

Analysis of Financial Knowledge, Financial Awareness, and Financial Attitude on Investment Decisions in the Capital Market by Indonesian Millennial Generation



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ABSTRACT: The purpose of this study is to determine the effect of financial literacy on investment decision-making in the capital market for Indonesia's millennial generation. Investment instruments available on the capital market have a relatively higher risk compared to conventional investment instruments, such as deposits on the money market, where to invest in the capital market investors must believe that they understand the transaction mechanism and are ready to assume the risks of investing in the capital market. Financial literacy is defined by financial knowledge, financial awareness, and financial attitudes. A person's comprehension or familiarity with financial topics is referred to as financial knowledge. Financial awareness is the knowledge of one's own finances and the ability to manage their money to prevent financial issues. Financial decision-making is also based on the application of financial principles, or financial attitude.

A Google Form survey that was disseminated via social media to the millennial generation in Jabodetabek - Indonesia was used to collect the data for this study. Using the purposive sampling technique, 164 respondents made up the samples. PLS-SEM analysis is the analytical technique employed. The results of the study show that financial knowledge, financial awareness, and financial attitude have a positive effect on investment decisions. Other than that, family influence moderates the influence of financial knowledge on investment decisions. However, family influence doesn't moderate the effect of financial awareness and financial attitudes on investment decisions.

KEYWORDS: Financial Knowledge, Financial Awareness, Financial Attitude, Investment Decision, Family Influence

I. INTRODUCTION

The Indonesian Financial Services Authority (OJK) stated that the Capital Market in Indonesia had recovered to how it was before the Covid - 19 pandemic. The number of investors in the Capital Market reached 7.5 million at the end of 2021 and 81.5% of them were young investors aged 40 years and below which are the millennial generation and Generation Z (OJK, 2022). Several investment alternatives in the Capital Market that are mostly chosen by the millennial generation according to data obtained from The Indonesia Capital Market Institute (TICMI) are stocks (80.88%), mutual funds (16.18%), bonds (1.47%), and other investment products (1.47%) (Widoatmodjo & Onasie, 2021).

The theory of Planned Behavior explains that the formation of a person's behavioral intention and real behavior are formed by three main foundations, namely attitude toward the act, subjective norm, and perceived behavioral control (Ajzen, 1985). This theory is in accordance with the theory of financial behavior. Behavioral finance or behavior towards finance is a factor in making one's investment decisions, which shows that one's financial behavior is influenced by emotional factors and other factors beyond one's personal control (Sharma, 2020). The concept of financial literacy can be used as a basis for understanding the Theory of Planned Behavior, which is one of the foundations for shaping one's financial behavior (Kennedy, 2013). Financial literacy is the basis that shapes the awareness, behavior, and normative influence of individuals on their financial situation. The existence of financial literacy will help the younger generation to make better financial decisions (Alekm et al., 2018). The Organization for Economic Co-operation and Development (OECD) defines financial literacy as "a combination of awareness, knowledge, skills, attitudes, and behavior that is important enough to make financial decisions and achieving one's personal financial well-being" (OECD, 2011). Based on this definition, financial literacy is not only explained by financial knowledge variables, but also by financial skills, financial attitudes, and financial behavior. The level of financial literacy has a positive influence on investment decision-making (Afiqah et al., 2016; Putra et al., 2021). Low financial literacy can cause

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financial problems in the future, one of which is future financial planning or investment (Senda et al., 2020), and can even cause many millennials not to invest (Putra et al., 2021). Parents actually play an important role in shaping children's financial knowledge and expertise to form good financial behavior (Serido & Deenanath, 2016).

