



The Influence of Financial Literacy on Investment Decision In The Millennial Generation Post The Covid-19 Pandemic

Ray Burton¹

Universitas Telkom

Email: ray.burton241092@gmail.com

Irni Yunita²

Universitas Telkom

Email: irniyunita@telkomuniversity.ac.id

ABSTRACT

The COVID-19 pandemic hit the world in late 2019, bringing many human activities to a halt. Several phenomena occurred as a result of these difficult conditions. Due to the rapid development of technology and the use of technology to earn income is new to some people, many people are exposed to fraud that occurs in the field of financial technology. This study aims to find out how people's financial literacy index, how they choose to invest, and how their financial literacy affects investment decisions. Since the millennial generation is the majority of productive age in Indonesia, this research targets the millennial generation. This research is limited to the Bandung City area because there are differences in Regional Minimum Wage (UMR) and investment decision-making behavior between cities. This verification quantitative research uses purposive sampling method with a total sample size of 1,275,520 people. Data was collected using an online questionnaire and the SPSS program was used to analyze the data of 400 respondents to find out how the level of financial literacy affects investment decisions and to identify all factors that affect financial literacy. The three factors used to measure the effect of financial literacy are financial knowledge, behavior and attitude. Descriptive statistics, normality, heteroscedasticity, multicollinearity and multiple linear regressions were the SPSS tests performed. This study found that financial knowledge, behavior and attitude together have a significant influence simultaneously on investment decisions. In addition, this study also found that financial knowledge, behavior and attitude each have a partially significant influence on investment decisions.

Keywords: financial literacy; investment decision; millennial generation; COVID-19 pandemic

INTRODUCTION

In 2019, there was a problem that hit the whole world, namely the COVID-19 pandemic (Chakraborty & Maity, 2020). At the beginning of the activity restrictions, many people were unable to work normally, so many did not have financial income (Beck & Hensher, 2020). Because many company operations were hampered, companies had to cut costs to survive.

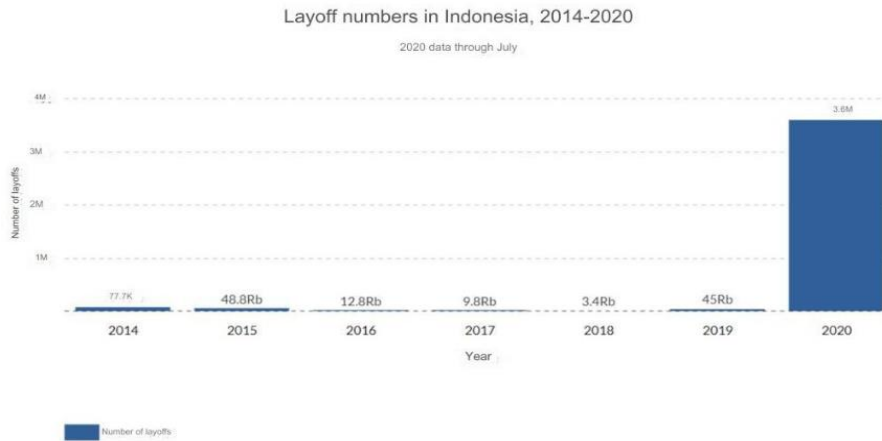


Figure 1 Number of Layoffs in Indonesia 2014 – 2020 In terms of layoffs, the productive age group (15-64 years) is the most affected.

Table 1 Population of Indonesia by Age Group in 2020

Age Group	Number of Citizens (in Million)
0 - 4	22.072,5
5 - 9	22.094,4
10 - 14	22.195,9
15 - 19	22.312,6
20 - 24	22.682,4
25 - 29	22.356,0
30 - 34	21.904,5
35 - 39	20.910,9
40 - 44	19.943,1
45 - 49	18.022,5
50 - 54	15.746,4
55 - 59	13.120,9
60 - 64	10.209,5
65 - 69	7.454,0
70 - 74	4.553,9
75+	4.624,5
Total	270.204,0

Source: bps.co.id

In addition to massive layoffs, another impact of the COVID-19 pandemic is the rapid development of technology. Based on data collected by KSEI, investment growth during the pandemic increased significantly.

