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Analysis of Investment Interest Behavior and Financial Literacy Level of The Poor in Gorontalo Province

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ABSTRACT

This paper aims to explore the investment interest behavior and financial literacy level of the poor in Gorontalo Province. This research uses a qualitative approach with a literature study method combined with field interviews as a form of direct observation to strengthen the theoretical study. The results of the author's research show that the investment behavior and interest as well as the level of financial literacy of the poor in Gorontalo Province are still classified as low to moderate. People tend to choose traditional investments that are easy to understand and community-based, but are less able to optimally increase asset value. Low understanding of modern investment products and weak financial management causes people to be trapped in a subsistence economy. Therefore, poverty alleviation efforts need to be accompanied by an increase in financial literacy that is contextual, community-based, and supported by policies and strengthening of local microfinance institutions so that investment can become a tool for long-term economic empowerment.

Keywords: Investment Interest; Financial Literacy; Financial Inclusion; Poor People

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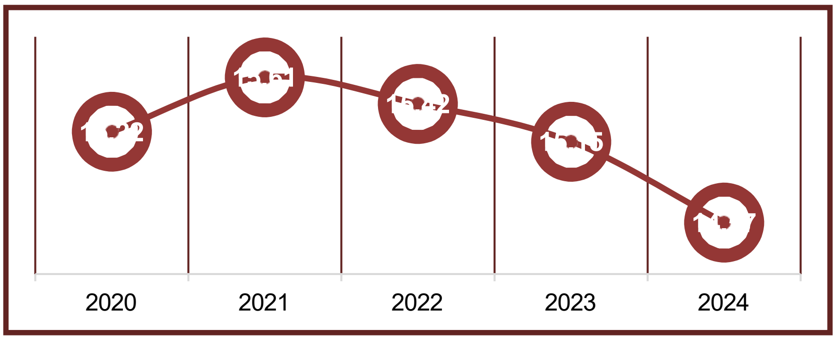
INTRODUCTION

Poverty is a structural issue that remains a major challenge in Gorontalo Province (Arham et al., 2024). Although various government programs have been implemented to reduce poverty, such as social assistance, community empowerment, and job skills training, the impact has not been able to overcome the root of the problem thoroughly (Arham & Payu, 2019). High dependence on the informal sector, low levels of education, and limited access to economic resources are the dominant factors that strengthen the poverty cycle in this area (Arham et al., 2022).



Poverty Rate of Gorontalo Province, 2020-2024
Source: (Gorontalo, 2025)

Based on data from BPS Gorontalo Province in 2025, the poverty rate in Gorontalo Province during the period 2020 to 2024 experienced fluctuations with a downward trend. In 2020, the poverty rate was recorded at 15.22 percent. This figure briefly increased in 2021 to 15.61 percent, most likely influenced by the continued impact of the COVID-19 pandemic which weakened the economy of the lower strata of society. However, from 2022 to 2024, the poverty rate showed a consecutive decline, namely 15.42 percent in 2022, 15.15 percent in 2023, and reached 14.57 percent in 2024. The decline in the last year is quite significant compared to previous years.

Although this downward trend is encouraging, the poverty rate, which is still above 14 percent, shows that poverty remains a serious challenge in Gorontalo Province. Therefore, more strategic and sustainable efforts are needed to accelerate a significant reduction in the poverty rate.

