

THE INFLUENCE OF FINANCIAL LITERACY, INVESTMENT KNOWLEDGE AND INVESTMENT MOTIVATION ON STUDENT INVESTMENT INTEREST IN LHOKSEUMAWE CITY

Sumi Amelya Harahap¹, Rico Nur Ilham², Ristati³, Muttaqien⁴

Universitas Malikussaleh / Aceh Utara, Indonesia

Corresponding Email: riconurilham@unimal.ac.id

Abstract

This study aims to determine whether financial literacy, investment knowledge and investment motivation affect student investment interest in Lhokseumawe City. The data used in this study are primary data where the data is obtained by distributing questionnaires to students in Lhokseumawe City. The sampling technique used is purposive sampling with non probability sampling method. The number of respondents used as samples in this study was 100 people using the Lameshow formula. The data were analyzed using the partial least square method using SmartPLS 4.0 software. The results of this study indicate that financial literacy has a positive and significant effect on student investment interest in Lhokseumawe City with an original sample value of 0.474 and a P value of 0.000, investment knowledge has a positive but insignificant effect on student investment interest in Lhokseumawe City with an original sample value of 0.165 and a P value of 0.111 and investment motivation has a positive and significant effect on student investment interest in Lhokseumawe City with an original sample value of 0.334 and a P value of 0.001. This shows that financial literacy and investment motivation are very important for every student in Lhokseumawe City to increase their investment interest. Meanwhile, investment knowledge, high or low, has no effect on student investment interest in Lhokseumawe City.

Keywords: *financial literacy, investment knowledge, investment motivation and investment interest*

INTRODUCTION

Globalization is increasing domestic investment in the real and financial sectors. Technological advancements provide many opportunities for Indonesian students that must be capitalized on given the vast territory and many underdeveloped areas. Indonesia has great growth potential in the future which requires investment support, both from foreign and domestic investors. Investment is the investment of resources for future gains that can benefit individuals and families (Darmawan et al., 2019). Students are the main target for the financial sector in the future. Currently, the younger generation is showing an increasing interest in investing. Although often considered wasteful, this generation has also begun to show significant interest in understanding and learning about investments as shown by Onasie & Widoatmodjo, (2020).

A person is said to be financially savvy if he or she has the skills to use financial products offered by financial institutions. The financial institutions involved include banks, insurance, pawnshops, pension funds and capital markets (Gunawan et al., 2020). By 2022, 49.87 percent of Aceh's population will have good financial literacy, an increase from 44.36 percent in 2019 (OJK 2019 and OJK 2022). Despite the increase, financial literacy in Aceh is still quite low, the percentage means that only 49 out of every 100 Aceh residents are classified as well literate. This shows that many Indonesians, especially Acehnese, do not fully understand financial products and services. Financial literacy is essential for community empowerment, individual welfare, consumer protection and increased financial inclusion.

The understanding of someone who is new to investing can lead to misperceptions. If a person invests with limited knowledge, everyone is at greater risk of being trapped in a fake or fraudulent investment and will be very detrimental. Therefore, knowledge about investment is very important for Indonesians so that they are not worried or deceived, and can invest with a sense of security (Hati & Harefa, 2019). In 2022, losses due to illegal investments reached IDR 109.67 trillion, with university students as one of the biggest victims due to a lack of knowledge

about investing techniques that makes them easily tempted by high-profit investment offers (kontan.co.id, 2022).

When a person wants to change and learn new things, he or she will get strong motivation from his or her own heart. In general, if one has a goal to achieve, one will get motivated. The desired change is to provide a better life for the future through changes now. Many individuals try to engage in investment, but most fail and stop the activity. This lack of motivation is due to the low understanding and awareness of the public towards investing in the capital market (Pajar & Pustikaningsih, 2017).