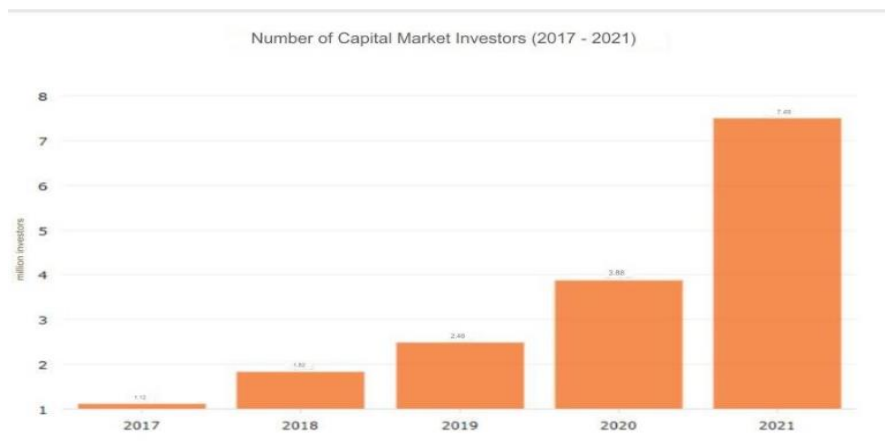


Figure 2 Increasing Number of Investors in Indonesia

Judging from the age of registered investors, it can be said that the millennial generation is the age group that invests a lot, almost 80% of the total investors are people who fall into the millennial generation category.



Figure 3 Demographics of Individual Investors in Indonesia (Age)

Millennial behaviors include: (1) Millennials expect more choices of products and services, (2) Millennials, by their own admission, do not tolerate delays, (3) Millennials want to earn a higher salary, but they do not want to work 80 hours a week and sacrifice their free time and health (Chavali & Mohanraj, 2016). These things that differentiate the millennial generation cause them to face problems in managing their finances, such as a more wasteful lifestyle, difficulty saving, and not caring about future investment needs. Thus, financial literacy is very important (Alaaraj & Bakri, 2020).

Financial literacy can be classified into four categories: good literacy, sufficient literacy, poor literacy, and no literacy (Lusardi, 2019). Knowledge, behavior, and attitudes about finance are three variables of financial literacy (Mubaraq et al., 2021). Thus, "The Influence of Financial Literacy on Investment Decisions in the Millennial Generation Post COVID-19 Pandemic" is the title of the research to be conducted.

This research is expected to provide benefits to all parties involved. From a theoretical perspective, this research will increase the author's knowledge of finance and provide guidance for future investment decisions. In addition, this research will also provide learning materials on finance that can equip the younger generation with the knowledge needed to face the world of work. From a practical perspective, this research is expected to help various government agencies, such as the Ministry of Education and Culture, the Ministry of Finance, the Ministry of Tourism and Creative Economy, and the Financial Services Authority, to think of ways to reduce fraud in the financial sector. Furthermore, this research is also expected to help the government in providing a better understanding of finance to the millennial generation.

Financial Literacy

Many studies have examined financial literacy from various perspectives. A person's ability to understand financial information is known as financial literacy (Bay et al., 2014).

1. Financial knowledge: includes knowing how to calculate interest, how inflation affects returns, how risk affects returns, and how diversification can help reduce risk.
2. Financial behavior: a person's responsibility is closely related to how they manage their finances.
3. Financial attitude: how a person thinks and evaluates financial issues.

Investment Decision

In general, investment is using money for a certain period of time to generate positive returns (Siegel, 2021). All types of investment always have a certain level of risk because they focus on potential future income. Investors need to look at factors in investment related to asset allocation because the level of risk and return in investing varies (Ainia & Lutfi, 2019).

Previous Research

To support this research, this literature review refers to previous research. What distinguishes this study from previous studies are:

1. Different conditions: previous research was conducted before COVID-19 emerged or at the beginning of the pandemic.
2. Differences in variables: this study will look at the millennial generation's financial literacy index with three independent variables - financial knowledge, financial behavior, and financial attitudes - against the dependent variable of investment decisions to find out whether the financial literacy index affects the millennial generation's investment decisions.

Research Framework

Financial literacy is a very important part of the investment decision-making process and depends on various factors that may vary from person to person. Financial literacy includes more than just financial knowledge, but also considers a person's behavior, attitude, and ability.

