International Journal of Business Management and Economic Review

Vol. 5, No. 03; 2022

ISSN: 2581-4664

FINANCIAL LITERACY ON INDIVIDUAL INVESTMENT DECISIONS THROUGH INCOME PERSPECTIVES AND SOCIODEMOGRAPHIC FACTORS ON UNMARRIED EMPLOYEES IN DENPASAR CITY

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http://doi.org/10.35409/IJBMER.2022.3396

ABSTRACT

The purpose of this study is to explain the effect of financial literacy level and sociodemographic factors on individual investment decision behavior. Research respondents are unmarried employees in Denpasar City with a sample of 83 people. Determination of the sample using non-probability sampling with an accidental sampling approach. Data were analyzed using the Multiple Linear Regression Analysis technique. The results of this study indicate that the level of financial literacy has a positive effect on the behavior of individual investment decisions, there are differences in the effect between males and females on the behavior of individual investment decisions and income has a negative effect on the behavior of individual investment decisions.

Keyword: Financial Literacy, Sociodemographic Factors, Gender, Income, Investment Decisions.

1. INTRODUCTION

When individual plans to invest, the individual must have good financial literacy so that his financial decisions have a clear direction. Financial literacy is a basic need for everyone to avoid financial problems. Financial literacy is an integral part of an individual's life because financial literacy is useful in making financial decisions. Individuals with good financial literacy skills can also be used as individual considerations in making financial decisions and investment planning, but if the individual does not have good financial literacy, it will result in errors in financial management, lack of planning for future savings, and a lack of welfare for the person's life. Financial literacy can be interpreted as the experience of each individual in managing their finances, in financial management each individual has different experiences such as in planning investments, pension funds, insurance, and credit. Financial literacy is part of learning to manage finances and investment planning so that in making financial decisions every day they can be more focused and wiser.

Financial literacy is a general understanding of financial management and attitudes. Financial literacy can be interpreted as financial knowledge to achieve prosperity (Lusardi and Mitchell, 2007). According to Robb and Woodyard (2011), sufficient financial literacy will have a positive effect on a person's financial behavior, such as managing or allocating his finances appropriately. According to PISA (2012), the aspects contained in financial literacy are money and transactions, financial planning and management, risks, and benefits. These abilities are important aspects in the assessment to determine a person's financial literacy ability. Many things can affect the four aspects of financial literacy.

According to Xiao et al., (2006) besides financial literacy, other factors effect individual investment decisions, namely sociodemographic factors. Based on financial behavior seen from individual investment decision making by comparing socio-demographic conditions seen from employment status (a person who works with someone who has not worked). Social demography is a science that studies the population (an area), especially regarding the number, structure (population composition,) and its development (changes) from time to time. Demographic variables included employment status, marital status, income, type of work, age, gender, work experience, and education level. According to Robb and Woodyard, (2011) many financial programs are targeted at socio-demographic conditions.

This research was conducted on the millennial generation in Denpasar City with unmarried status (single). The basis for selecting the unmarried millennial generation (single) as research respondents in individual investment decisions is according to Pritazahara (2015) because the unmarried millennial generation often has bad habits in managing personal finances, such as 1) always making expenses outside the plan because of their attitude. consumptive and can not stand the effect or invitation from the outside; 2) Always use the patchwork principle, which means using tomorrow's expenses for today so that it is not consistent with the personal financial plan made; 3) If there is income outside the plan, often the income is immediately spent; 4) Often if you get funds from fixed income (such as salary and or remittances) 10 percent is directly used to treat friends or do fun activities; 5) Using savings or investment funds for unimportant unexpected expenses; 6) Debt for things that are not a need so that in the following month the need (plus debt) becomes large. The unmarried millennial generation has a high consumptive attitude when compared to the millennial generation who are already married. Yulianti and Silvy (2013) state that many unmarried millennial generations lack knowledge of financial management, if this happens they cannot plan and control the use of their money to achieve individual personal life goals.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

According to Setiawan (2016), the Theory of Reason Action (TRA) and Theory of Planned Behavior (TPB) assume that humans behave consciously and consider all the information they have in determining their intention to do or not do something. Knowledge in this case is the level of financial literacy that a person has in obtaining sources of information that will determine the investment decision.