Timothy Ronald, an investor and motivator from South Tangerang, has successfully inspired many young people to invest through his social media content (IDX Channel, March 2023). This shows that investment interest is closely related to motivation. To make an investment, one must have an interest in investing. According to Negara & Febrianto (2020), interest in investment is a strong urge or desire to understand everything related to investment and then apply it in the practice of investing.

Students generally have an interest in investing, although they often face various obstacles, especially for those who are just starting out. Novice investors need to understand the importance of investment to protect themselves from unethical practices such as gambling, bandwagoning, and fraud, as well as manage the risk of loss, particularly in stock investment in the capital market (Darmawan et al., 2019). Raising awareness about investment is crucial as investment can support economic growth in the long term.

LITERATURE REVIEW

According to Salmah & Kartini Harahap (2023), investment interest is a person's curiosity that encourages him to be interested in investing. Indicators include interest in trying to invest, desire to own and find out about investments, and confidence to try investing. In addition, investment interest is an impulse that arises after someone sees, pays attention to, compares and considers their needs which encourage them to take steps related to investment (Fietroh et al., 2021). Thus, it can be concluded that investment interest is basically a person's interest or desire to learn everything about investing until finally practicing it.

Financial literacy includes the understanding, knowledge, skills, attitudes and behaviors necessary for individuals to make financial decisions that support the achievement of financial well-being (Sugiharti & Maula, 2019). Behavioral finance theory is a concept that studies how individuals treat, manage and use their funds to achieve goals, namely with the aim of managing financial risk (Austin & MN, 2021). This theory also includes the mindset of investors who are influenced by emotional processes when making financial decisions. To invest, one needs sufficient investment knowledge to analyze which securities to buy.

Investment knowledge is an understanding of all aspects of investing that a person must have, ranging from basic knowledge of investment valuation, risk levels to investment returns (Pajar & Pustikaningsih, 2017). To avoid losses in investing, sufficient and adequate knowledge is needed. Knowledge about investment affects a person's interest in investing because this knowledge becomes the basis for making decisions to act according to their wishes (Badriatin et al., 2019).

Mastura et al., (2020) explain that investment knowledge includes understanding and consideration before making an investment, such as understanding how investment works and objectives, identifying potential profits and risks, understanding the company's business operations to avoid mistakes in choosing investment instruments, setting investment periods, effective portfolio allocation, learning technical and fundamental analysis of stocks and maintaining discipline and avoiding greedy behavior. Maslow's theory of motivation teaches that human behavior is influenced by motivation, which drives them to meet needs at the next level. Motivation according to the Big Indonesian Dictionary (KBBI) is an impulse that encourages a person, either consciously or unconsciously, to act with a specific purpose or an effort that motivates individuals or groups to achieve the expected goal or get satisfaction from the action.

Hasanudin et al., (2021) defines investment motivation as a factor that encourages individuals to engage in investment activities. Meanwhile, according to Nabilah & Hartutik (2020) investment motivation is a condition that encourages a person to carry out activities related to investment.

Of the many individuals who engage in investing, there are some who experience failure or lack a deep understanding of investing. One of the main causes of this failure is the lack of setting clear and measurable financial goals in their investment process. As a result, they face difficulties in assessing the success of the investment and lack the motivation to continue with the investment. Motivation has a very important role in influencing a person's interest in investing because motivation is a driver that encourages individuals to act. Motivation can be considered as the first step that provides the impetus to achieve the desired goal and has a significant impact on individual psychological factors (Hikmah & Rustam, 2020). The choice of the right investment instrument is often influenced by one's level of motivation. Motivation describes the extent to which individuals are willing to sacrifice to achieve desired goals.

