

From the test results above, it can be concluded that the value of R square is 0.354 or 35.4%. This shows that the variation of financial literacy in influencing investment decisions is 35.4%, and the remaining 64.6% is influenced by other variables not examined in this study.

DISCUSSION

The test results show the coefficient value is 0.60 and the t-statistic is 2.592. From these results, it is stated that the t-statistic is significant because the p-value < 0.05 so that the hypothesis is accepted. This proves that financial literacy has a positive effect on investment decisions. Financial literacy is 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 determining the chosen investment decision. Financial decisions based on financial literacy (Huston, 2010). From the results of the study, it was concluded that financial literacy has a positive effect on investment decisions, the effect of financial literacy on investment decisions is caused by various factors, one of which is learning outcomes in college. Where learning accounting and financial management related to financial literacy has a positive impact on students. Because indirectly from studying these courses students understand the basics of financial literacy. Good financial literacy will make it easier for someone to understand and know things related to finance and financial risks and will avoid financial problems. Financial problems are not only caused by low-income levels but can also be caused by financial management errors. If a person has good financial literacy, then he can use his financial resources appropriately so that what is the goal in this case is that his

personal financial goals can be achieved. Thus, financial literacy does not make it difficult for someone to enjoy life or use the money they have. For this reason, increasing financial knowledge is very much needed by students or individuals because it has a positive impact on activities related to finance and fosters good financial behavior in the community. The financial knowledge possessed by a person then develops into financial skills, where financial skills are defined as the ability to apply their financial knowledge in everyday life (Palameta, B., 2016).

FinancialThe literacy model, either partially or simultaneously, has a positive effect on Investment Interest. The higher the Financial Literacy, the more Interest in Investing will increase. This finding implies that to generate investment interest in the capital market, it is absolutely necessary to increase the investment motivation of investors. Other than that, during the COVID-19 pandemic, Financial Services Authorities as regulators must further improve Finance Literacy by disseminating investment in the capital market through virtual media (Paranita & Agustinus, 2021).

The research findings support individual and industry investors in making investments during such a pandemic situation. A recommendation for investors is to evaluate market conditions around the world before investing. As updates and news about COVID-19 affect investment decision making has been identified from the regression results, it is better to act accordingly. Investors can frame investment policy for this situation. In the future, the government must take what is necessary precautions to avoid having to go into lockdown (Kiruba, 2021). Financial literacy on financial decisions is proven to have a significant effect with positive support or direct influence. This shows that good financial literacy will provide good relationships direction of one's financial decision making. In this research, more knowledge about finance is needed literacy so that they are able to make decisions that do not harm the family in the future (Pandin, Ratnawati, & Yuhertiana, 2021). The results of another study (Putri, Christiana, Pulungan, & Ardila, 2019) which states that there is a positive influence of investment instrument literacy on students' ability to manage their finances to invest

CONCLUSION

From the results of the tests and discussions that have been carried out, it is concluded that financial literacy affects student investment decisions during the pandemic. the better the level of student financial literacy, the better the investment decisions. The pandemic period indirectly teaches students to be able to make much wiser financial decisions, so they can continue to survive and have good investments.

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DECLARATION OF CONFLICTING INTERESTS

Declaration of conflicting interests in this research are: 1) 1. The systematics of writing this paper is in accordance with the requested template; 2) This study does not have an element of provocation; 3) This study has differences with other articles.

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