The high level of financial literacy of a person has been shown to have a significant impact on financial management and is more consistent when various kinds of policies are used (Sarah, 2009) this can be explained by the way a person manages his finances and financial management is the main factor that contributes to financial satisfaction or one's financial dissatisfaction. Robb and Woodyard (2011) financial literacy is part of financial knowledge about how financial markets operate and should produce individuals who make more effective decisions.

Hilgert (2003) says that someone who has financial knowledge is more likely to behave financially in financially responsible ways. The research shows that financial literacy and financial behavior have a positive effect. The more skilled a person's mentality (one's knowledge of finance is high) the better the management and problem-solving in making investment decisions.

H1: The higher the level of financial literacy of a person, the better the behavior of individual investment decisions.

Sociodemography is the study of the population (an area) especially regarding its number, structure, and development over time. Demographic variables include employment status, marital status, income, type of work, age, gender, work experience,e, and education level. According to Robb and Woodyard (201,1), many financial programs are targeted at socio-demographic circumstances, research shows that there are differences in financial behavior on socio-demographics of knowledge level.

Hayhoe et al., (2000) gender differences have a significant effect on financial behavior including individual investment decisions. Females is more likely to report the use of good financial practices but tend to have lower scores on measures of financial knowledge than men. Chen and Volpe (2002) also observed that females are less confident and less interested in learning about financial knowledge than men.

According to John et al., (2009) there is a positive relationship between income and responsible financial management behavior. This means that the better the income, the higher the income, the better and responsible financial behavior. The results of this study are supported by the behavioral finance perspective theory in financial decision-makers that adaptive means that the nature of the decision and the environment in which it makes aaffectct the type of process used. The better the sociodemographic condition of a person will affect the type of investment decision-making process that is used in a good direction.

H2:Femalese and men have different individual investment decision behavior.

H3: The higher a person's income, the better the behavior of individual investment decisions.

3.METHODS

This research is quantitative research using correlation analysis and regression analysis, where financial literacy and demographic factors are independent variables and individual investment decision behavior is the dependent variable. The instrument used to collect financial literacy data is in the form of a questionnaire with 5 statements with 5 aspects according to Lusardi (2088), namely the basis of personal finance, money management, credit management, savings and investment, and financial risk management. The sociodemographic factor in this study uses 2 indicators, namely gender, and income, while the individual investment decision behavior data is in the form of a questionnaire with 5 statements with 5 aspects according to Warsono (2010), namely security and risk, risk factor components, investment income, investment growth, and liquidity level. Scoring for the questionnaire items according to a Likert scale of 1-5.

This research was conducted in Denpasar City with the considering unmarried employees as respondents. The population in this study were all unmarried employees in Denpasar City, so the total population cannot be counted (infinite population).

The sampling technique used was non-probability sampling with an accidental sampling approach where sampling was based on the fact that the respondent happened to appear. The population in this study were unmarried employees in Denpasar City, so the sample consisted of people who happened to be at the place of observation. The size of the sample in this study refers to Sekaran (2003) who said that in survey research the number of samples used was more than 30 respondents and less than 500 respondents were adequate for research in general. This study uses the Slovin formula to determine the number of samples to be studied where the population size in determining the number of samples is at least 100 respondents with an error rate of 0.05. A total of 105 respondents were used as representatives of the total population in this study. Through the calculation of the Slovin formula, the number of samples in this study was 83 respondents. The

ISSN: 2581-4664

analytical technique used to test the hypothesis is multiple linear regression analysis.

4.RESULTS AND DISCUSSION

F Test Results (Simultaneous Test)

Simultaneous test in this study to examine the effect of financial literacy and sociodemographic factors together or simultaneously on individual investment decision behavior. Table 1 shows the results of the simultaneous test as follows:

Table 1. Simultaneous Test (F Test)

ANOVA						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	1169.871	3	389.957	107.803	.000[a]
	Residual	285.768	79	3.617		
	Total	1455.639	82			

Primary Data, 2022

Based on the results of the F (simultaneous) test, it shows that the F value is 107.803 with a significant value of 0.000, which is less than 0.05, the decision H_0 is rejected, so it can be said that there is an effect of financial literacy and sociodemographic factors simultaneously on individual investment decision behavior.