METHOD

The sampling method used is Non Probability Sampling with Purposive Sampling technique. Because the population size in this study is unknown, the Lameshow formula is used to determine the sample size of 96 people. In this study, data were collected through distributing questionnaires using a Likert scale filled out by respondents who had met the criteria as a sample via Google Form online. The Likert scale used consists of five choices, namely Strongly Agree (SS) with a score of 5, Agree (S) with a score of 4, Neutral (N) with a score of 3, Disagree (TS) with a score of 2, and Strongly Disagree (STS) with a score of 1 (Amruddin et al., 2022: 88). This study requires the use of SmartPLS software to conduct data analysis due to the limited number of research samples. There are two sub models needed in PLS-SEM analysis, namely the measurement model (outer model) which consists of convergent validity, discriminant validity and reliability and the structural model (inner model), namely R-square.

RESULTS AND DISCUSSION

Contents Results and Discussion

a. Measurement Model Test Results or Outer Model

1. Convergent Validity

To test convergent validity, indicators that measure a construct must have a loading factor (correlation between item/component scores and construct scores) of more than 0.7 to be considered significant. In addition, the average variance extracted (AVE) value must be more than 0.5 (Ghozali and Latan, 2015).

Table 1 Outer Loading Test Results

	X1	X2	X3	Y
X1.1	0.829			
X1.2	0.755			
X1.3	0.818			
X1.4	0.810			
X1.5	0.832			
X1.6	0.826			
X1.7	0.864			
X1.8	0.871			
X2.1		0.887		
X2.2		0.903		
X2.3		0.910		
X2.4		0.891		
X2.5		0.898		
X3.1			0.925	

X3.2	0.951
X3.3	0.904
Y1	0.928
Y2	0.936
Y3	0.931

Source: Primary data, 2024 (processed)

Based on table 4.9, the construct value greater than 0.7 is considered significant, it shows that each item on the variables of financial literacy, investment knowledge, investment motivation and investment interest has a sufficient level of significance.

Table 2 Convergent Validity Test Results

	Average variance extracted (AVE)
Financial literacy	0.683
Investment knowledge	0.806
Investment motivation	0.859
Investment interest	0.868

Source: Primary data, 2024 (processed)

Based on table 4.10, the financial literacy variable with an AVE value of 0.638, investment knowledge with a value of 0.806, investment motivation with a value of 0.859, and investment interest with a value of 0.868 all have valid or significant values because the construct value exceeds 0.5.

2. Discriminant Validity

The method for assessing discriminant validity is to test the cross loading value of each variable which must be more than 0.7. In addition, the cross loading value of the calculated variable must be greater than the value of other variables.

Table 3 Discriminant Validity Test Results

	X1	X2	X3	Y
X1.1	0.829	0.72	0.658	0.738
		3		
X1.2	0.755	0.60	0.572	0.683
		1		
X1.3	0.818	0.66	0.632	0.681
		0		
X1.4	0.810	0.76	0.737	0.741
		7		
X1.5	0.832	0.72	0.704	0.722
		6		
X1.6	0.826	0.69	0.692	0.718
		7		
X1.7	0.864	0.83	0.822	0.857
		2		
X1.8	0.871	0.80	0.784	0.816
		0		
X2.1	0.798	0.88	0.781	0.768
		7		
X2.2	0.805	0.90	0.824	0.828
		3		
X2.3	0.842	0.91	0.801	0.810

		0		
X2.4	0.753	0.89	0.826	0.783
		1		
X2.5	0.765	0.89	0.861	0.799
		8		
X3.1	0.775	0.82	0.925	0.820
		2		
X3.2	0.844	0.85	0.951	0.842
		5		
X3.3	0.749	0.86	0.904	0.811
		0		
Y1	0.851	0.84	0.817	0.928
		0		
Y2	0.842	0.82	0.836	0.936
		0		
Y3	0.837	0.82	0.832	0.931
		4		

Source: Primary data, 2024 (processed)

From table 4.11, to assess discriminant validity, it is important to note that the cross loading value should be >0.7. Therefore, the variables of financial literacy, investment knowledge, motivation and investment interest have values that exceed 0.7 and are higher than the other variables indicating that they are valid.

