

The Effect of Financial Literacy, Investment Knowledge, and Minimum Capital on Student Interest in Investing in the Capital Market



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ABSTRACT: Investment interest is a person's intense desire to learn everything about investing. The aim of this study is to examine the effect of financial literacy, investment knowledge, and minimum capital on student interest in investing in the capital market. The quantitative method of distribution of questionnaires was utilized for the research. The population in this study consisted of 3,743 students from the Faculty of Economics and Business at Universitas Pembangunan Nasional "Veteran" Jawa Timur, with a sample size of 100. The sample was drawn using the proportional stratified random sampling method using the Slovin formula. The data analysis method used was Partial Least Squares (PLS). According to the study's findings, financial literacy and minimum capital has an effect on investment interest. Meanwhile, investment knowledge has no effect on investment interest.

KEYWORDS: Financial Literacy, Investment Knowledge, Minimum Capital, Investment Interest, PLS

I. INTRODUCTION

Nowadays, investors are starting to favor investing in the financial markets. There are numerous financial instruments accessible, including deposits and savings in the money market, cash whose value is directly determined by the market, and stocks and bonds in the capital market. The capital market's presence is vital for investors, both individual investors and business companies. This is because investors with extra cash can channel their assets into investing in entrepreneurs, allowing these business actors to grow their network through capital market involvement.

Investment in the capital market has become one of the alternative investment methods that are popular and widely used by the wider community since the inauguration of the Indonesia Stock Exchange (IDX) in 2007. Indonesia's financial investment has experienced significant growth over a period of 4 years which refers to the increase in Single Investor Identification (SID). As of November 2022, KSEI data shows that the number of capital market investors referring to the Single Investor Identification (SID) has reached 10,153,567, with the composition of the number of local investors amounting to 99.78%. The number of investors has increased by 35.57% from the previous year. This shows that public interest in investing has increased significantly in line with the growth of registered investors.

Interest refers to a strong tendency towards desire or desire. In the Theory of Planned Behavior, a person's desire to behave is influenced by intention. An individual who has an interest in investing is likely to do something so that his interest in investing is realized. Interest in investing is making every effort to learn about various types of investments, setting aside time to learn more about investments, or trying to make direct investments in certain types of investments (Listyani, Rois, and Prihati 2019).

At the conclusion of the first semester of 2022, stock investors under the age of 40, particularly gen z and millennials, held 81.22% of the stock market, with an asset worth of IDR 163.82 trillion. This demonstrates that there is a growing interest in investing in the younger generation, which has an effect on increasing the number of investors each year, but the increase is very small when compared to Indonesia's population of 275,770,000 people (BPS, 2022), implying that the number of investors in the capital market is only around 0.96%.

Students are the next generation of the nation, as well as individuals who have the potential to drive the Indonesian economy in the future. Students are also considered to have a better understanding of financial knowledge as a result of their college education (Mumtazah & Anwar 2022). The increasing interest in investing is reflected in the increasing number of

The Effect of Financial Literacy, Investment Knowledge, and Minimum Capital on Student Interest in Investing in the Capital Market

investment galleries which is one of the IDX programs. As of September 2022, there are 710 investment galleries spread throughout Indonesia. The Faculty of Economics and Business of the UPN "Veteran" Jawa Timur provides facilities to support investment learning, namely the Investment Gallery (GI BEI FEB UPN "Veteran" Jawa Timur) with the hope that students can develop knowledge about the practices in real stock investing. At the end of December 2022, the number of active members who registered and opened an account at the investment gallery was 216 members.

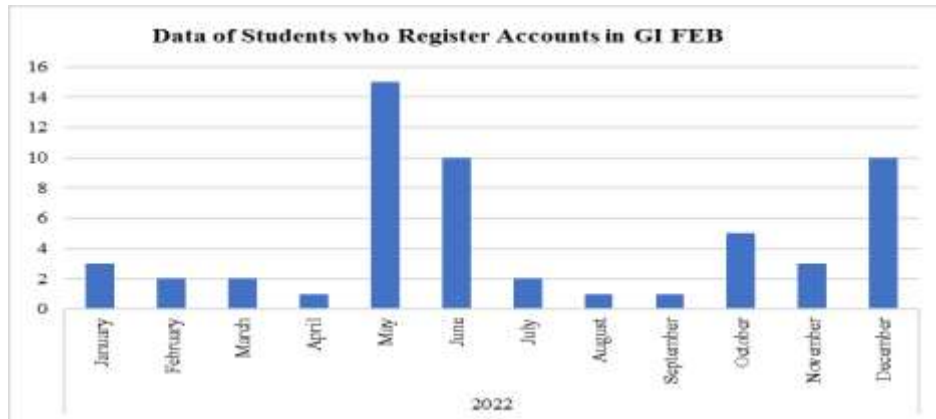


Figure1. Data on students who registered and opened an account at GI FEB
Source: Investment Gallery FEB, 2022

