

## **The Influence of Financial Literacy, Motivation and Herding on Investment Decisions at Investment Gallery IDX**

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### **Abstrak**

**Research aims :** To determine the influence of financial literacy, motivation and herding on investment decisions at Investment Gallery IDX

**Design/Methodology/Approach:** Primary data obtained from questionnaires, as well as secondary data obtained from the Financial Services Authority are combined to answer the research objective. This research consists of 120 sample respondents. The sampling method used was purposive sampling, and analyzed using the SPSS 26 application

**Theoretical Contribution/Originality :** Investment decision-making refers to several theories and must be integrated with overall management theories, including herding theory and motivation so that the returns obtained from investment results will be effective.

**Research Findings:** The results of this research show that financial literacy, motivation and herding have a positive and significant effect on investment decisions at Investment Gallery IDX State Islamic University Sultan Syarif Kasim Riau

**Practical/Policy/Social:** In investing, financial literacy is very important for students so that students start learning to use their money and know the benefits of investing for the future.

**Research Limitations/Implications :** This study has a weakness, namely that in the results of this study all the independent variables have a very low influence on dependent variables. It is hoped that research on investment decisions can reconsider the determination of variables.

**Keyword :** Financial Literacy, Motivation, Herding and Investment Decision



## INTRODUCTION

Currently, many countries are making policies to encourage domestic investment and foreign capital. This is done by the government because it will encourage economic activity in a country, absorb labor, increase output, save foreign exchange and even increase foreign money. Apart from that, investing is very important to overcome inflation and financial freedom, financial freedom which means we no longer need to work because we have sufficient assets to meet all our living needs now and in the future. This can be achieved well if investments are made correctly (Bayu, 2023)

Indonesia is one of the countries where financially most of the population has made short-term investments in the form of savings. because people understand financial management so that people can set aside a portion of their income for investment. Education is needed for the wider community to change people's mentality from saving to investing in the capital market (Taufik Hidayat, Benny Oktaviano, 2023).

The Indonesian capital market, like markets in general, plays an important role in the economy, especially in nation building, namely as a source of financing for investment facilities and the business world. The Financial Services Authority (OJK) in Indonesia is pursuing a target of increasing financial inclusion up to 53% by the end of 2023 from 49%. To achieve this target, on (25/07/23) OJK held financial education activities for 300 students in Bogor to commemorate National Children's Day, accompanied by the Mayor of Bogor, Bima Arya Sugiarto (Khoirifa Argisa Putri, 2023).

The growth of investors in the Indonesian capital market is considered quite good. This can be seen from the growth of investors in 2021 to August 2023 in the table below.

**Table 1. Indonesian Investor Growth 2021-2023**

No	Year	Number of investors
1	2021	7.489,337
2	2022	10.311,152
3	Juni-2023	11.228,382
4	Juli-2023	11.420,074
5	Agt-2023	11.581.533

Sourcer : [www.KSEI.co.id](http://www.KSEI.co.id)2023



From the data above it can be seen that investor growth in Indonesia is increasing, since 2022 the number of stock investors has increased 37.68% from 7,489,337 at the end of 2021, to 10,311,152 at the end of 2022. And there was an increase in June-2023 1, 50% and August-2023 also experienced an increase of 1.41% from June-2023 11,420,074 to 11,581,533 in Aug-2023.

Based on the results of studies on multiplatform investment, it shows that the involvement of the younger generation in the economic system, especially retail investors, is quite encouraging. It even dominates 75%, most of whom are aged 18 to 30 years. on average, it comes from students (Agungnoe, 2022).