3. Reliability

Reliability is a measurement to evaluate the accuracy, accuracy and consistency of a measuring device (Ghozali and Latan, 2015). A construct is considered reliable if the composite reliability and Cronbach alpha values exceed 0.70 (Ghozali & Latan, 2015).

Table 4 Reability Test Results

	Cronbach's alpha	Composite reliability (rho_a)	Description
X1	0.933	0.936	Reliable
X2	0.940	0.940	Reliable
X3	0.918	0.919	Reliable
Y	0.924	0.924	Reliable

Source: Primary data, 2024 (processed)

Based on table 4.12, the variables of financial literacy, investment knowledge, investment motivation and investment interest show a high level of reliability. The financial literacy variable has a composite reliability of 0.936 and a Cronbach's alpha of 0.933. The investment knowledge variable has a composite reliability of 0.940 and a Cronbach's alpha of 0.940. The investment motivation variable has a composite reliability of 0.919 and a Cronbach's alpha of 0.918, while the investment interest variable has a composite reliability of 0.924 and a Cronbach's alpha of 0.924.

b. Structural Model Test Results or Inner Model

When the R-square value reaches 0.67, it indicates that the model is strong, while a value of 0.33 indicates a moderate model and 0.19 indicates a weak model (Chin, 1998 in Ghozali and Latan, 2015). In other words, the higher the R-square value, the better the quality of the prediction and research model presented.

Table 5 R-Square Test Results

R-square	R-square adjusted
-----------------	--------------------------

Y	0.873	0.869
---	-------	-------

Source: Primary data, 2024 (processed)

Based on table 4.13 R-square indicates a significant effect of endogenous variables with a value of 0.67 indicating a strong model, 0.33 indicating a moderate model and 0.19 indicating a weak model. Therefore, the investment interest variable shows a strong influence with a value of 0.873.

c. Hypothesis Test Results

This test is carried out with the aim of evaluating the relationship between variables by analyzing parameter coefficients and the significance of t statistics using the bootstrapping method (Ghozali & Latan, 2015).

Table 6 hypothesis test results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STD EV)	P values	Description
X1 -> Y	0.474	0.469	0.087	5.450	0.000	<i>Accepted</i>
X2 -> Y	0.165	0.168	0.104	1.595	0.111	<i>Rejected</i>
X3 -> Y	0.334	0.334	0.101	3.301	0.001	<i>Accepted</i>

Sumber: Data primer, 2024 (diolah)

Based on table 4.15, to measure a significant variable, the P values must be less than 0.05. Therefore, it can be concluded that the first hypothesis that financial literacy has a positive and significant effect on investment interest is proven by P values of 0.000. Meanwhile, the second hypothesis that the investment knowledge variable has a positive but insignificant effect on investment interest is shown by the P values of 0.111. The third hypothesis, that the investment motivation variable has a positive and significant effect on investment interest, is supported by a P value of 0.001.

Contents of Discussion Results

1. The Effect of Financial Literacy on Investment Interest

It can be seen from the results of the path coefficients test which shows the original sample value of 0.474 and P values with a value of 0.000, it can be concluded that financial literacy has a positive and significant effect on student investment interest in Lhokseumawe City. This means that the higher a person's level of financial literacy, the higher his investment interest and vice versa.

A person's financial behavior is greatly influenced by how well they understand finance. Financial literacy is of key importance as it helps individuals cope with financial issues, such as saving, buying insurance or investing when times are good. The level of financial literacy also affects a person's outlook towards investing. People with high financial literacy levels tend to be more interested in investing. Therefore, financial literacy plays a crucial role in helping individuals manage their finances effectively.

2. Effect of Investment Knowledge on Investment Interest

It can be seen from the results of the path coefficients test with a value of 0.165 and P values with a value of 0.111, it can be concluded that investment knowledge has a positive but insignificant value on student investment interest in Lhokseumawe City. This means that the level of investment knowledge does not affect a person's interest in investing.