Mann Whitney

The Mann Whitney test in this study was conducted to see the differences between the gender of females and men on investment decision behavior in table 2 as follows:

Table 2. Mann Whitney Test

Ranks				
	Gender	N	Mean Rank	Sum of Ranks
Investment Decision	Male	30	31.33	940.00
	Female	53	48.04	2546.00
	Total	83		

Primary Data, 2022

Table 3. Mann Whitney Test Statistic

	Investment Decision
Mann-Whitney U	475.000
Wilcoxon W	940.000
Z	-3.045
Asymp. Sig. (2-tailed)	.002
a. Grouping Variable: gender	

Primary Data, 2022

In table 2 it can be seen that the average between females and male investment decision behavior is different. For females, the average is 48.04, this figure is greater than the average for males, which is 31.33. In table 3 the significance value is 0.002, which is smaller than 0.05, it can be said that there are gender differences between males an females in the behavior of individual investment decisions. Based on the results of the average value in this study, it is stated thfemalesale have higher individual investment decision behavior than men.

Partial Test (T-Test)

Multiple linear regression analysis was performed by analyzing financial literacy (X1) and sociodemographic factors (X_2) as independent variables and individual investment decision behavior (Y) as the dependent variable. The following table shows the results of multiple linear regression analysis:

Table 4. Multiple Linear Regression Analysis

Coefficients											
		Unstandardized Coefficients		Standardized Coefficients			Correlations			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-4.499	1.279		-3.517	.001					
	Financial Literacy	1.078	.085	.936	12.693	.000	.881	.819	.633	.457	2.188
	Gender	1.308	.448	.150	2.917	.005	.348	.312	.145	.939	1.065
	Income	-.633	.376	-.124	-1.685	.096	.594	-.186	-.084	.462	2.163

Primary Data, 2022

From table 2, the regression equation is obtained as follows:

$$Y= -4,499 + 1.078X_1+ 1.308X_2 - 0.633X_3$$

The Effect of Financial Literacy on Individual Investment Decision Behavior

The results of the multiple linear regression analysis in table 4 show that the financial literacy regression coefficient (X_1) shows a value of 1.078. This means that the direct effect between financial literacy (X_1) on individual investment decision behavior (Y) is significantly positive with a significance value of 0.000 less than 0.05. The effect of the financial literacy variable is directly proportional to the behavior of individual investment decisions, meaning that the higher a person's financial literacy, the better the behavior of individual investment decisions. It can be explained

ISSN: 2581-4664

that the level of financial literacy is important because it allows individuals to invest. The individual's understanding of the basics of personal finance, knowledge of money management, knowledge of credit and debt management, knowledge of savings and investment and knowledge of risk management, and knowing interest rates work, have an effect on individual to invest. One of the reasons why individuals do not have the intention to invest in the low level of financial literacy they have. So, the level of financial literacy affects the behavior of individual investment decisions.

This supports the results of research conducted by Xiao et al., (2006) and Robb Cliff (2011) which suggests that a person with a good level of financial literacy will tend to have a better financial behavior compared to someone with a high level of financial knowledge. the lower one. Then the results of research conducted by Lusardi and Mitchell (2007) said that an adequate level of financial literacy will make someone do the planning, including planning for anticipating retirement by investing from a productive age. On the same concept, the results of research conducted by Aminatuzzahra (2014) using a perspective theory of financial behavior that uses cognitive processes (human mental skills in understanding and recognizing things around) in managing and solving problems in decision making reveals that the more skilled the mental someone, in this case, is someone's good financial knowledge, the better their financial behavior such as making investment decisions.

It states that a person's level of financial literacy plays an important role in the decision to invest. Thus, the hypothesis is that the level of financial literacy has a positive effect on the behavior of individual investment decisions.