**Table 2. Growth of Individual Single Investor Identification (SID) Investors in the Capital Market in View of Age Level as of August-2023**

No	Tiers	Number of investors
1	<30	57,04%
2	31-40	23.27%
3	41-50	11,36%
4	51-60	5,44%
5	>60	2,88%

Source. *databoks.katadata.co.id*2023

Seen from the table above, the number of investors aged 30 years and under is quite high, namely 57.84%. The increase in the number of student investors has encouraged campuses to build investment galleries to enable students to invest in the capital market. So that educational institutions are a forum for students to learn and develop knowledge and potential, to contribute to the development of the capital market in Indonesia. Like State Islamic University Sultan Syarif Kasim Riau, it has an Investment Gallery in the Faculty of Economics and Social Sciences. Students who want to invest with small capital can use this facility. This can be seen by the number of investors in GI (Investment Gallery) IDX State Islamic University Sultan Syarif Kasim Riau since 2021 to 2023 in the table below.

**Table 3. : Number of Investors in Investment Gallery IDX  
State Islamic University Sultan Syarif Kasim Riau**

Years	Number of investors
<b>2021</b>	48
<b>2022</b>	81
<b>2023</b>	142
<b>Total</b>	271

Source : Investment Gallery IDX State Islamic University Sultan Syarif Kasim Riau, 2023

Judging from the investor table above, students interested in investing increase every year, but if you look at the number of students from the economics and social sciences faculties, only 6% of the number of students in 2023 are investing.

Students are potential investors in the future. So it is necessary to have good skills related to financial literacy in the hope of being able to boost the nation so that it can compete in the global market. Students who do not understand financial literacy tend to have negative opinions about finances and make wrong decisions. By knowing financial literacy, students can make decisions about their lives and accept responsibility for their own actions.

The financial services authority states that financial literacy is the ability to manage one's financial resources and is expected to make improvements in the welfare of life in the future. The OJK also states that the higher the understanding of financial literacy, the more people will use and utilize financial services, including investment.

Apart from financial literacy, what motivates someone to take action is motivation. In research conducted by (Hasanudin et al., 2021) regarding the influence of investment knowledge, motivation and capital market training on investment decisions mediated by investment interest, the motivation variable has a positive and significant influence on investment interest and investment decisions.

However, research has been carried out (Chasanah et al., 2022). The influence of financial literacy, motivation and self-confidence on investment decisions for students, the motivation variable has no effect. Furthermore, the third factor that can influence investment decisions is herding. In research conducted by (Chika Yanda Permata, 2015) regarding the



influence of accounting information, risk perception and herding on investment decisions. The herding variable has a positive and significant influence on investor decisions in the capital market. Meanwhile, research conducted (Berlian Savira Pratidina, 2023) shows the influence of financial literacy, herding, risk of investment on investment decisions among accounting students at Pamulang University, the herding variable has a negative influence on investment decisions.

Students who understand financial literacy can think rationally and are not easily tempted by investment offers that provide a higher offer than the risk, and avoid herding / fomo (following along) with other investors, and can restrain themselves and avoid losses in investment.

By updating the complete variables into one research unit where the financial literacy, motivation and herding variables become one to be researched and to update the data for the following year, the researcher tries to conduct a study of students' investment decisions, with the aim of finding out the various factors that drive students' decisions to invest. There are several factors that greatly influence students' investment, namely the influence of financial literacy, motivation, and herding which includes students' decisions to invest.

Based on the description above, the objectives of this research are, to identify whether financial literacy influences investment decisions. To identify whether motivation influences investment decisions. To identify whether herding influences investment decisions.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

According to previous research carried out by (Khairiyati & Krisnawati, 2019) which stated that financial literacy have a significant influence on investment decisions, according to research conducted by (Dewi Purnamasari, 2023) it is also stated that financial literacy has a positive influence on investment decisions.

Based on the description above, the following hypothesis is formulated:

H1 : Financial literacy has a significant influence on investment decisions at Investment Gallery IDX State Islamic University Sultan Syarif Kasim Riau.



According to previous research carried out by (Hasanudin et al., 2021), there are various motivational variations that have a positive impact on investment interests and investment decisions. According to previous research conducted (Pradipta & Yuniningsih, 2023), financial motivation has a positive influence on investment decisions.

Based on the description above, a hypothesis is formulated as follows:

H2 : Motivation has a significant influence on investment decisions at Investment Gallery IDX State Islamic University Sultan Syarif Kasim Riau.