The more extensive knowledge students have, especially in investment, does not guarantee that their interest in investing will also increase. This finding is in line with previous studies by

Fortunatus & Pamungkas (2023) and also Burhanudin et al., (2021) which show that knowledge about investment has a positive but insignificant impact on interest in investing.

3. Effect of Investment Motivation on Investment Interest

It can be seen from the results of the path coefficients test which shows the original sample value of 0.334 and P values of 0.001, it can be concluded that investment motivation positively and significantly affects student investment interest in Lhokseumawe City. This means that the higher the level of student motivation, the higher the investment interest and vice versa. Usually people will feel motivated to invest when there are things that naturally interest them. There are many factors that can drive a person's motivation to invest, one of which is the potential profit or return offered. Therefore, motivation to invest is positively correlated with interest in investment. The greater a person's motivation to invest, the higher their interest in investing.

CLOSING

Conclusion

Based on the results of data analysis and discussion regarding the influence of financial literacy, investment knowledge, and investment motivation on student interest in Lhokseumawe City, the researcher concludes as follows:

1. Financial literacy has a positive and significant influence on student investment interest in Lhokseumawe City. This shows that the higher a person's level of financial literacy, the higher his interest in investing.
2. Investment knowledge has a positive but insignificant influence on student investment interest in Lhokseumawe City. This indicates that the level of knowledge about investment does not significantly affect a person's interest in investing in the capital market.
3. Investment motivation has a positive and significant influence on student investment interest in Lhokseumawe City. The higher a person's level of motivation to invest, the greater his interest in engaging in investment activities. Factors such as returns and benefits offered play an important role in increasing students' investment motivation.

This conclusion illustrates that financial literacy and investment motivation have a significant role in shaping students' investment interest, while investment knowledge, although important, does not directly affect their investment interest in Lhokseumawe City.

REFERENCES

- Austin, J. N., & MN, N. (2021). Perilaku, Sikap Dan Pengetahuan Keuangan Terhadap Kepuasan Keuangan. *Jurnal Manajerial Dan Kewirausahaan*, 3(1), 61. <https://doi.org/10.24912/jmk.v3i1.11288>
- Badriatin, T., Rinandiyana, L. R., Mujtahidin, F. W., & Mulyani, E. L. (2019). Capital Market Literation Program in Class. *Journal of Character ...*, 2(1), 24–29. <https://core.ac.uk/download/pdf/270148280.pdf>
- Darmawan, A., Kurnia, K., & Rejeki, S. (2019). Pengetahuan Investasi, Motivasi Investasi, Literasi Keuangan Dan Lingkungan Keluarga Pengaruhnya Terhadap Minat Investasi Di Pasar Modal. *Jurnal Ilmiah Akuntansi Dan Keuangan*, 8(2), 44–56. <https://doi.org/10.32639/jiak.v8i2.297>
- Fietroh, M. N., Andriani, B. S., Sumbawa, U. T., Literacy, F., Behavior, F., Info, A., & History, A. (2021). *Peran literasi keuangan dan perilaku keuangan untuk meningkatkan minat investasi mahasiswa 12*. 153–160.
- Ghozali, L., & Latan, L. (2015). Partial least square SEM (PLS-SEM). *Partial Least Square*.
- Gunawan, A., Pirari, W. S., & Sari, M. (2020). Pengaruh Literasi Keuangan dan Gaya Hidup Terhadap Pengelolaan Keuangan Mahasiswa Prodi Manajemen Universitas Muhammadiyah Sumatera Utara. *Jurnal Humaniora : Jurnal Ilmu Sosial, Ekonomi Dan Hukum*, 4(2), 23–35. <https://doi.org/10.30601/humaniora.v4i2.1196>
- Hati, S. W., & Harefa, W. S. (2019). Analisis Faktor-Faktor Yang Mempengaruhi Minat