The Effect of Gender on Individual Investment Decision Behavior

The results of the multiple linear regression test in table 4 show that the gender regression coefficient (X_2) of 1.308 indicates the direction of the effect of gender on individual investment decision behavior is significantly positive with a significance value of 0.005 less than 0.05. In this case, the effect of the gender variable is directly proportional to the behavior of individual investment decisions, meaning that there is an effect between gender and individual investment behavior. The results of the different tests (Mann Whitney) in table 2 show that statistically there are differences between females and males in the behavior of individual investment decisions. Females have a higher individual investment decision behavior compared to men. This can be explained that females being more careful in using their money. The results of this study are supported by research conducted by Hayhoe et al, (2000) which says that gender differences have a significant effect on financial behavior, including individual investment decisions. Loix et al, (2005) found that females were more careful about using their money for things that were not useful compared to men who spent more money on things that were not useful, which means that a woman is wiser in using her money to save or save money. invest as opposed to consumption.

This identifies differences in behavior in investment decisions made by females and males. Thus, the hypothesis is that there is a gender difference in the behavior of individual investment decisions.

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The Effect of Income on Individual Investment Decision Behavior

The results of the multiple linear regression test in table 4 show that the income regression coefficient (X_3) is -0.633 indicating the direction between income on individual investment decision behavior is significantly negative with a significance value of 0.096 greater than 0.05. In this case, the effect of the income variable is inversely proportional to individual decision behavior with a significance greater than 0.05 meaning that there is no effect between income and individual investment decision behavior.

The results of this study are supported by research conducted by OJK (2013) which states that the lack of knowledge and seeking information about investing in financial institutions, whether it is banks or insurance, and lack of understanding about the benefits of savings or insurance, makes people reluctant to invest. Zebua (2001) states that the more a person has money, the more his desire to shop will increase. The same thing in Rita and Kusumawati's research (2010) states that the higher a person's income, the greater a person's desire to buy what they want more than what is needed, someone like this does not understand the benefits of saving or investing for the future. Similar research results were found by Ariadi (2015) who found that someone with a high income makes someone more willing to spend their money for non-primary purposes, such as entertainment consumption, buying luxury goods, and recreation. This indicates that there is no effect of income on the behavior of individual investment decisions, leading to a lack of information about the importance of saving and investing.

This result is not supported by John et al, (2009) who found that there is a positive relationship between income and financial management behavior in making investment decisions. Contrasting results were also found by Setiawan (2015) who examined unmarried employees and found that respondents whose sources of income were a monthly salary or from their parents had the flexibility to invest. The more income, the more opportunities to invest.

5. CONCLUSION

The results of this study have shown how the effect of the level of financial literacy and sociodemographic factors on the behavior of individual investment decisions. Based on these findings, the results of this study can enrich the concept of financial literacy proposed by several previous experts and support empirical studies related to financial management knowledge that determines investment decision behavior in individuals.

Based on the results of these studies there are practical implications generated. Based on the multiple linear regression equation, the financial literacy variable has the greatest effect in determining individual investment decision behavior compared to sociodemographic factors. This explains that a person's knowledge about managing his finances is a major factor in determining an investment decision. Information and socialization are sources of financial management knowledge. The importance of this is a big task for financial institutions for the community, especially people who already have a fixed income in the form of a monthly salary. High financial literacy is useful to avoid financial difficulties, for example doing financial planning. Someone who has financial planning is an important thing. The funds set aside can be used as a reserve fund which can be used at any time in an emergency or to invest. Knowledge of personal financial management is important when you are of a productive age so that later you can always meet the needs of life.

Research Limitations

1) This study only uses unmarried employee respondents in Denpasar City, so future research needs to complete and enrich empirical studies related to the topic by using other respondents, it is recommended such as adolescent respondents because financial literacy and investment behavior are important to have at the earliest possible age. In future research, it is also hoped that researchers will be able to provide information about differences in individual investment decision behavior based on the type of work such as civil servants or private.
2) The sociodemographic factor variables in this study only used two factors, namely gender and income because the data obtained in the field of age and education level variables were homogeneous, thus future research would add other sociodemographic factors such as age, education level heterogeneous in nature for the sake of more diverse and dense research results as well as on the income variable because the income variable is still inconstant in the research results, it is necessary to investigate again.
3) The variables in this study only use financial literacy in the field of financial management in the context of behavior. There are still many other variables that need to be re-examined in the future to add empirical and behavioral theories regarding financial management science. Suggested variables for future research are financial satisfaction and financial behavior in individual investment decision behavior.

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