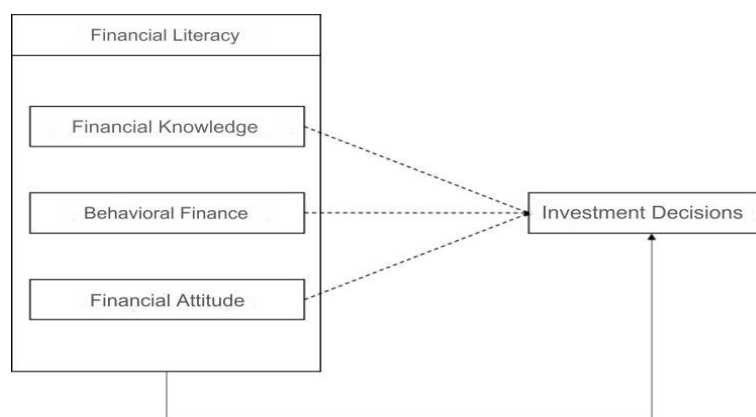


Figure 4 Research Framework

Research Hypothesis

The research questions and previous literature review form the following hypotheses:

- a. Financial knowledge towards investment decisions
H₁: Millennials' investment decisions are significantly influenced by their financial knowledge.
- b. Financial behavior towards investment decisions
H₁: Millennials' investment decisions are significantly influenced by their financial behavior.
- c. Financial attitudes towards investment decisions
H₁: Millennials' investment decisions are significantly influenced by their financial attitudes.
- d. Financial knowledge, behavior, and attitudes towards investment decisions
H₁: Millennials' investment decisions are significantly influenced by their financial knowledge, behavior, and attitudes.

RESEARCH METHODS

Types of Research

For this quantitative descriptive study, a cross-sectional design was used.

Table 2 Research Characteristics

No.	Research Characteristics Based On	Type
1	Implementation Time	Cross-sectional
2	Unit of Analysis	Individual
3	Researcher Involvement	Non-intervention data
4	Type of Investigation	Causality
5	Method	Quantitative
6	Purpose	Descriptive

Operationalization of Variables

In this study, there are three independent variables and one dependent variable.

Table 3 Operational Definitions and Measurement of Variables

No.	Variable	Operational Definition	Measurement Method
1	Financial Literacy	The ability of an individual to understand and comprehend financial information is known as financial literacy.	The method to measure financial literacy is through indicators of attitudes, behaviors, and knowledge about finance.
2	Financial Knowledge	Financial knowledge includes understanding how to calculate interest, how inflation affects returns, how risk impacts returns, and how diversification can help reduce risk.	Using a questionnaire
3	Financial Behavior	An individual's behavior in managing finances is closely related to their responsibilities.	Using a questionnaire
4	Financial Attitude	An individual's evaluations, opinions, and thoughts about finance are known as their financial attitudes.	Using a questionnaire
5	Investment Decision	The decision to invest money to gain profit within a certain period is known as an investment decision.	Using a questionnaire

Research Stages

The research workflow is created based on research stages.

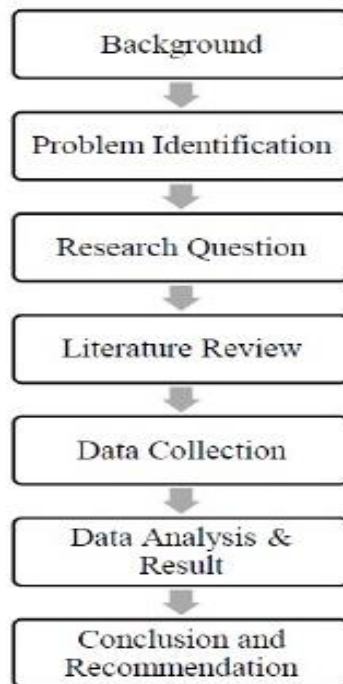


Figure 5 Research Stages

Population and Sample

The millennial generation living in Indonesia is the target population of this study. This study aims to assess the millennial generation in Indonesia, but the population in Indonesia is too diverse, so this study is narrowed down to one city, namely Bandung City. Based on the latest census data, the population of Bandung City in the target age group is 1,275,520 people (51% of the total population of Bandung City). This study requires a purposive sampling method based on a population of 1,275,520 people. With a population of 1,275,520 people and a precision of 5%, a minimum of 400 respondent samples are required.