- Berinvestasi Di Pasar Modal Bagi Generasi Milenial (Studi Pada Mahasiswi Jurusan Manajemen Bisnis Politeknik Negeri Batam). *Usiness AdministrationB*, 3(2), 281–295.
- Hikmah, & Rustam, T. A. (2020). Pengetahuan Investasi, Motivasi Investasi, Literasi Keuangan Dan Persepsi Resiko Pengaruhnya Terhadap Minat Investasi Pada Pasar Modal. *SULTANIST: Jurnal Manajemen Dan Keuangan*, 8(2), 131–140. <https://sultanist.ac.id/index.php/sultanist/article/view/210>
- Mastura, A., Nuringwahyu, S., & Zunaida, D. (2020). Pengaruh Motivasi Investasi, Pengetahuan Investasi Dan Teknologi Informasi Terhadap Minat Berinvestasi Di Pasar Modal (Studi Pada Mahasiswa Fia Dan Feb Unisma Yang Sudah Menempuh Mata Kuliah Mengenai Investasi). *Jiagabi*, 9(1), 64–75.
- Nabilah, F., & Hartutik. (2020). *PENGARUH PENGETAHUAN, RELIGIUSITAS DAN MOTIVASI INVESTASI TERHADAP MINAT BERINVESTASI PASAR MODAL SYARIAH PADA KOMUNITAS INVESTOR SAHAM PEMULA*. 1(1), 55–67.
- Negara, A. K., & Febrianto, H. G. (2020). Pengaruh Kemajuan Teknologi Informasi Dan Pengetahuan Investasi Terhadap Minat Investasi Generasi Milenial Di Pasar Modal. *Business Management Journal*, 16(2), 81. <https://doi.org/10.30813/bmj.v16i2.2360>
- Onasie, V., & Widoatmodjo, S. (2020). Niat Investasi Generasi Milenial Di Pasar Modal. *Jurnal Manajerial Dan Kewirausahaan*, 2(2), 318. <https://doi.org/10.24912/jmk.v2i2.7924>
- Otoritas Jasa Keuangan. (2019). Survei Nasional Literasi dan Inklusi Keuangan Indonesia 2019. *Survey Report*, 1–26. www.ojk.go.id
- Otoritas Jasa Keuangan. (2022). Infografis Hasil Survei Nasional Literasi dan Inklusi Keuangan Tahun 2022. *Ojk.Go.Id*, Info terkini : Berita dan Kegiatan. <https://www.ojk.go.id/id/berita-dan-kegiatan/info-terkini/Pages/Infografis-Survei-Nasional-Literasi-dan-Inklusi-Kuangan-Tahun-2022.aspx#:~:text=Hasil SNLIK 2022 menunjukkan indeks,2019 yaitu 76,19 persen>.
- Pajar, R. C., & Pustikaningsih, A. (2017). *PENGARUH MOTIVASI INVESTASI DAN PENGETAHUAN INVESTASI TERHADAP MINAT INVESTASI DI PASAR MODAL PADA MAHASISWA FE UNY*.
- Salmah, & Kartini Harahap. (2023). The Effect of Knowledge Investment, Perceived Return and Risk and Technological Advances on Investment Interest of Medan City Students in the Capital Market. *Journal of Finance and Business Digital*, 2(3), 415–428. <https://doi.org/10.55927/jfbd.v2i3.6217>
- Sugiharti, H., & Maula, K. A. (2019). Pengaruh Literasi Keuangan Terhadap Perilaku Pengelolaan Keuangan Mahasiswa. *Accountthink : Journal of Accounting and Finance*, 4(2), 804–818. <https://doi.org/10.35706/acc.v4i2.2208>
- <https://amp.kontan.co.id/news/kerugian-penipuan-investasi-tahun-2022-ratusan-triliun-cek-daftar-investasi-ilegal>
- <https://kbbi.web.id/motivasi>
- <https://www.idxchannel.com/inspirator/inilah-profil-timothy-ronald-investormuda -sukses>