According to the previous research carried out by (Chika Yanda Permata, 2015) which states that various factors have a positive and significant influence on the investment decisions of investors in the capital market, according to the previous research carried out by (Hidayat et al., 2023) states that the herding variable has a positive impact on investment decisions.

Based on the description above, the following hypothesis is formulated:

H3 : Herding has a significant influence on investment decisions at Investment Gallery IDX State Islamic University Sultan Syarif Kasim Riau.

## METHOD

This research was conducted from February to October 2024, with a focus on investment decisions for students of the faculty of economics and social sciences, State Islamic University Sultan Syarif Kasim Riau. This type of research is quantitative research, data obtained from the research population sample is analyzed according to the statistical methods used later. interpreted. Primary data was obtained through distributing questionnaires to students of the faculty of economics and social sciences, State Islamic University Sultan Syarif Kasim Riau. Meanwhile, secondary data was obtained from the Financial Services Authority (OJK), the results of previous research and other literature relevant to this research. The research population was 4,400 students at the faculty of economics and social sciences, State Islamic University Sultan Syarif Kasim Riau.

Determining the sample size in this study using the G\*Power 3.1.9.2 application, the minimum sample size in this study was 120. By using the non-probability sampling method



used in this research, purposive sampling was used. These considerations include: Active students and students who are investigators at at Investment Gallery IDX State Islamic University Sultan Syarif Kasim Riau.

Path analysis is a technique for analyzing cause and effect relationships that occur in multiple regression if the independent variable influences the dependent variable not only directly but also indirectly. The path analysis used in this research uses SPSS 26 in processing research data.

## RESULTS

### Uji validitas

Validity test is a test used to measure whether a questionnaire is valid or not. Validity test is a test of the accuracy or accuracy of a measuring instrument in measuring what it wants to measure. To test whether the indicator is valid or not, if  $r_{table} < r_{count}$  and the  $r_{table}$  value is positive then the question indicator can be said to be valid (Sugiyono, 2019). If, on the other hand,  $r_{table} >$  than  $r_{count}$  then the statement indicator is said to be invalid and cannot be used in research.

**Table 4. Validity Test Results of the Financial Literacy Variable X1**

Statement	r count	r table	Ket
X1_1	0,511	0,176	Valid
X1_2	0,524	0,176	Valid
X1_3	0,644	0,176	Valid
X1_4	0,564	0,176	Valid
X1_5	0,581	0,176	Valid
X1_6	0,596	0,176	Valid
X1_7	0,546	0,176	Valid

**Table 5. Motivational Variable Validity Test Results X2**

Statement	r count	r table	Ket
X2_1	0,789	0,176	Valid
X2_2	0,691	0,176	Valid
X2_3	0,768	0,176	Valid
X2_4	0,680	0,176	Valid





**Table 6. Herding Variable Validity Test Results X3**

Statement	$r_{\text{count}}$	$r_{\text{table}}$	Ket
<b>X3_1</b>	0,729	0,176	Valid
<b>X3_2</b>	0,834	0,176	Valid
<b>X3_3</b>	0,750	0,176	Valid

**Table 7. Validity Test Results of Investment Decision Variable Y**

Statement	$r_{\text{count}}$	$r_{\text{table}}$	Ket
<b>Y_1</b>	0,583	0,176	Valid
<b>Y_2</b>	0,516	0,176	Valid
<b>Y_3</b>	0,594	0,176	Valid
<b>Y_4</b>	0,635	0,176	Valid
<b>Y_5</b>	0,653	0,176	Valid
<b>Y_6</b>	0,645	0,176	Valid
<b>Y_7</b>	0,409	0,176	Valid

Source.data will be processed in 2024

The results of the validity test on the variables Financial Literacy, Motivation and herding and variable Y are that  $r_{\text{count}} > r_{\text{table}}$  (0.176) with a significance level of 0.5, so it can be concluded that all statements from each variable are declared valid and can be used for research.