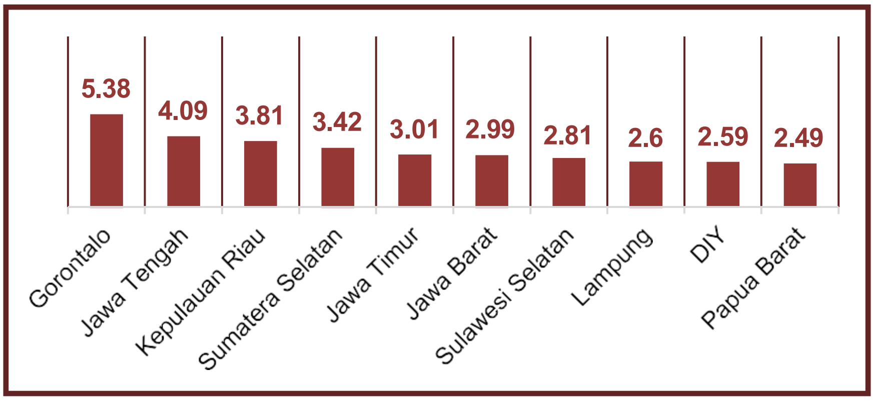


Figure 2. Interprovincial Bad Debt Rate
Source: Katadata.co.id

On the other hand, Gorontalo Province recorded the highest level of non-performing loans among other provinces in Indonesia, at 5.38 percent. This is far above major provinces such as East Java (3.01%), West Java (2.99%), and other high-poverty provinces such as West Papua (2.49%). This high rate of bad debts is an important indication that reflects serious problems in the financial management of the community.

Bad debts occur when debtors are unable to pay their obligations on time or fail to pay at all (Koffi et al. 2024; Uddin, 2019). At the community level, this is usually caused by income instability, lack of financial literacy, and the use of loans for consumption instead of productive activities (Asiama & Amoah; 2020; Disney & Gathergood, 2016). In the context of Gorontalo, this situation can be understood as a reflection of the weak economic resilience of the community, especially among low-income earners.

If associated with poverty data in Gorontalo Province, which in 2024 was still at 14.57 percent, then the high level of bad debts shows the potential for new poverty or vulnerability to recurrent poverty. People who are unable to manage their loans risk becoming indebted, losing productive assets, and experiencing a decline in purchasing power. Eventually, they may fall back into poverty even though they had previously shown signs of economic improvement (Banerjee et al. 2015; Bertoletti et al. 2023; Roodman, 2012).

In facing the complexity of poverty in Gorontalo Province, which is exacerbated by high levels of bad credit and low financial literacy, a solution approach that is not only sectoral and short-term, but also holistic, contextual, and sustainable is needed. Based on these empirical conditions, several strategic approaches can be proposed to encourage behavior change and increase the investment interest of the poor (Duflo et al. 2022).

One of them is to implement a financial literacy and inclusion approach, given the low level of understanding of financial management among the poor (Hermawan et al., 2023; Marwal et al., 2023). Good financial literacy is an important prerequisite in shaping rational and sustainable investment behavior (Sudrajat & Setiyawan, 2022). Therefore, education needs to be tailored to the social and cultural context of the community, for example through village-based financial schools, practical financial training by local financial institutions, or counseling through community media (Veronica, 2023; Zaman et al., 2023). In this way, people are not only given knowledge, but also encouraged to understand the benefits of saving, managing debt, and allocating income for productive activities (Budiman et al., 2023; Kundala et al., 2024).

From the perspective of economic behavior, a behavior change approach can also be applied (Sudrajat & Setiyawan, 2022). This approach recognizes that the financial decisions of the poor are often influenced by uncertainty, social pressure, or consumptive habits (Ndruru et al., 2023). Therefore, interventions are needed that slowly encourage changes in perspectives and habits (Marwal et al., 2023; Ariani et al., 2023). For example, instilling simple investment behavior (Hermawan et al., 2023; Veronica, 2023).

In the context of the poor in Gorontalo Province, simple investments refer to forms of investment that can be accessed with limited capital, have low risk, and are easily understood by people with relatively low levels of financial literacy (Gunawan et al., 2022; Oktaviani et al., 2023; Jange et al., 2025). This type of investment is not speculative like stocks or capital market instruments, but more conventional and practical, in accordance with the socio-economic conditions of the community (Sutejo, 2021; Jange et al., 2025; Tannia et al., 2023).

One simple form of investment that is gaining popularity and is relevant to the poor is saving in the form of deposits (Prina, 2013; Dupas & Robinson, 2013; Shrestha & Nursamsu, 2020). Although time deposits are often associated with the middle class, several financial institutions such as BPRs, savings and loan cooperatives, and BMTs have opened access for low-income people to save their money in time deposit schemes (Kamran & Uusitalo, 2024; Alley, 2024; Shrestha & Nursamsu, 2020). This scheme provides a fixed return, protects the value of money from inflation, and provides a sense of security because funds are not easily taken at any time, thus encouraging discipline in saving (Prina, 2013; Dupas & Robinson, 2013; Alley, 2024).