Based on data from the investment gallery FEB in 2022, it shows fluctuations in the increase and decrease in students who are interested and open accounts in the investment gallery every month. In 2022, the investment gallery succeeded in attracting students' interest in investing with a total of 50 account openings by the end of December. However, as compared to the entire number of FEB students, this figure is rather small. Due to a number of problems, including a lack of financial literacy, investment knowledge, and capital owned by the students themselves, student interest in investing in the capital market is still low.

This study intends to examine the effects of financial literacy, investment knowledge, and minimum capital in investment interest in the capital market.

II. LITERATURE REVIEW

A. Theory of Planned Behavior

The Theory of Planned Behavior is an expansion of Ajzen's 1988 and 1991-revised Theory of Reasoned Action. According to this theory, humans are rational beings that make informed decisions based on data that has been systematically obtained. A behavioral theory known as the Theory of Planned Behavior links beliefs and attitudes (Yuniningsih, 2020). This theory holds that a person's behavior is determined by an aim that serves a purpose and by how they act in relation to a subjective norm. Whereas the main variable that can predict behavior is behavioral intention. The Theory of Planned Behavior states that three factors, namely Attitude toward Behavior, Subjective Norms, and Perceived Behavioral Control, may affect human intention to carry out specified acts.

B. Investment Interest

Investment interest is a tendency for someone to like something passion or desire in terms of investing. Individuals who have an interest in investing are likely to do something so that their interest in investing can be realized (Siwi and Meirini 2021). According to Sundari (2019), the indicators used to measure Investment Interest are: 1) Interest, 2) Desire, and 3) Confidence.

C. Financial Literacy

Financial literacy is reading, analyzing, managing, and communicating individual financial situations that affect material well-being (Ferdinand and Purwanto 2022). According to Savanah & Takarini (2021) and Putri (2022), the indicators used in measuring Financial Literacy are: 1) Knowledge of basic finance, 2) Knowledge of financial planning, 3) Insurance, and 4) Savings and Investment

The Effect of Financial Literacy, Investment Knowledge, and Minimum Capital on Student Interest in Investing in the Capital Market

D. Investment Knowledge

Investment knowledge is a fundamental understanding of investment that is needed to carry out investment activities (Hasan, 2022). Investment knowledge can also be interpreted as an understanding of various aspects of investment, starting with basic knowledge of investment valuation, risk levels, and investment returns (Listyani, 2019). According to Monica (2020), the indicators used in measuring Investment Knowledge are: 1) Capital market knowledge, 2) Basic investment knowledge, 3) Return knowledge, and 4) Risk knowledge.

E. Minimum Capital

Minimum capital is the initial deposit required to open a capital market account for the first time (Wibowo and Purwohandoko 2019). Minimum capital can also be interpreted as the initial deposit deposited by prospective investors to open a securities account. According to Aini et al. (2019), the indicators used in measuring Minimum Capital are: 1) Determination of initial capital, 2) Affordable minimum investment capital, 3) Minimum share purchase, and 4) Increase and decrease capital.

F. The Effect of Financial Literacy on Investment Interest

Financial literacy is defined as the capacity to manage money as a key aspect in future investment decisions (Darajati 2022). This is consistent with the Theory of Planned Behavior, which contends that one's attitude toward behavior can be influenced by one's level of financial literacy while deciding whether to invest or not. The greater a person's level of financial literacy, the greater his knowledge of finance and capital markets, and thus his interest in investing based on his knowledge. This is consistent with the findings of Da Silva and Yuniningsih (2022) and Wahyuningtyas et al. (2022) who found that financial literacy has a positive effect on investment interest.

G. The Effect of Investment Knowledge on Investment Interest

Basic investment knowledge is essential for novice investors. Having enough knowledge, experience, and business sense will be useful in determining what to buy to invest in the capital market. When associated with the Theory of Planned Behavior, investors' consideration of making an investment arises from an individual's desire to try and act. So, if someone is interested in investing, potential investors will tend to learn everything about investing. This is in accordance with behavioral factors where a person's belief in doing something is determined by that person's intention. This is in line with research conducted by Atmaja & Widoatmodjo (2021) and Hasan et al. (2022) that investment knowledge has an positive effect on investment interest.