Afiqah et al. (2016) and Putra et al. (2021) stated that financial literacy has a positive influence on one's investment decisions. This opinion is supported by HC & Gusaptono (2020) which state that financial knowledge, financial behavior, financial awareness, and financial attitude as part of financial literacy have a positive effect on investment decisions. While Senda et al. (2020) have a different opinion, stating that the level of financial literacy has no influence on investment decisions. With the difference in the results of the two studies, this research was conducted as further research on the effect of financial literacy as measured using financial knowledge, financial awareness, and financial attitude towards investment decisions by millennials in the Capital Market with moderation in family influence. This research is also an extension of previous research by Widagdo & Roz (2022) regarding the influence of personality traits, financial literacy, and financial behavior on investment intentions with the moderation of family support. This study focuses on research on the level of financial literacy as measured by financial knowledge, financial awareness, and financial attitude toward investment decisions in the Capital Market by millennials in Indonesia.

II. CONCEPT AND HYPOTHESIS

The Theory of Planned Behavior (TPB) is a theory developed by Ajzen (1985) which is often used to predict certain behaviors. This theory is composed of three main foundations, namely attitudes toward behavior, subjective norms, and perceived behavioral control. If these three foundations are considered favorable by someone, it will encourage someone to refrain from behaving in that way (Ajzen, 2020). Within the framework of the Theory of Planned Behavior, it is possible to add other predictive factors that are not yet contained in the theory, provided that these additional factors must be the cause of action and must be used in various studies by social and behavioral researchers (Ajzen, 2020). Based on these criteria, financial literacy is considered suitable as an additional factor in the Theory of Planned Behavior (Kennedy, 2013). This is because financial literacy has been used by several researchers to measure a construct of action or behavior (Alodya & Isnurhadi, 2021; Kennedy, 2013; Putra et al., 2021; Senda et al., 2020).

An investor's investment decision is influenced by several factors, one of which is behavioral finance or behavior toward finance. Behavioral finance shows that a person's financial behavior is influenced by emotional factors and other factors beyond one's personal control (Sharma, 2020). The discipline of behavioral finance is a merger of the disciplines of psychology and economics that tries to explain why and how people can make irrational and illogical decisions in using money, investing, saving, and borrowing money. So it can be concluded that behavioral finance is influenced by psychological factors or factors beyond one's control.

Financial literacy has a variety of different definitions from various researchers and organizations. Financial literacy is defined as knowledge of basic economic and financial concepts, including one's ability to use knowledge and other financial skills to manage financial resources effectively (Rai et al., 2019). The Organization for Economic Co-operation and Development defines financial literacy as "a combination of awareness, knowledge, skills, attitudes, and behavior that is important enough to make financial decisions and achieve one's personal financial well-being" (OECD, 2011). So it can be concluded that financial literacy is a person's knowledge, skills, attitudes, and financial behavior in managing their finances. In this study, financial literacy is measured using the variables of financial knowledge, financial awareness, and financial attitude.

Financial knowledge refers to one's basic financial knowledge such as risk diversification, inflation, numerical ability, and interest rates including their use in overcoming financial problems (Lusardi & Mitchell, 2008). Financial knowledge is an important factor in defining financial literacy and making one's financial decisions (Rai et al., 2019). Previous research stated that financial knowledge has an influence on individual financial management. So it can be said that the better a person's financial knowledge, the better a person's financial behavior in managing his finances (Adiputra et al., 2021; Bhushan & Medury, 2014). Thus, it can be concluded that good financial knowledge will encourage a person's financial behavior including making good financial decisions. Financial awareness is part of financial literacy and is an important factor influencing knowledge and impacting financial decision-making (Dewi et al., 2020). When someone has financial awareness, they will begin to be aware of finances from the knowledge they have about money and start managing the money they have to avoid financial problems that might arise (Pahlevi & Nashrullah, 2021). Thus, it can be concluded that awareness of the use of financial knowledge, including money management, will support good financial decision-making. Attitude toward finance (financial attitude) is defined as the application of financial principles to create and maintain value from making financial decisions and proper management of financial resources (Adiputra et al., 2021). When combined with financial knowledge and financial behavior, financial attitudes

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will drive the results of financial decisions made (Anthony et al., 2011). Thus, it can be concluded that a good financial attitude will support the results of good financial decisions.