In addition, saving in gold is also a simple form of investment that is increasingly in demand by some people, especially because the value of gold tends to be stable and easy to withdraw when needed. Pegadaian and several sharia-based financial platforms have provided gold savings services in small amounts that are affordable for both rural and urban communities. Gold is considered a “tangible” and inheritable instrument, which is in line with traditional societal views on the value of wealth (Dasgupta & Ponnathpur, 2020; Chatterjee et al., 2024; Mohapatra et al., 2023).

Beyond this, there are also other simple forms of investment that are productive and community-based, such as saving in cooperatives or savings-investment arisan. Some groups of women and underprivileged families in Gorontalo have practiced the arisan system not for consumption, but for the procurement of work tools, business materials, or even as a family emergency fund. This habit shows that despite limitations, people have the potential to build a culture of saving and investing if given the right access and education (Karlan et al., 2017; Ksoll et al., 2016).

This saving behavior as a simple form of investment reflects the desire to improve economic conditions independently, while avoiding dependence on consumptive debt that risks increasing poverty. Therefore, economic development strategies in regions such as Gorontalo should not only encourage job creation, but also strengthen productive financial behavior through the promotion of simple, poor-friendly investments (Galiani et al., 2022; Kidron & Kreis, 2020; Fungačová et al., 2022).

Referring to the various phenomena of high poverty rates, low financial literacy, rampant bad debts, and not optimal saving and investment behavior of the poor in Gorontalo Province, it can be concluded that there are fundamental problems in the economic behavior and financial decision-making aspects of low-income communities (Adamkovič & Martončik, 2017; Wang, 2022; Hilbert, 2024).

Amidst the efforts of the government and various institutions to reduce poverty through economic empowerment, understanding how the poor perceive and practice investment is very important (Bayakhmetova et al., 2023; Kamakia et al., 2023; Lusardi & Mitchell, 2014). Therefore, the author feels the need to dig deeper into the phenomenon of investment behavior and interest of the poor in Gorontalo Province, with the hope of providing an empirical picture as well as strategic recommendations that contribute to inclusive economic development and sustainable improvement of community welfare (Xu & Zia, 2012; Shanbhag, 2022).

LITERATURE REVIEW

Investment

Investment is part of a modern development approach that emphasizes the importance of capital as the main foundation in driving economic growth (Putri et al., 2019). This approach compares the conditions of industrialized countries with agrarian or developing countries, and views that poverty in developing countries is largely due to capital limitations. Therefore, investment and savings are considered important components in accelerating economic growth (Wijayanti & Juwita, 2024).

However, people's low understanding of financial investment is a serious obstacle in making investment an alternative source of income, especially among the poor (Baveja & Verma, 2024; Shanbhag, 2022). Many people do not understand the different types of financial investment products, so they tend to avoid them or even get trapped in unsafe investments that do not suit their needs and risk levels (Blades, 2018). This lack of financial literacy often leads to poor financial decisions and financial losses (Bryant, 2024).

This is exacerbated by limited access to accurate and reliable financial information, especially in rural areas or communities with limited access to technology (Shanbhag, 2022; Bian et al., 2023). This is a major obstacle to increasing community participation in sustainable financial investment (Yue et al., 2022; Baveja & Verma, 2024).

In Gorontalo Province, for example, many people do not understand the basic concepts of investment instruments such as stocks, bonds, mutual funds and digital assets. In fact, understanding these instruments is very important to expand people's opportunities to manage their finances smartly and create additional sources of income (Blades, 2018).

Investment Behavior

Investment behavior refers to how individuals or groups make decisions in placing funds in financial instruments in the hope of obtaining future profits (Liu et al., 2022; Wesslen et al., 2021). The study of investment behavior is heavily influenced by behavioral economics theories that consider psychological, social, and emotional aspects of financial decision making (Shefrin & Statman, 1985; Kahneman & Tversky, 1979). Individuals do not always act rationally in investing, as their decisions are often influenced by cognitive biases such as overconfidence, herding behavior, and anchoring (Cerulli Associates, 2024; Barberis & Xiong, 2009).
In addition, investment behavior is also determined by demographic factors such as age, education level, income, and experience (James & Menzies, 2023; Sarkar, 2023). Research shows that investors who have a higher understanding of the risks and benefits of investment tend to be more active and courageous in diversifying their portfolios. On the other hand, limited information and market uncertainty are the main challenges in shaping healthy investment behavior (Wesslen et al., 2021; Liu et al., 2022).

