

# Student Investment in Pekanbaru: The Role of Financial Literacy & Risk Perception

Mayang Rahmadani<sup>1</sup>, Qonitah Rifda Zahirah<sup>2\*</sup>

<sup>1</sup> Management, State Islamic University of Sultan Syarif Kasim Riau, Pekanbaru, Indonesia

<sup>2</sup> Islamic Economic, Brawijaya University, Malang, Indonesia

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## ABSTRACT

This research aims to determine the influence of financial literacy and investment risk on investment interest of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau. Data was collected using a questionnaire distributed online using Google Form. A total of 52 respondents participated in this research. The results of this research have passed the validity and reliability tests, the next analysis uses the multiple linear regression method in SPSS version 21. The results of the research show that both simultaneously and partially financial literacy, investment risk have a positive and significant effect on investment interest of students at Faculty of Economics and Social Sciences, State Islamic University of Sultan Syarif Kasim Riau. Financial literacy and investment risk have an influence of 28.7% while the remaining 71.3% is influenced by other variables not studied.

## INTRODUCTION

The ratio of Indonesian student investors in 2023 will be even higher. It is recorded that the number of individual single investor identification (SID) in the capital market as of June 2023 has increased to 11,188,847. In May 2023, the number of SIDs will only be 11,022,872. As many as 26.86 percent of them have student status. Based on Public Statistics data from the Indonesian Central Securities Depository (KSEI) as of June 2023, student asset ownership in the capital market is no joke, namely IDR 13.21 trillion in C-Best and IDR 9.32 trillion in S-Invest.

The term financial literacy describes a person's ability to deal with financial problems appropriately and successfully. According to Ariadi et al., (2015), "Financial literacy is the ability to understand, evaluate and manage finances to make good financial decisions and prevent financial problems." In recent years, many developed and developing countries have been concerned about the level of financial literacy of their people. One of the causes of the financial crisis is a lack of financial literacy. As a result, financial literacy is increasingly seen as a critical component of economic stability, finance, and development worldwide. "Since the global financial crisis, policymakers around the world have raised major concerns about the lack of financial literacy" (Lusardi & Mitchell, 2008).

There are several factors that may influence a person's interest in investing in the stock market, such as the benefits of investing, the amount of capital required, investment motivation, the results obtained from investing, and knowledge about the capital market. Investment risk has the meaning of deviation from expected profits and investment risk as well as potential losses resulting from deviations from the expected rate of return to the actual rate of return (Isnaini et al., 2013). The uncertainty of future profits will cause the failure of an investment (Septyanto, 2013: 93).

Research conducted by Gunawan et al., (2021) show that the financial literacy variable has an effect on investment interest. Al Mubayin (2022) shows that investment risk influences the investment interest of students at the economics and business faculty at Kahuripan University, Kediri. Partially, financial literacy has no effect on the investment interest of students at the economics and business faculty at Kahuripan Kediri University and is not significant.

With this phenomenon occurring, researchers want to know how financial literacy and investment risk influence investment interest among students, especially students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau.

Financial literacy relates to an individual's income, sources of income, and the effective and efficient use of money and spending income by making appropriate judgments about saving or savings depending on the circumstances. Atkinson & Messy, (2012) state "financial literacy is a value that is measured using various components, including financial knowledge, individual decision making using techniques, and some skills, tools, and contextual knowledge to handle information and make decisions. "Financial literacy is the ability to understand, evaluate, and manage finances to make good financial decisions and prevent financial problems" (Ariadi et al., 2015).

According to the Australian Securities and Investments Commission (2011) the benefits of increasing financial literacy include: (1) Financial literacy is a life skill with significant benefits for everyone that provides a sense of security and contributes to overall emotional and physical health. (2) Financial literacy also contributes to the economic health of society. More capable consumers and investors offer households the prospect of better savings performance, reduced dependence on government benefits and lower levels of non-performing debt. (3) More broadly, increasing financial literacy can increase economic participation, encourage competition and market efficiency in the financial services sector, and potentially reduce regulatory intervention.

#### Investment Risk

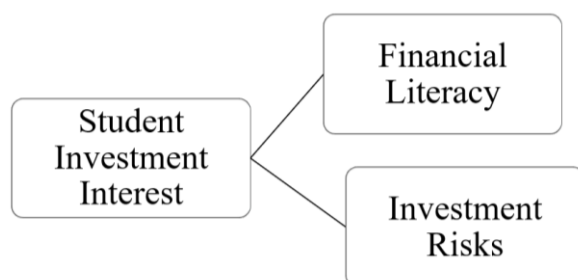
Investment risk, as explained by Suharto and Qudsi, (2009), refers to the potential for loss arising from the difference between the actual return obtained and the anticipated return. When making investment decisions, investors try to reduce various types of risks, both those with short-term and long-term impacts. Therefore, it is important for investors to not only take potential returns into account when investing, but also consider the risks involved. The relationship between return and risk is closely related to each other. In this context, the higher the risk taken by investors, the greater the potential returns that can be obtained.