Investment decisions are made when investors are able to set aside their funds as savings to be placed in certain financial instruments with the hope of obtaining future returns. Basically, there are two types of investments that investors can make, direct investment and indirect investment (Handini & Astawinetu, 2020). Direct investment can be made in the money market, capital market, and derivatives market. While one example of an indirect form of investment in mutual funds. In making investment decisions, investors need information regarding available investment options so that investors can choose which investment is best for them (Lubis et al., 2013). This study focuses on research on direct investment decisions in the capital market, especially for investment instruments in the form of stocks and bonds, excluding mutual funds.

In a family, a relationship that grows is a relationship that continues to grow and will affect one another (Schermerhorn & Mark Cummings, 2008). So parents or families have an active influence on decision-making and the learning process regarding a child's finances (Grohmann et al., 2015). In addition, several studies also show that the effect of family socialization on finance shows a very strong influence compared to financial socialization from other socialization agents. It can be concluded that the influence of parents or family in this study is financial knowledge passed down by parents to children, motivation given by families to save or invest, as well as other motivations for the financial good of a child in the future.

The following is the hypothesis proposed in this study:

H₁: Financial knowledge has a positive effect on investment decisions.

A person's high financial knowledge allows a person to be proficient in making investment decisions (HC & Gusaptono, 2020). By having financial knowledge, one can know what to save and what to invest (HC & Gusaptono, 2020). This statement is reinforced by the statement of Lusardi & Mitchell (2008) that in making saving and investment decisions requires financial knowledge.

H₂: Financial awareness has a positive effect on investment decisions.

Financial literacy can direct one's financial awareness, and vice versa by having financial awareness, one has a better understanding of financial literacy (Bhattacharjee & Singh, 2017). This is in line with the results of research which concluded that financial awareness has a positive effect on one's investment decisions (HC & Gusaptono, 2020).

H₃: Financial attitude has a positive effect on investment decisions.

Financial attitude as an application of financial principles helps someone in making financial decisions (Adiputra et al., 2021). Through a financial attitude, someone will make an assessment of the financial decisions they want to choose in accordance with their financial principles. This has been proven by HC & Gusaptono (2020) that financial attitude has a positive effect on one's investment decisions.

H₄: The family influence variable moderates the effect of financial knowledge on investment decisions.

Financial teaching conducted by parents shows a strong influence on a child's financial knowledge in the first year of college compared to financial education in high school (Shim et al., 2010). Parents also actively influence their children in making better financial decisions by trying to instill good behavior in their children (Grohmann et al., 2015).

H₅: The family influence variable moderates the effect of financial awareness on investment decisions.

Someone gains financial awareness from a young age through their parents in various ways, one of which is by talking with their parents about money and investment (Solheim et al., 2011). That way, one's financial ability and financial awareness will increase through socialization with the family (Luis et al., 2022). According to previous research (Baronchelli et al., 2016) it was found that family influence plays a positive role in making one's financial decisions.

H₆: The family influence variable moderates the effect of financial attitude on investment decisions.

Financial socialization can be carried out by parents to transmit their financial practices. This financial socialization is part of the development of knowledge, skills, and attitudes regarding money management (Ismail et al., 2020). Previous research by Praba & Malarmathi (2015) stated that family support has an important influence on one's investment decision-making.

III. RESEARCH METHODOLOGY

This study uses a type of quantitative research by collecting primary data from a questionnaire in the form of a Google form. Data collection was carried out from 5 to 12 December 2022 using the non-probability sampling method with a purposive sampling technique. The criteria used are the Indonesian millennial generation in the Greater Jakarta area with years of birth 1981 – 1996 and are investors in the capital market. The Jabodetabek area was selected as one of the data collection criteria

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based on the geographical distribution of capital market investors according to KSEI as of December 2021, which stated that Java Island including DKI Jakarta and its surroundings was ranked first with the largest number of capital market investors in Indonesia (Indonesian Central Securities Depository - KSEI, 2021). A total of 164 data were collected and processed using Structural Equation Modeling - Partial Least Square (SEM-PLS) using SmartPLS 3 software.