Financial Behavior

Financial behavior is the study of how individuals manage their income, spending, saving, and investment decisions in their daily lives. This behavior includes spending patterns, saving habits, debt management, and long-term financial planning (Sarkar, 2023; Wesslen et al., 2021).
Factors such as financial education, cultural values, social environment, and life experiences greatly influence a person's financial behavior (Arham et al., 2022). A person with good financial behavior usually has a clear financial plan, is able to control spending, and has a habit of saving and investing consistently. Conversely, poor financial behavior can lead to personal financial problems such as accumulated debt, inability to meet basic needs, and dependence on social assistance (Kidron & Kreis, 2020).

Financial Literacy

Financial literacy is an individual's ability to understand and effectively use various financial concepts and products, such as saving, investing, managing credit, and making financial plans. A good level of financial literacy allows a person to make wise financial decisions and minimize the risk of financial loss (Jusuf et al., 2023).

Improving financial literacy plays an important role in creating household economic stability. Many studies show that people with low levels of financial literacy tend to engage in harmful financial practices, such as taking out loans with high interest rates or following fraudulent investments. Therefore, financial education is an important strategy in forming a financially literate society (Mandell & Klein, 2009).

The Relationship between Investment Behavior, Financial Literacy, and Poverty
Financial literacy and investment behavior play an important role in influencing people's welfare (Mandell & Klein, 2009), especially in the context of poverty reduction. People who have good financial literacy tend to have positive financial and investment behaviors, such as setting aside income to save and invest, and being able to manage financial risks well (Yushita, 2017).

Poverty is often reinforced by individuals' inability to manage finances and optimally utilize economic opportunities (Arham et al., 2024). In this context, financial literacy can be an empowerment tool that helps the poor to break out of the poverty cycle (Aithal, 2024; Anggiana et al., 2024). With a better understanding of finance, the poor can make more rational economic decisions and access financial products that suit their needs (Anggiana et al, 2024; Yushita, 2017).

Meanwhile, good investment behavior opens up opportunities for people to earn additional income, increase assets, and build family economic resilience (Zaiats, 2024; Wardhono et al., 2022). The combination of sound financial behavior, adequate literacy, and access to safe investment instruments can be an effective strategy in reducing economic inequality and improving community welfare, especially in economically underdeveloped regions (Zulkarnain & Satrianto, 2023; Koomson et al., 2022).

RESEARCH METHOD

This research uses a qualitative approach with a literature study method combined with field interviews as a form of direct observation to strengthen the theoretical study. The literature study was conducted by reviewing various literatures such as books, scientific journals, articles from credible websites, and other relevant documents to understand the concepts of financial behavior, investment behavior, financial literacy, and their relation to poverty reduction efforts. This literature study focuses not only on collecting references, but also on critically analyzing theories and previous research results that support the arguments in this study (Abdussamad, 2021; Adlini et al., 2022).
To support the depth of analysis, this research also involves the process of collecting primary data through direct interviews with the community. Interviews were conducted with heads of households (HHs) in Gorontalo City who belong to Decile 1 to Decile 4, which is the category of low-income people according to economic welfare indicators. From a total of 14,845 households in these decile groups, a sample of 100 households was taken proportionally to represent each decile (Swarjana, 2022).

The sampling technique considered balanced representation and aimed to gather in-depth information on their financial and investment behavior, as well as their level of financial literacy. Interviews were conducted in a semi-structured manner to allow for more flexible and in-depth data collection, allowing respondents to explain their views, experiences and strategies in managing their finances as well as their likelihood of utilizing financial investments as an alternative source of income. The interview data was then categorized and analyzed descriptively-qualitatively to gain a comprehensive understanding.

This method was chosen because it is suitable for exploring socio-economic phenomena with a contextual and interpretative approach (Adlini et al., 2022). In addition, by combining literature review and interviews, this research is expected to provide theoretical and practical contributions in efforts to realize sustainable development goals

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(SDGs), especially the first point, namely poverty alleviation, through the use of financial investments in Gorontalo Province.