Table 4 Sample Size Calculation Guidelines

Size of Population	Sample size (n) for Precision (e) of:			
	3%	5%	7%	10%
1,000	-	286	169	91
2,000	714	333	185	95
3,000	811	353	191	97
4,000	870	364	194	98
5,000	909	370	196	98
6,000	938	375	197	98
7,000	959	378	198	99
8,000	976	381	199	99
9,000	989	383	200	99
10,000	1,000	385	200	99
15,000	1,034	390	201	99
20,000	1,053	392	204	100
25,000	1,064	394	204	100
50,000	1,087	397	204	100
100,000	1,099	398	204	100
>100,000	1,111	400	204	100

Data Collection and Data Sources

The author uses two types of data in this study: secondary data and primary data. Secondary data: data from the World Bank, Bank Indonesia, the Indonesian Central Securities Depository (KSEI), the Indonesia Stock Exchange (BEI), the Financial Services Authority (OJK), the Central Statistics Agency (BPS), and the Indonesian Internet Service Providers Association (APJII). Primary data: data from an online survey conducted by the author in April 2024.

Questionnaire Development

The online questionnaire was distributed in April 2024 using the tSurvey platform. Respondent data were collected in three parts of the questionnaire: demographics, financial literacy (financial attitudes, behaviors, and knowledge), and investment decisions.

Validity and Reliability Test

Reliability and validity are important components of research. The first test conducted on pre-research data is a validity test. The correlation coefficient value (also known as Pearson's correlation or calculated r) is compared to the table r to determine the validity of each statement.

Table 5 Validity Test Results

Variabel	Label Pernyataan	r hitung	r tabel	Penjelasan
FK	FK1	0,611	0,361	Valid
	FK2	0,559		Valid
	FK3	0,669		Valid
	FK4	0,655		Valid
	FK5	0,634		Valid
	FK6	0,559		Valid
	FK7	0,672		Valid
	FK8	0,650		Valid
	FK9	0,669		Valid
	FK10	0,695		Valid
	FK11	0,624		Valid
	FK12	0,640		Valid
FA	FA1	0,661	0,361	Valid
	FA2	0,791		Valid
	FA3	0,744		Valid
	FA4	0,738		Valid
	FA5	0,735		Valid

Variabel	Label Pernyataan	r hitung	r tabel	Penjelasan
FB	FB1	0,767	0,361	Valid
	FB2	0,778		Valid
	FB3	0,790		Valid
	FB4	0,825		Valid
	FB5	0,785		Valid
	FB6	0,557		Valid
ID	ID1	0,772	0,361	Valid
	ID2	0,740		Valid
	ID3	0,787		Valid
	ID4	0,871		Valid
	ID5	0,852		Valid
	ID6	0,836		Valid

Reliability in the context of research refers to how consistent the findings are across similar studies. In this pre-research reliability test, the author uses the Cronbach's Alpha value to say that a variable is considered reliable if its alpha value is above 0.60.

Table 6 Reliability Test Results

Variable	Cronbach's Alpha Values	Explanation
FK	0,796	Reliabel
FB	0,833	
FA	0,771	
ID	0,891	

Data Analysis Technique

The data collected from the questionnaires were analyzed through multiple linear regression analysis and descriptive statistical analysis, both of which were conducted using SPSS. The normality test (Kolmogorov-Smirnov) was conducted to determine whether the distribution of data in a group of variables or data was normally distributed or not. Graphical analysis can also be used to run a normality test. The multicollinearity test was conducted to determine whether there was a linear relationship between one or all of the independent variables in the regression model. The heteroscedasticity test was conducted to determine whether there were similarities or differences in the residual variances in the regression model. The focus of this study is to determine the relationship between financial literacy (financial attitudes, behaviors, and knowledge) and investment decisions, so multiple linear regression analysis was used.

RESULTS AND DISCUSSION

Data Processing

Table 7 Kolmogorov-Smirnov Test Results

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		400
Normal Parameters	Mean	,0000000
	Std. Deviation	1,24380936
Most Extreme Differences	Absolute	,099
	Positive	,048
	Negative	-,099
Test Statistic		,099
Asymp. Sig. (2-tailed)		,000c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

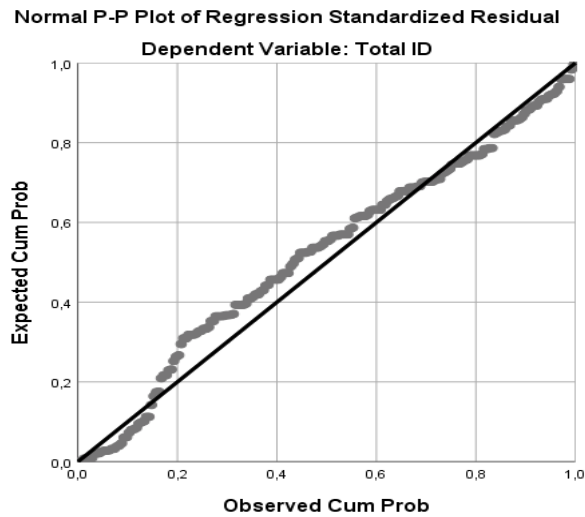


Figure 6 P-P Plot Results

Table 8 Multicollinearity Test Result

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Total FK	,963	1,039
	Total FA	,734	1,363
	Total FB	,723	1,384