In the PLS measurement method, two stages of measurement are carried out; the measurement model (Outer Model) and the structural model (Inner Model). The outer model is carried out first to evaluate the structural model or the path of the relationship between various indicators with the suitability of the construct variables and also links between latent variables. While the inner model is carried out after the model measurements are carried out.

IV. RESULT AND DISCUSSION

In this study, the majority of 164 respondents were born in 1991-1996 or aged 26-31 years (73.2%) had a monthly income of more than IDR 7,000,000, had a bachelor's degree (71.3%), and worked as employees (48.8%). So it can be concluded that the majority of respondents to this study are the millennial generation who are of productive age with an income of more than IDR 7,000,000 have a bachelor's degree and work as employees.

SEM-PLS testing was carried out using SmartPLS 3 software and started by testing the outer model which consisted of convergent validity, discriminant validity, and reliability tests. The sample size used to test the outer model is 164 respondents. With the factor loading value of all research variables > 0.7 and the AVE (Average Variance Extracted) value > 0.50 , it means that all indicators in the research variables can be said to fulfill the convergent validity test (Hair et al., 2014). Based on all the AVE root values of each variable, it shows greater results than the correlation values between other latent variables. Therefore, the discriminant validity test with Fornell-Larcker from each indicator is considered valid (Kwong & Wong, 2013). The cross-loading value of each variable indicator is greater than the cross-loading value of all other variable constructs (Yamin & Kurniawan, 2009). Therefore, the discriminant validity test with the Cross Loading Factor of each indicator is considered valid. Then proceed with the reliability test by looking at Cronbach's Alpha and Composite Reliability. With the condition that Cronbach's Alpha and Composite Reliability < 0.70 , the variable is proven to be reliable (Kwong & Wong, 2013). The results of the reliability test showed that all variables proved to be reliable.

Measurement Model Testing (Outer Model)

The results of the PLS outer model analysis yielded the outer loading value of each indicator used in this study, and the validity test was carried out on the outer loading by taking into account the convergent validity and discriminant validity of the variable indicator constructs. The convergent validity of construct indicator variables is proven if the average variance extracted (AVE) of each variable is greater than 0.5 (Hair et al, 2014). In addition, convergent validity is also proven if the outer loading value is > 0.7 . Thus the factor loading value of all research variables is > 0.7 and the AVE value is > 0.50 , this indicates that all indicators in the research variables can be said to fulfill the convergent validity test.

Furthermore, the measurement uses the Cross Loading Factor through the Fornell-Larcker Criterion to see the cross-loading value of related construct indicators and the results show that all AVE root values of each variable show greater results than the correlation values between other latent variables so that the discriminant validity test with Fornell-Larcker of each indicator is considered valid. Then a reliability test was carried out using Cronbach's Alpha & Composite Reliability approach and the result was that the values of all variables in the reliability test using either Cronbach's Alpha or Composite Reliability had a value of > 0.70 , so it was concluded that the variables tested valid and also reliable, so that it can be continued to test the structural model.

SEM-PLS Analysis Results (Inner Model)

Evaluation of the inner model or structural model is then carried out to predict the relationship between latent variables. Structural model evaluation is carried out by testing the R-Square value, testing the fit model, and testing the hypothesis.

The results of the R-Square test can be seen in Table 1 below, so it is concluded that investment decisions can be explained by the variables financial knowledge, financial awareness, and financial attitude of 40.9% while the remaining 58.1% is explained by other variables outside this study.