RESULTS

This research reveals that poor communities in Gorontalo Province have distinctive investment patterns and behaviors, which are different from the understanding of investment in the formal context or capital market. In conditions of limited income, people tend to adopt investment strategies based on traditional risk management and placement of funds in assets that have immediate and long-term use value.

Community Groups	Selected Forms of Investment	Reasons/Considerations	Investment Characteristics
Poor (pre-prosperous)	Livestock (chickens, goats)	Direct use value	Productive, tangible, community-based, low risk
	Rice field management/rental land	Can be disbursed when needed	
	Arisan group	Alternative source of income	
	Savings and loan cooperative		
Poor (vulnerable/upgrading)	Term savings	Term savings Stable saving value	Formal, stable, easy to disburse, Relatively safe value
	Gold (small precious metals)	Safe from inflation	
	Micro deposits at BPR/BMT	Can be inherited	
Lower middle class	Digital gold savings	Access to digital platforms increasing	
	Small investment in gold or inherited property	Gold value easy to understand	
Majority of people (poor & lower middle class)	No interest in stocks or mutual funds	Lack of understanding	Low literacy level, very high risk perception
		Fear of loss	
		Assumption “for the rich”	

Table1. Mapping Community Investment Behavior and Interest
Source: Interview results, processed (2025)

One of the most common forms of investment found among the poor is investment in productive goods, such as the purchase of small livestock (chickens, goats) or the seasonal management of paddy fields. This form of investment is considered safer and can be utilized at any time for urgent needs, as well as potentially providing long-term returns. In addition, community-based financial practices such as arisan or savings and loans through local cooperatives are also forms of social investment that not only function as savings, but also strengthen social networks and solidarity among community members.

In communities with more stable incomes, there is a tendency to save in the form of deposits or gold. This shows a shift in investment patterns from traditional forms to formal financial instruments, although it is still limited to certain circles. Gold investment, in particular, is considered to have a safe and inheritable value, and is easy to withdraw in an emergency.

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However, this study also shows that interest in modern investment instruments such as stocks is still very low among the poor and lower middle class. This is due to several factors, including low financial literacy, high risk perception, and the assumption that stocks are only suitable for the upper middle class. People tend to choose instruments that are more tangible and can be monitored directly, compared to abstract investments such as the capital market.

Overall, the investment behavior and interest of the poor in Gorontalo is strongly influenced by economic factors, culture, social experience, and access to financial information. Therefore, strategies to improve the welfare of the poor through investment need to consider a locally-based approach, as well as an increase in financial literacy that is contextual and applicable. It is also necessary to strengthen the role of local financial institutions in providing simple investment instruments that are safe, reliable, and in accordance with the needs of low-income communities.

DISCUSSION

Based on the review of interview results and field data, the author can conclude that the high poverty rate in Gorontalo Province, which is consistently above the national average, is closely related to low financial literacy and limited access to formal financial instruments. This is reflected in the investment patterns of the poor, which tend to be traditional and based on daily needs. Instead of accessing modern investment products such as time deposits, digital precious metals, or mutual funds, people prefer forms of investment that are considered safe, tangible, and can be controlled directly, such as livestock, agricultural land, productive arisan, and local cooperatives.

This preference for tangible investments reflects not only a lack of knowledge about formal financial products, but also a low level of trust in the modern financial system (Guiso et al., 2008; Jaffer et al., 2014). On the other hand, traditional investment systems are considered more socially and culturally inclusive, although they often do not provide optimal asset growth. This is one of the factors hindering the accumulation of productive assets that can help people escape poverty (Moser & Dani, 2008; Sherraden, 1991).

In addition, when associated with the high level of non-performing loans (NPLs), especially in the consumptive and MSME sectors, there is a pattern of unhealthy financial behavior. Credit obtained by the community, instead of being used as business capital or productive investment, is mostly used for consumption or short-term needs. This is a clear indicator that low financial literacy not only has an impact on low investment interest, but also on the inability to manage financial risk and debt, which ultimately worsens household economic conditions.