#### Reliability Test

Reliability Test shows an understanding that an instrument can be trusted enough to be used as a data collection tool because the instrument is good enough. In this research, the reliability and unreliability of a variable uses Cronbach alpha. It is said to be reliable if it has a Cronbach alpha of more than 0.06 ( $>0.06$ ).

**Table 8. Reliability Test Results**

Variabel	<i>Cronbac's Alpha</i>		Ket
<b>Financial Literacy (X 1)</b>	0.666	0.6	Reliabel
<b>Motivation (X2)</b>	0,712	0.6	Reliabel
<b>Herding (X3)</b>	0,683	0.6	Reliabel
<b>Investment Decision (Y)</b>	0,666	0.6	Reliabel

Source.data will be processed in 2024

Based on the table, it can be seen that the Cronbach Alpha value for the variables financial literacy (X1), Motivation (X2), Herding (X3) and Investment Decisions (Y) is greater





than the specified value of 0.6. So it is concluded that the respondents' answers to all variables are consistent in answering questions and the questionnaire statements can be said to be reliable.

#### Classic Assumption Test

##### 1. Normality Test

**Table 9. Normality Test**

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
<b>N</b>			120
<b>Normal Parameters<sup>a,b</sup></b>	Mean		.0000000
	Std. Deviation		2.18569355
<b>Most Extreme Differences</b>	Absolute		.079
	Positive		.057
	Negative		-.079
<b>Test Statistic</b>			.079
<b>Asymp. Sig. (2-tailed)</b>			.062 <sup>c</sup>
<b>a. Test distribution is Normal.</b>			
<b>b. Calculated from data.</b>			
<b>c. Lilliefors Significance Correction.</b>			
<b>Test Statistic</b>			

Source.data will be processed in 2024

Based on the table, it shows that the asymp.sig (2-tailed) p-value is greater than 0.05, namely  $0.062 > 0.05$ . So it can be concluded that the data used in this research is normally distributed and will be processed in 2024.

##### 1. Test Multikolinieritas

**Table 10. Test Multikolinieritas**

Coefficients <sup>a</sup>		
Model	Collinearity Statistics	
	Tolerance	VIF
Financial Literacy	.694	1.441
Motivation	.737	1.357
Herding	.865	1.156

Source.data will be processed in 2024



Based on the table of multicollinearity test processing results above, it can be seen that this research is free from multicollinearity because the VIF values in the table above are all less than 10 and the tolerance values in the table are all greater than 0.10, which means that the regression model does not have symptoms of multicollinearity.

## 2. Test Heteroskedastisitas

**Table 11. Test Heteroskedastisita**

Coefficients <sup>a</sup>					
Modal	B	Unstandardized Coefficients Std.Error	Standardized Coefficients Beta	T	Sig
1 (Constant)	1,934	1,520		1,273	.206
Financial Literacy	-.036	.058	-.069	-.622	.535
Motivation	.054	.082	.072	.665	.507
Herding	-.011	.082	-.014	-.141	.888

**a. Dependent Variable: Investment Decision Y**

Source.data will be processed in 2024

Based on the table, it can be seen that the value (sig) for the financial literacy variable is  $0.535 > 0.05$ , Motivation is  $0.507 > 0.05$  and Herding money is  $0.888 > 0.05$ . So it can be concluded that this model variable does not have heteroscedasticity

## 3. Test Autokorelasi

**Table 12. Test Autokorelasi**

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.534	.286	.267	2,21378	2,123

**a. Predictors: (Constant), HERDING, MOTIVATION, LITERACY**

**b. Dependent Variable: Investment Decision**

Source.data will be processed in 2024

Because the Durbin Watson value of 2.123 is between dU and 4-dU (2.2464). then the regression equation model does not contain autocorrelation problems.