To reduce investment risk, investors must know what investments they are undertaking. Even with minimal income and capital, it does not affect interest in investing, while perception and risk influence interest in investing (Raditya, 2014). Coleman (2003) also believes that women are braver to face higher risks than men. Low investment so there is little risk because it focuses on customers and marketing (Gan et al., 2010).

Investment Interest. The desire to draw an individual's attention to a particular thing, such as a job, lesson, object, or person, is known as interest. Interest is associated with everything that is profitable and can give satisfaction to him. "Interest is also related to cognitive, affective and motoric aspects and is a source of motivation to do what he wants" (Jahja, 2011)

According to Fajar and Pustikaningsih (2017) Investment interest is a person's strong desire or desire to learn everything related to investment up to the stage of putting it into practice (investing). According to Sulistyowati (2015) investment interest is the desire, inclination, interest or strong urge to carry out investment activities accompanied by feelings of pleasure by investing capital in one or more assets owned in the present with the hope of gaining profits in the future.

#### Research Model



## Hypothesis

The hypotheses in this research are:

- H1. There is an influence between the financial literacy variable (X1) on the investment interest of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University (Y).
- H2. There is an influence between the investment risk variable (X2) on the investment interest of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University (Y).

## METHODOLOGY

This research was conducted at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau. The research time is approximately 2 months, starting from September-October 2023

### Population and Sample

The population in this study were all students from the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau. The number of samples in this research was 52 respondents.

### Data collection technique

The data collection technique used in this research used a questionnaire technique via Google Form. A questionnaire is a data collection technique that is carried out using a list of questions (Questionnaire) that is asked to student at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau related to research.

### Data analysis technique

In this study, researchers used quantitative data. As mentioned by Sugiyono (2016), quantitative data is data that is expressed in the form of numbers. Therefore, quantitative data tends to be analyzed using statistical methods or techniques. This data can be in the form of numbers or score values, and is usually collected through data collection tools that produce responses in the form of score ranges or questions with certain weights.

## RESULTS AND DISCUSSION

### Analysis of Respondent Characteristics

Based on the results of the questionnaire distributed, data on the characteristics of respondents based on study program and semester were obtained. Below we will discuss the conditions of each demographic classification of respondents.

Table 1. Respondent Identity

Category	Number of respondents	Percentage
Study Program		
Bachelor of Management	48	92.3%
S1 Accounting	1	1.9%
Bachelor of State Administration	3	5.8%
Semester		
3	4	7.7%
5	42	80.8%
7	6	11.5%
<b>Total</b>	<b>52</b>	<b>100%</b>

### Validity test

The validity test is used to measure whether a questionnaire is valid or not according to Ghozali (2013). A questionnaire is said to be valid if the questions in the questionnaire are able to reveal something that the questionnaire will measure. The validity test is carried out by comparing the calculated  $r$  value with the  $r$  table. If the calculated  $r$  value  $>$  table  $r$  and is positive then the question is said to be valid. The results of the validity test can be seen as follows:

Table. 2 Validity Test Results

Variable	Statement Items	$r$ count	$r$ table	Information
Financial Literacy	X1.1	0.669	0.2732	Valid
	X1.2	0.646	0.2732	Valid
	X1.3	0.786	0.2732	Valid
	X1.4	0.763	0.2732	Valid
	X1.5	0.743	0.2732	Valid
	X1.6	0.691	0.2732	Valid
	X1.7	0.784	0.2732	Valid
Investment Risk	X2.1	0.659	0.2732	Valid
	X2.2	0.764	0.2732	Valid

	X2.3	0,783	0.2732	Valid
	X2.4	0.776	0.2732	Valid
	X2.5	0.679	0.2732	Valid
	X2.6	0.762	0.2732	Valid
Investment Interest	Y.1	0.879	0.2732	Valid
	Y.2	0.922	0.2732	Valid
	Y.3	0.849	0.2732	Valid
	Y.4	0.755	0.2732	Valid
	Y.5	0.782	0.2732	Valid

*Source: SPSS 21 Processed Data for 2021*

Based on table 2, it can be seen that the validity test results show that the r-count has a value greater than the r-table, which means all questions are valid. So that all these statements can be used as measuring tools in subsequent analysis.