H. The Effect of Minimum Capital on Investment Interest

The requirements for investing in the capital market are currently getting easier, one of which is that the capital to invest in the capital market is quite affordable (Anjani 2021). If it is related to the Theory of Planned Behavior, someone will be interested in investing because they listen to other people's experiences regarding the minimum capital spent to invest, so that someone has the desire to invest. This is in line with the subjective norm factor, which explains that individual beliefs and desires are based on one's experience (Nada and Syaiful 2022). This is in line with research conducted by Purboyo et al. (2019) and Hasan et al. (2022) that minimum capital has an positive effect on investment interest.

The model developed in this study is as shown below:

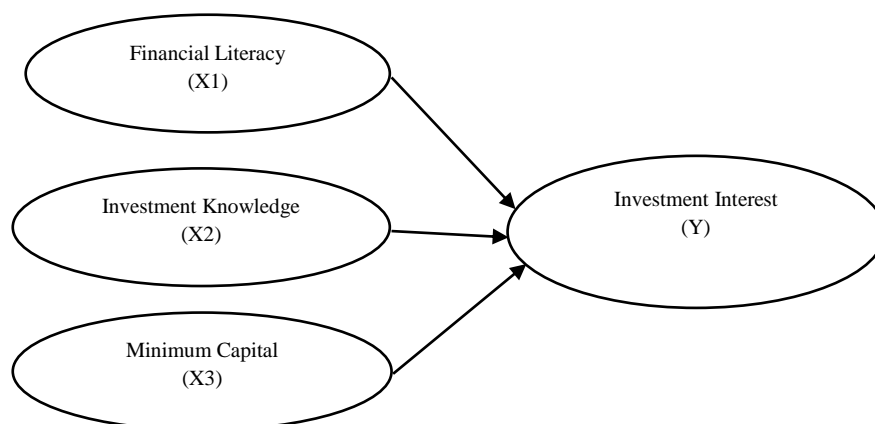


Figure 2. Research theoretical framework

The hypothesis formulated from this model based on previous research is as follows:

The Effect of Financial Literacy, Investment Knowledge, and Minimum Capital on Student Interest in Investing in the Capital Market

H1: Financial Literacy has a positive effect on investment interest.

H2: Investment Knowledge has a positive effect on investment interest

H3: Minimum Capital has a positive effect on investment interest

III. RESEARCH METHODOLOGY

This study uses a quantitative methodology and collects data by distributing questionnaires online via Google Form. Up to 100 respondents were chosen from a population of 3,743 to create the sample using a proportionate stratified random sampling technique and the Slovin formula among students at the Faculty of Economics and Business, UPN "Veteran" Jawa Timur. Partial Least Squares (PLS) was the data analysis method used in the study.

IV. RESULTS AND DISCUSSION

Table 1. Demographic characteristics of respondents

Demographic	Total (Respondents)
Gender	
<input type="checkbox"/> Male	38
<input type="checkbox"/> Female	62
Age	
<input type="checkbox"/> ≤ 20 years old	37
<input type="checkbox"/> 21 years old	21
<input type="checkbox"/> ≥ 22 years old	42
Major	
<input type="checkbox"/> Accounting	35
<input type="checkbox"/> Development Economics	21
<input type="checkbox"/> Management	44

Source: Primary data processed, 2023.

Based on the characteristics of the respondents, the results found that 62 students were female, while the remaining 38 were male. Based on age, the largest proportion of respondents aged more than equal to 22 years as many as 42 students. Based on the major, the largest proportion of respondents are management majors as many as 44 students.

Table 2. Outer Loading

	Financial Literacy (X1)	Investment Knowledge (X2)	Minimum Capital (X3)	Investment Interest (Y)
X1.1	0,829			
X1.2	0,825			
X1.3	0,564			
X1.4	0,759			
X2.1		0,54		
X2.2		0,779		
X2.3		0,598		
X2.4		0,791		
X3.1			0,819	
X3.2			0,888	
X3.3			0,855	
X3.4			0,731	
Y1				0,858
Y2				0,756
Y3				0,816

Source: Primary data processed, 2023

According to table 2, the indicators for all research variables have a loading factor value of greater than 0.5. This can be understood to mean that all indicators have convergent validity.

The Effect of Financial Literacy, Investment Knowledge, and Minimum Capital on Student Interest in Investing in the Capital Market

Table 3. Validity and Reliability Test Results

	AVE	Composite Reliability
Financial Literacy (X1)	0,565	0,836
Investment Knowledge (X2)	0,571	0,776
Minimum Capital (X3)	0,681	0,895
Investment Interest (Y)	0,658	0,852

Source: Primary data processed, 2023

Based on table 2 above, all variable indicators are declared valid because the AVE value > 0.5 and declared reliable with a composite reliability value > 0.70.

