

The Role Of Financial Literacy in Students in Ambon City

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Abstract

The purpose of this study is to look at the impact of financial literacy on investment decisions, which are moderated by financial behavior, among Ambon City students. This research takes a quantitative method. The sample population comprised 111 students from the Ambon City region. Primary data were gathered and analyzed using the Partial Least Squares method. The data was collected via a Likert Scale questionnaire distributed using Zoho Form utilizing the Purposive Sampling approach. According to the research findings, financial literacy has a strong favorable influence on investing decisions.

Keywords : Financial Literacy, Investing Decisions, Finance

Introduction

Economic growth in a country will really accelerate with more domestic and foreign investment activities (Suryanto, 2023). Investment is defined as the act of deferring present consumption to be used in efficient production for a set period of time (Suryanto, 2022). Investing necessitates accurate decision making, as every option made has an impact on the results obtained.

Making sound financial decisions is the first step toward successful investing. Investment decision making refers to the process of coming to a conclusion or making a choice about a topic or problem, selecting one investment option from among two or more possible investments, or participating in the transformation of inputs into outputs. When the various consequences of investment decisions are known, investors make decisions based on risky probabilistic alternatives (Soepriadi, 2021).

Investors are flocking to Ambon City since it is Maluku's capital and has the highest number of students among all regions (Soepriadi, 2020). Darussalam Ambon University is one of the universities in the Ambon city area where students are active investors.

The presence of a large number of individuals who exhibit a variety of emotions and behavioral patterns when making investments. This is a significant component that adds to the complexity of the investment decision-making process (Yusuf, 2021). Education in financial literacy is an important component that effects an investor's feelings and behavioral patterns when making investing decisions. According to data, up to 71% of people are dissatisfied with their economic situation, particularly the drop in income levels that has resulted in severe economic conditions. Aside from low income levels, a lack of financial knowledge adds to economic competition.

Financial conduct refers to an individual's habits and activities in managing their personal finances. People who practice good financial conduct have a greater level of intelligence and wisdom in managing their cash and resources, which includes the capacity to control costs, record expenses accurately, and make sound investment decisions. Financial conduct and investing decisions are interdependent and influence one another.

Method

This research was conducted in the Ambon City area. This area was chosen because the distribution of the subject of this research, namely students from generation Z in Ambon City, is very quick because this region is the capital of Maluku and has the highest number of students in comparison to other regions (Yusuf, 2023). As a result, the sample population for this study is all students living in Ambon City. Purposive sampling was used to pick data sources based on specific criteria. Active student in the Ambon City area, born 1997-2012.

The quantitative data used in this study comprises of scores acquired from respondents' answers to gathered questionnaires, as well as the number of participants. The data used in this study is primary data. The following are the stages followed throughout the data collection procedure. Respondents were given a Zoho Form questionnaire link that was sent via the internet in order to undertake technology-based research.

Results and Discussion

Results

R-Square analysis is performed to assess the extent to which variations in the independent variable affect the dependent variable. A higher R² value indicates a stronger predictive ability of the research model (Kushendar, et al., 2021). The R² results can be seen in the table below:

Table 1. R-Square Test Results (R²)

	R²	R² Adjusted
Investation decision	0.702	0.777

Source: Primary data processed (2024)

The R-square test results in Table 1 indicate that the investment decision value attained is 0.777. These findings show that 77.7% of the variation in choice variables may be explained by independent variables such as financial knowledge and behavior. Meanwhile, the remaining 22.3% can be attributed to elements not considered in the research model.

In this study, hypotheses were tested by calculating the path coefficient value, which indicates the level of significance. The two-way hypothesis testing criteria require that the t-statistics value produced be greater than or equal to 1.97.

The impact of financial literacy on investment decisions

The outcomes of the experiment indicate that the first hypothesis in this investigation is correct. The t-calculated value for financial literacy is 3.173, which is greater than the t-table value of 1.97. The path value coefficient for financial literacy is 0.431, with a significance value of 0.003, which is less than the specified significance value of 0.06. (Suryanto et al., 2019) found that financial literacy has a favorable and significant impact on investment decision making among Master of Business Administration students at the Faculty of Social and Political Sciences, Unpad Bandung. Previous research has shown that financial literacy has a positive and significant impact on investing decisions among Ambon City students.

In general, financial literacy is the process of determining how well a person can absorb financial information. Financial literacy is critical for everyone to prevent financial problems since people frequently confront trade-offs, which are circumstances in which one of their interests must be sacrificed for the sake of another (Suryanto et al., 2019). As a result, having financial literacy can help people, particularly students in the Ambon City area, make investing decisions.

Conclusion

Based on the results and discussions found, the following conclusions are drawn: Financial literacy has a favorable and large impact on investing decisions, as demonstrated by the path coefficient of 0.431. The hypothesis testing yielded a t-statistic value of 3.173 (>1.97) and p-values of 0.002 (<0.05). These findings suggest that those with higher financial literacy tend to make better investing selections. In other words, the higher a person's financial literacy, the greater the likelihood of making sound investing selections. The R-square test results suggest that the independent variables, namely financial literacy and financial behavior, influence investment decisions by 37.7%. The remaining 61.2% could be attributed to elements not included in this research methodology. Thus, the next researcher looks at aspects other than the research model in Maluku, such as income, profitability, the environment, and other relevant factors, to provide a more in-depth explanation for how individuals impact their investment decisions.

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