Table 9 Heteroscedasticity Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	1,591	,229		6,942	,000
	Total FK	-,014	,025	-,029	-,585	,559
	Total FA	-,131	,035	-,213	-,372	,060
	Total FB	-,023	,028	-,047	-,816	,415

a. Dependent Variable: ABS_RES_1

Table 10 Regression Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	-1,462	,367		-3,983	,000
	Total FK	,252	,040	,253	6,357	,000
	Total FA	,201	,056	,164	3,594	,000
	Total FB	,412	,045	,424	9,208	,000

a. Dependent Variable: Total ID

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,628a	,394	,389	1,249

a. Predictors: (Constant), Total FB, Total FK, Total FA

The regression equation:

$$ID = -1.462 + 0.252 FK + 0.201 FA + 0.412 F$$

Table 11 ANOVA Test Results

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	401,082	3	133,694	85,768	,000 ^b
	Residual	617,278	396	1,559		
	Total	1,018,360	399			

a. Dependent Variable: Total ID

b. Predictors: (Constant), Total FB, Total FK, Total FA

Table 12 T-Test Results

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	-1,462	,367		-3,983	,000
	Total FK	,252	,040	,253	6,357	,000
	Total FA	,201	,056	,164	3,594	,000
	Total FB	,412	,045	,424	9,208	,000

a. Dependent Variable: Total ID

Discussion

Financial knowledge is very important when making investment decisions. The results of this study are in line with the research of (Leon & Hadinata, 2018) and (Chavali & Mohanraj, 2016). The results of this study are also in line with the research of (Firli & Dalilah, 2021) which state that financial knowledge influences financial management behavior. A person's financial knowledge is positively correlated with their investment decisions because the more financial knowledge a person has, the more things are considered when making investment decisions (Tanglao et al., n.d.).

A person's financial attitude partially influences their investment decisions; in other words, the level of an investor's financial attitude influences their investment decisions. The findings of this study are supported by previous studies, where this study is in line with the studies of (Hc & Gusaptono, 2020) and (Zahwa & Soekarno, 2023) which found that a person's attitude towards finance influences their investment decisions. This study is also in line with the study of researchers which states that financial attitudes have an influence on personal financial management behaviour (Firli & Dalilah, 2021). If investors see an investment action as a good thing, they will do it.

Financial behavior greatly influences investment decisions (Kumari, 2020). Financial behavior will form a habit of saving, spending, and budgeting in a person. That way, they will know the amount of money available for investment. Then they will look for the right investment instrument or in other words invest wisely.

Research Implications

This study found that a person's behavior, attitude, and knowledge on finance greatly influence their investment decisions. In addition, this study emphasizes the importance of gaining financial knowledge to avoid investment fraud because financial behavior and attitudes can be improved if a person has high financial knowledge. Financial knowledge reflects how well a person understands financial terms, interest rate and return calculations, risk and return, capital market terms and instruments, and the legality of financial products. To gain a better understanding of all aspects of financial knowledge, a person can take online courses, the Capital Market School offered by the Indonesia Stock Exchange, or webinars held by financial practitioners.

CONCLUSION

In this study, several conclusions were reached regarding the financial literacy of the millennial generation. The findings indicate that millennials possess moderate knowledge, behavior, and attitudes about finance, reflected in a financial literacy index of 71.72%. Furthermore, it was observed that this generation makes fairly good investment decisions. Importantly, the study highlights that these investment decisions are significantly influenced by their financial knowledge, behavior, and attitudes. This relationship underscores the interconnectedness of these factors in shaping the financial decision-making processes of millennials.

Based on these conclusions, the study offers several suggestions. First, for the millennial generation, it is crucial to recognize the importance of both basic and advanced financial knowledge, alongside good financial behavior and attitudes. Acquiring advanced financial knowledge, particularly the mechanisms behind investment products, can help millennials avoid being lured by high-return offers that may lead to fraudulent investments. Second, for future research, the author acknowledges the limitations of this study and emphasizes the need for further investigation. It is recommended that subsequent studies increase the number of samples and ensure an even distribution across different regions to more accurately reflect the actual conditions of the millennial generation in Indonesia.

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