#### Reliability Test

Reliability Test is a statistical procedure used to assess the extent to which a questionnaire or test can be relied on in measuring the variable in question. In the context of research, reliability is an indicator of the extent to which the questionnaire can provide consistent results if repeated on the same subjects or under similar conditions. The method used is Cronbach's Alpha, which is to calculate the reliability of a test that measures attitudes or behavior. Cronbach's Alpha is greater than 0.60, whereas if Cronbach's Alpha is less than 0.60, then the index used for that variable is not reliable.

**Table 3. Reliability Test Results**

NO	Variable	Number Items	Cronbach's Alpha	Cronbach Alpha	Information
1	Financial Literacy	7	0.850	0.6	Reliable
2	Investment Risk	6	0.832	0.6	Reliable
3	Investment Interest	5	0.893	0.6	Reliable

*Source: SPSS 21 Processed Data for 2021*

From the reliability test results in table 3, it is known that the alpha value of each variable is  $\geq 0.60$ . This means that the measuring instruments used in this research are reliable or trustworthy.

#### Multiple Linear Regression Analysis

Multiple linear regression analysis is a statistical method used to understand the relationship between one dependent variable (dependent variable) and two or more independent variables (independent variables) in a mathematical model. This analysis helps in measuring the extent to which independent variables can explain or predict variations in the dependent variable.

Table 4. Multiple Linear Regression

Model	Coefficients <sup>a</sup>					
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	7,728	3,011		2,567	.013
	FINANCIAL LITERACY	,255	.101	,327	2,519	,015
	INVESTMENT RISKS	,269	.109	,319	2,457	.018

a. Dependent Variable: INVESTMENT INTEREST

Source: SPSS 21 Processed Data for 2021

Based on Table 7 above, the regression equation can be arranged as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

$$Y = 7.728 + 0.255X_1 + 0.269X_2 + e$$

Based on the regression equation above, it can be explained as follows:

1. The constant value (a) of 7.728 states that if the value of the independent variable financial literacy and investment risk is considered constant then the value of the investment interest variable (Y) is 7.728.
2. The b1 value is the regression coefficient of X1. This shows that every additional unit of the financial literacy variable will influence investment interest (Y) by 0.255, assuming the other independent variables are constant.
3. The b2 value is the regression coefficient of X2. This shows that every additional unit of the investment risk variable will affect investment interest (Y) by 0.269, assuming the other independent variables are constant.
4. Standard error (e) is a random variable and has a probability distribution that represents all factors that have an influence on Y but are not included in the equation. The standard error is 3.011. All variables calculated in SPSS have a confounding variable level of 3.011.

Hypothesis test

Partial Test (t Test)

The t test is used to find out how much influence the independent variable partially has on the dependent variable. The t test can be proven by comparing the

tcount value with the ttable value with a significant value  $<0.05$ . The formula for taking a t table with a significant value of 5% is as follows:

$$T \text{ table} = t(a / 2 ; n - k - 1)$$

$$T \text{ table} = 0.05 / 2 ; 52 - 2 - 1$$

$$T \text{ table} = 0.025; 49$$

$$T \text{ table} = 2.010$$

Information:

n = number of samples

k = number of independent variables

1 = constant

Following are the results of hypothesis testing in this research, t = statistics as follows:

Based on table 4 above, it can be seen that:

1. Financial Literacy is known to have a calculated t value of  $2.519 > t \text{ table of } 2.010$  and sig  $0.015 < 0.05$ , so  $H_0$  is rejected and  $H_a$  is accepted, meaning that the financial literacy variable partially has a positive and significant effect on investment interest of students at the Faculty of Economics and Social Sciences, Islamic State University. Sultan Syarif Kasim Riau.
2. Investment risk is known to have a calculated t value of  $2.457 > t \text{ table of } 2.010$  and sig  $0.018 < 0.05$ , so  $H_0$  is rejected and  $H_a$  is accepted, meaning that the investment risk variable partially has a positive and significant effect on investment interest of students at the Faculty of Economics and Social Sciences, Islamic State University. Sultan Syarif Kasim Riau.