Table 1. Value of R square Dependent Variable

Model	R Square	Adjusted R Square
Investment decision	0.409	0.394

Source: Output PLS

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Next, a Q-Square test is performed to measure the predictive relevance of the inner model predictive relevance and the Goodness-of-Fit (GoF) test to determine the predictive efficiency of the measurement model formed. Based on the test results, the Q-Square value is 0.167, indicating that the model has predictive relevance (Chin, 1988). The GoF test results were obtained at 0.545, it can be concluded that this research model has predictive relevance and is efficient in predicting the measurement model so that hypothesis testing can be carried out.

Based on the effect size measurement (F-Square), the relationship between financial knowledge and investment decisions, financial awareness and investment decisions, as well as financial attitude and investment decisions has effect size values of 0.151, 0.148, and 0.055 respectively. Thus the relationship between these variables is included in the moderate to large level. The last test evaluating the inner model in this study obtained a GoF value of 0.545. It can be said that this research model can be stated to have a large value of Goodness of Fit. So it can be concluded that hypothesis testing can be done because of the R-square, and Q-square.

Hypothesis Test Results

Hypothesis testing is carried out through the bootstrapping method by making a decision to accept the hypothesis based on the significance value (P Value) and the T-table value. The results of the calculation of P Value and the T-table value can be seen in Tables 2 and 3 below:

Table 2. T-Value Output Results (Direct Effect)

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
FK → KI	0.319	0.324	0.087	3.669	0.000
FA → KI	0.301	0.304	0.083	3.627	0.000
FT → KI	0.198	0.208	0.062	3.167	0.002

Source: Output PLS

Table 3. Output T-Value Results (Effect of Moderation)

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
FK*PK → KI	0.189	0.189	0.078	2.406	0.016
FA*PK → KI	0.082	0.080	0.082	1.003	0.316
FT*PK → KI	-0.032	-0.028	0.062	0.512	0.609

Source: Output PLS

Notes:

FK: Financial Knowledge KI: Investment Decision

FA: Financial Awareness PK: Family Influence

FT: Financial Attitude

With the criteria for accepting the hypothesis according to (Kwong & Wong, 2013), that is, with a T-value > 1.96 and or a P-value < 0.05 at a significance level of 5% (α 5%), then hypothesis 1, hypothesis 2, hypothesis 3, and hypothesis 4 is accepted, while hypothesis 5 and hypothesis 6 are rejected.

Acceptance of the H₁ hypothesis, namely that financial knowledge influences the investment decisions of the millennial generation in the Capital Market in accordance with previous research conducted by HC & Gusaptono (2020) and Adiputra et al. (2021) that financial knowledge influences one's investment decisions. These results are in line with the statement of Lusardi & Mitchell (2008) that financial knowledge is needed in making investment decisions. This result is also in line with the Theory of Planned Behavior (Ajzen, 2020) which explains that one's knowledge will support one's beliefs in taking an action. In addition, someone who has good financial knowledge allows them to be proficient in making investment decisions (HC & Gusaptono, 2020). So that it can be said that the better the financial knowledge possessed by the millennial generation, the more it will support the investment decisions made.

Acceptance of the H₂ hypothesis, namely financial awareness influences the investment decisions of the millennial generation in the Capital Market in accordance with previous research by HC & Gusaptono (2020) which states that financial awareness influences investment decisions. The results of this study are also in line with the theory stated by Bhattacharjee & Singh (2017), that financial awareness directs one's financial literacy. So that it can be said that the better financial awareness the millennial generation has, the more it will support the investment decisions they make.