Table 4. R-Square

	R-Square
Financial Literacy (X1)	
Investment Knowledge (X2)	
Minimum Capital (X3)	
Investment Interest (Y)	0,238

Source: Primary data processed, 2023

The value of $R^2 = 0.238$. It can be deduced that the model can explain the phenomenon/problem of Investment Interest by 23.80%, while the remainder (76.20%) is explained by other that are not included in the model and errors.

Table 5. Parametric Coefficient and Statistical Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STERR)	P Values
Financial Literacy (X1) -> Investment Interest (Y)	0,391	0,385	0,100	3,916	0
Investment Knowledge (X2) -> Investment Interest (Y)	0,036	0,068	0,094	0,385	0,700
Minimum Capital (X3) -> Investment Interest (Y)	0,162	0,179	0,070	2,320	0,022

Source: Primary data processed, 2023

According to the table above, the hypothesis states:

H1: Financial Literacy (X1) has a positive effect on Investment Interest (Y) can be accepted

H2: Investment Knowledge (X2) has a positive effect on Investment Interest (Y) cannot be accepted

H3: Minimum Capital (X3) has a positive effect on Investment Interest (Y) can be accepted

The Effect of Financial Literacy on Investment Interest

According to the findings of the data analysis, Financial Literacy (X1) has a positive and significant effect on Investment Interest of students. This is in accordance with the first point of Theory of Planned Behavior, namely attitude towards behavior, which is a subjective assessment of positive and negative feelings towards an event, object, or person. Financial knowledge or literacy can effect students' subjective judgment when deciding whether to invest or not. The majority of students in this study stated that good financial literacy will affect one's investment interest in the capital market.

The results of this study are in line with the findings of previous researchers who have been conducted by Salsabilla et al. (2021) and Da Silva & Yuniningsih (2022) which state that a higher level of financial literacy affects a person's interest in investing. However, the findings of this study contradict the findings of Savanah & Takarini (2021), who found that financial literacy has no significant effect on investment interest.

The Effect of Investment Knowledge on Investment Interest

According to the findings of the data analysis, Investment Knowledge (X2) has a non-significant effect on the Investment Interest of students. Learning activities, according to the Theory of Planned Behavior, will result in a change in behavior as a result of

The Effect of Financial Literacy, Investment Knowledge, and Minimum Capital on Student Interest in Investing in the Capital Market

individual experiences in interacting with their environment, which includes cognitive, emotional, and psychomotor components. Investment knowledge can be obtained by students through learning on campus about the capital market and basic investment knowledge. With sufficient investment knowledge, it can increase students' interest in investing. However, the field reality in this study shows the opposite results and contradicts this. Although most of the students already know and have good investment knowledge, their investment understanding does not affect their investment interest. This is due to the higher the investment knowledge they have, students actually prefer to avoid investing because students understand how the risks they will bear later. Thus, high investment knowledge does not affect the interest of students of UPN "Veteran" Jawa Timur to invest.

Previous research by Aini et al. (2019) and Wardah & Amrul (2020) suggest that investment knowledge has no effect on investment interest.

The Effect of Minimum Capital on Investment Interest

According to the findings of the data analysis, the Minimum Capital (X3) has a positive and significant effect on the Investment Interest of students. The results of this study are in line with the Theory of Planned Behavior, which contends that attitudes can influence a person's decision-making behavior and that a person's investment interest can be affected by factors such as minimum capital, which potential investors take into account before investing. The modest minimum capital is expected to encourage students to make investments in the capital market. This implies that students are more interested in investing the lower the minimum capital need.

The findings of this study are consistent with previous studies conducted by Anjani (2021) and Hasan et al. (2022), which found that a minimum capital requirement has a positive effect on student interest in investing.

V. CONCLUSIONS

The study's conclusion is that the variables of financial literacy and minimum capital have a significant and positive effect on investment interest, demonstrating that financial literacy and minimum capital have a beneficial contribution to investment interest. Meanwhile, investment knowledge has no effect on investment interest, therefore no contribution is provided. The suggestions from this study are that students' interest in investing is in a good category, it is hoped that students can maintain this by attending training and seminars, reading articles about investing, and watching investing video tutorials will make students more eager to invest. Then the government and institutions are expected to more aggressively socialize financial investment to the public, especially students in order to increase investment interest to support the future, as well as to encourage an increase in the number of domestic investors in Indonesia, especially among students. Future studies should consider including variables not included in this study, such as investing motivation, capital market training, pocket money, and technological advances. And can use objects other than students to expand the scope of research.

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