#### Simultaneous Test (F Test)

The f test will be tested jointly to find out whether the joint influence of the independent variable (X) on the dependent variable (Y) is significant. To see the effect of food quality and location on customer loyalty together or simultaneously by looking at the ANOVA table. To find out the relationship between these variables, it can be formulated using the following conditions:

1.  $H_a$  is accepted if  $F (\text{calculated}) > F (\text{table})$ , meaning there is a significant relationship between variable X and variable Y and the P value  $< 0.05$
2.  $H_0$  is accepted if  $F (\text{calculated}) < F (\text{table})$  means there is no significant relationship between variable X and variable Y and the P value is  $> 0.05$ . Based on the regression test carried out, the calculated F value is obtained as follows:

$$F \text{ table} = n - 1 ; k$$

$$F \text{ table} = 52 - 1 ; 2$$

$$F \text{ table} = 51; 2$$

$$F \text{ table} = 3.18$$



Table 5. Simultaneous Test (F Test)

<b>ANOVAa</b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	174,674	2	87,337	9,843	,000b
	Residual	434,769	49	8,873		
	Total	609,442	51			

a. Dependent Variable: INVESTMENT INTEREST

b. Predictors: (Constant), INVESTMENT RISK, FINANCIAL LITERACY

Source: SPSS 21 Processed Data for 2021

Based on Table 5, it is known that the calculated F value is  $9.843 > F_{table} > 3.18$  with sig.  $(0.000) < 0.05$ , then  $H_0$  is rejected and  $H_a$  is accepted, meaning financial literacy and investment risk simultaneously have a significant effect on investment interest.

#### Coefficient of Determination

The coefficient of determination ( $R^2$ ) is used to find out how much the independent variable can explain the dependent variable. The coefficient of determination values are zero (0) and one (1). A value close to one means that one independent variable provides almost all the information used to predict the dependent variable.

Table 6. Coefficient of Determination Test

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.535a	,287	,257	2.97873

a. Predictors: (Constant), INVESTMENT RISK, FINANCIAL LITERACY

Source: SPSS 21 Processed Data for 2021

Based on Table 6, it can be seen that the R Square value is 0.287, which indicates that Financial Literacy and Investment Risk have an influence of 28.7% on the investment interest variable, while the remaining 71.3% is influenced by other variables not examined in this research.

### **The Influence of Financial Literacy on the Investment Interest of Students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University**

Based on the results of research that has been carried out, financial literacy has a t-count of  $2.519 > t_{table}$  of 2.010 and a sig of  $0.015 < 0.05$ , thus indicating a positive

number. Thus, the financial literacy variable has a positive and significant effect on the investment interest of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University. Then the results of this research were strengthened from the previous research by Upadana and Herawati (2020), Gunawan (2021), and Harahap (2021). So it can be concluded that financial literacy has a significant and positive effect on investment interest.

### **The Influence of Investment Risk on the Investment Interest of Students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University**

Based on the results of research that has been carried out, investment risk has a t-count of  $2.457 > t\text{-table of } 2.010$  and a sig of  $0.018 < 0.05$ , thus indicating a positive number. Thus, the investment risk variable has a positive and significant effect on the investment interest of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University.

### **The Influence of Financial Literacy and Investment Risk on the Investment Interest of Students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University**

Based on the results of the F test, the value obtained is 9.843, while the F table is 2.010. So it can be seen that the calculated F value is  $9.843 > F\text{ table } 2.010$  with a sig of  $0.000 < 0.05$ . It can be concluded that  $H_0$  is rejected and  $H_a$  is accepted, meaning that financial literacy and investment risk simultaneously or together have a significant influence on the investment interest of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic University.

It is known that the R value is 0.535 so it can be concluded that there is a moderate relationship between the independent variable and the dependent variable. While the R Square value is 0.287, the contribution of the independent variables (financial literacy and investment risk) to the dependent variable (investment interest) is 28.7% and the remaining 71.3% is influenced by variables not examined in this research.

## **CONCLUSION**

In accordance with the initial objective, this research aims to determine the influence of financial literacy and investment risk on investment interest of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau. Based on the research results explained in the previous chapter, the following conclusions can be drawn. This research states that the financial literacy variable partially has a positive and significant effect on students' investment interest at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic State University. The higher a student's financial literacy knowledge, the higher their interest in investing. Furthermore, the research results stated that investment risk partially had a positive and significant effect on students' investment interest at the

Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau Islamic State University. This means that the higher the investment risk, the higher the student's investment interest. Finally, results were obtained which stated that simultaneously the variables Financial Literacy and Investment Risk had a significant effect on students' Investment Interest at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Islamic State University, Riau.

Based on respondents' answers regarding financial literacy, researchers recommend that students learn more about financial literacy. Because some students still don't understand financial literacy well. The better a person's financial literacy, the better their ability to manage finances. Based on respondents' answers regarding investment risks, researchers suggest that before making an investment, it is better for students to study the investment risks first. This aims to reduce the occurrence of losses in the future. First analyze the size of the risk of an investment.

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