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Acceptance of the H₃ hypothesis, namely that financial attitude influences the investment decisions of the millennial generation in the Capital Market is in accordance with previous research by HC & Gusaptono (2020) and Adiputra et al. (2021) which states that financial attitude influences one's investment decisions. The Theory of Planned Behavior states that one of the shapers of behavior is the positive or negative assessment of behavior by individuals which is called the attitude toward behavior (Ajzen, 1985). The assessment of the positive or negative behavior of behavior is also referred to as a principle. This is in line with the statement of Anthony et al. (2011) that financial attitudes are the application of financial principles that are used by someone to implement financial behavior, one of which is making financial decisions that can be in the form of investments to manage resources appropriately. Based on this, it can be said that the better the financial attitude of the millennial generation, the more supportive the investment decisions they make.

Acceptance of the H₄ hypothesis, namely family influence moderates the effect of financial knowledge on investment decisions of the millennial generation in the capital market is in line with previous research conducted by Baronchelli et al., (2016) that family influence plays a positive role in making one's financial decisions. In accordance with the theory of planned behavior as explained that one of the three shapers of a person's behavior is his subjective norms or social relations, cultural norms, beliefs, etc. that surround the individual (Mahardhika & Zakiyah, 2020). In the theory of planned behavior, it is also explained that if at least two of the three foundations are considered beneficial or positive by someone, then there is a tendency for related behavior to be carried out. This theory is in line with the results of this study, in which one of the foundations, financial literacy (financial knowledge) is already owned by the respondents, then the second foundation, namely the influence of social norms (family support) also shows positive support, thereby strengthening the influence of financial knowledge on investment decisions. So, it can be stated that the influence of financial knowledge on investment decisions by millennials in the Capital Market is strengthened by family influence.

Rejection of the H₅ hypothesis, namely that family influence moderates the effect of financial awareness on millennial generation investment decisions in the capital market is contrary to the results of research by Baronchelli et al. (2016) which states that family influence plays a positive role in making one's financial decisions. This refusal can be explained by research by George-Jackson et al. (2015) which states that a person's financial awareness depends on access to timely, accurate, and in-depth information. In addition, the results of Caffee's research (1982) referred to in Pahlevan Sharif & Naghavi (2020) state that most people are active information seekers with the help of technology so that it is easy to access or search for information independently. Therefore, not all individuals have access to or obtain financial information from families, one of which is due to limited sources of information owned by related families (Pahlevan Sharif & Naghavi, 2020). Based on this discussion, it can be stated that the influence of financial awareness on investment decisions by millennials in the Capital Market is not strengthened by family influence.

Rejection of hypothesis H₆, namely family influence moderates the effect of financial attitude on investment decisions of the millennial generation in the capital market is contrary to the results of previous research by Praba & Malarmathi (2015) which stated that family support has an important influence on one's investment decision making. The rejection of this hypothesis can be explained by research conducted by Adiputra et al. (2021) which states that financial attitude is actually a response to the financial conditions experienced personally by individuals. It also shows that an individual's financial attitude is the result of applying one's financial principles in maintaining the value one has through decision-making. Thus, without outside influences such as family, a person already has financial principles that are formed by themselves. Based on this discussion, it can be stated that the influence of financial attitude on investment decisions by millennials in the Capital Market is not strengthened by family influence.

V. CONCLUSION

Based on the research results described above, it can be concluded that financial literacy as measured using financial knowledge, financial awareness, and financial attitude has a significant direct influence on investment decisions in the Capital Market by the millennial generation. Then, family influence moderates the influence of financial knowledge on investment decisions in the Capital Market by the millennial generation. Apart from that, family influence does not moderate the effect of financial awareness and financial attitude on investment decisions in the Capital Market by the millennial generation.

With the limitations that still exist in this study, further researchers are advised to examine other financial literacy-forming variables such as financial skills and financial awareness which are still lacking in research, expand the population and sample, develop indicators of investment decision variables by adding preferences for direct investment effects other than stocks and bonds, such as mutual funds, as well as conducting research on the topic of overcoming financial behavioral biases in making investment decisions.

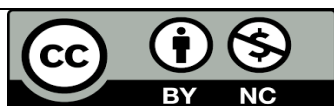
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