## 1. Multiple Linear Regression Analysis

**Table 13. Linear Regression Analysis**

Modal	Coefficients		T	Sig
	Unstandardized Coefficients	Standardized Coefficients		
	B	Std. Error	Beta	
1 (Constant)	12.678	2.319		.000
Financial Literacy	.202	.089	.214	.025
Motivation	.287	.125	.211	.023
Herding	.411	.125	.278	.001

**a. Dependent Variable: Investment Decision Y**

Source.data will be processed in 2024

Based on this table, it can be written in the form of a regression equation to obtain the following equation:

$$Y=12,678+ 0.202X1 +0, 287X2 +0, 411X3+ e$$

from the regression equation above, the regression equation for Financial Literacy (X1), Motivation (X2), and Herding (X3) is equal to zero, so investment decisions (Y) will be 12.678b1 = 0.202, meaning that the Financial Literacy variable (X1) has a positive value towards investment decisions.

Motivation has a positive value on investment decisions. Motivation (X2) is 0.287. Herding has a positive value on investment decisions. Herding (X3) is 0.411.

Hypothesis Testing

## 1. Partial Test (t Test).

**Table 14. Partial Test (t Test).**

Modal	Coefficients <sup>a</sup>			T	Sig
	Unstandardized Coefficients	Standardized Coefficients			
	B	Std. Error	Beta		
1 (Constant)	12.678	2.319		5.468	.000
Financial Literacy	.202	.089	.214	2.267	.025
Motivation	.287	.125	.211	2.304	.023
Herding	.411	.125	.278	3.295	.001

**a. Dependent Variable: Investment Decision Y**

Source. Data processed in 2024

Based on the table, it can be concluded that the t test on variables for financial literacy (X1) Motivation (X2) Herding (X3) which means that the independent variable partially has a significant effect.

## 2. Coefficient of Determination Test (R<sup>2</sup>)

**Tabelm 15. Coefficient of Determination Test (R<sup>2</sup>)**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.534 <sup>a</sup>	.286	.267	2.21378

**a. Predictors: (Constant), HERDING, MOTIVATION, FINANCIAL LITERACY**

**b. Dependent Variable: Investment Decision**

Source. Data processed in 2024

Based on table it is known that the adjusted R square value is 0.26 or 26%. So it can be concluded that the variables financial literacy, investment motivation and herding are able to explain investment decision variables by 26%, the remaining 74% are influenced by other variables not examined in this research..

## Discussion

This research states that financial literacy has a significant influence on investment decisions. This is in line with research conducted by (Chasanah et al., 2022)(Dewi Purnamasari, 2023) and (Khairiyati & Krisnawati, 2019) whose research results show that literacy Finance has a positive influence on investment decisions.



The motivation variable has a significant influence on investment decisions. This is in line with research conducted by (Hasnudin et.al., 2021) and (Pradipta & Yuninngsih, 2023). which shows the results that motivation has a positive influence on student investment decisions.

The Herding variable (X3) has a significant effect on investment decisions. This is in line with research conducted by (Hidayat et al., 2023) and (Chika Yanda Permata, 2015) whose research results show that herding has a positive effect on investment decisions. Acceptance of this third hypothesis indicates that herding behavior among economics and social sciences faculty students has an influence on investment decisions.

## CONCLUSION

The results of the research show that Financial Literacy has a significant positive effect on the Investment Decisions of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau. Motivation has a significant positive effect on investment decisions of students at the Faculty of Economics and Science, Sultan Syarif Kasim State Islamic University, Riau. Herding has a significant positive effect on investment decisions of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim State Islamic University, Riau. The magnitude of the influence of financial literacy, motivation, and herding on investment decisions of students at the Faculty of Economics and Social Sciences, Sultan Syarif Kasim Riau State Islamic University is 26%, the remaining 74% is influenced by other variables not examined in this research.

Furthermore, it is hoped that the results of this research can be used as a reference for research on investment. It is recommended that future researchers consider other variables that influence decisions.



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**Limitations**

This study has a weakness, namely that in the results of this study all x variables have a very low influence on y variables. It is hoped that research on investment decisions can reconsider the determination of variables.

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