More specifically, the field findings can be grouped into the following four main points:

1. Preference for Non-Formal and Traditional Investments

The majority of the poor prefer forms of investment that are close to their daily lives, such as livestock, land, arisan, and cooperatives. Such investments are considered low-risk, easy to understand, and have a dual function as a source of income. However, despite being socially and culturally safe, these traditional investments do not provide long-term added value and do not improve the community's capacity in modern financial management.

2. Lack of Interest in Capital Market Investments and Modern Products

People tend to be reluctant to try stocks or mutual funds due to lack of information, lack of understanding of risks, and negative perceptions of these products. Many assume such investments are only suitable for high-income earners or those living in big cities.

This indicates inequality in the distribution of financial literacy and access to investment education, which widens the poverty gap and hampers economic equity.

3. Mismatch between Consumptive Behavior and Financial Capacity
Consumptive loan defaults are a symptom of people's unpreparedness to use financial products wisely. Lack of knowledge about financial planning, family financial records, and debt management causes loan funds to be used for non-productive consumption, resulting in insufficient returns to cover installments, and ultimately adding to the household's economic burden.

4. High Financial Literacy in More Stable Income Groups
Only a small proportion of people with more stable incomes show a better understanding of gold savings and time deposits. This shows that financial literacy can grow with access to education, digital information, and increased wealth. However, since the number of this group is still limited, the impact is not yet significant to reduce the overall poverty rate.

These phenomena make it clear that efforts to reduce poverty in Gorontalo Province cannot be separated from strategies to improve financial literacy based on local wisdom. Financial education must be tailored to the social and economic context of the community, integrating traditional practices with modern understanding so that people can gradually understand the benefits of investment diversification, risk management, and the importance of long-term financial planning.

Without this capacity building, uncontrolled consumptive patterns and low productivity from traditional forms of investment will continue to trap communities in a cycle of poverty and debt. Therefore, a holistic and inclusive approach that combines education, local policy interventions, and strengthening community-based microfinance institutions is needed.

CONCLUSION

Based on the results and discussion above, it can be concluded that the investment behavior and interest as well as the level of financial literacy of the poor in Gorontalo Province are still low to moderate, characterized by:

1. Relying more on traditional ways of investing.
2. Still limited to understanding the direct use value, not the growth value of assets.
3. Lack of skills in managing debt and recognizing the risks of formal investments.

The poor tend to prefer traditional, tangible, and community-based forms of investment, such as livestock, land, arisan, and cooperatives, because they are considered safer, easier to understand, and provide direct benefits. Despite providing a sense of social security, these forms of investment are not able to optimally increase asset value or long-term financial capacity.

Furthermore, the lack of understanding of modern investment products such as time deposits, gold savings and stocks, as well as low trust in the formal financial system, means that the majority of people remain in a subsistence economy. Meanwhile, the high level of bad debts, especially in the consumptive sector, indicates weaknesses in debt management and household financial planning, which worsen economic conditions and hamper the social mobility of the poor.

This condition confirms that poverty reduction in Gorontalo Province cannot be separated from efforts to improve financial literacy, which not only focuses on the transfer of technical knowledge, but also pays attention to local socio-cultural aspects that shape people's economic behavior. Therefore, it is necessary to apply a holistic, community-based, and adaptive approach to social reality, through the integration of inclusive financial education, supporting policies, and strengthening local-based microfinance institutions as drivers of the economic transformation of the poor.

Thus, investment in the poor needs to be positioned as an empowerment tool, not merely a placement of funds, in order to encourage household economic growth, strengthen financial resilience, and ultimately help reduce poverty in a sustainable manner.

LIMITATION

This research has several limitations that need to be acknowledged. First, the qualitative approach with a limited number of respondents (100 household heads) cannot comprehensively represent the entire diversity of the poor in Gorontalo Province. Second, the selection of respondents focusing on urban areas (Gorontalo City) may limit the generalization of results to rural areas that have different social and economic characteristics. Third, the limited scope of financial instruments discussed means that this analysis does not fully cover the spectrum of investment options available to the poor, especially those that are digital-based. Therefore, further research with a quantitative approach and wider regional coverage is needed to strengthen and test these findings empirically.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare that there is no conflict of interest in the conduct of this research or in the process of writing this scientific article. The entire process was carried out independently and was not influenced by personal interests, institutions, or external sponsors.

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