THE EFFECT OF FINANCIAL LITERACY LEVEL AND DEMOGRAPHIC FACTORS ON INVESTMENT DECISION

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Abstract

The aim of this research is to find out the effect of financial literacy level and demographic factors on investment decision on government employees in Kalibawang Community Health Center, Kulon Progo, Yogyakarta. The investment decision in this research is a real asset and financial asset. The population of this research is the government employees in Kalibawang Community Health Center, 29 of them are treated as the sample of this research. The sampling technique used in this research is purposive sampling. The respondents are those who have been doing investment. The data used in this research are collected with questionnaires. The data analysis technique used in this research is the Chi Square test. The result shows that financial literacy does not affect investment decision. However, out of the demographic factors, only age, income and investment experience affect investment decision. Meanwhile, the others demograpic factors such as gender and education do not affect investment decision.

Keywords: Demographic factors, Financial literacy, Investment decision.

Abstrak

Penelitian ini bertujuan untuk mengetahui pengaruh tingkat literasi keuangan dan faktor demografi terhadap keputusan investasi pada karyawan Aparatur Sipil Negara (ASN) Puskesmas Kalibawang, Kulon Progo, Yogyakarta. Keputusan investasi dalam penelitian ini adalah asset riil dan asset keuangan. Populasi dalam penelitian ini adalah karyawan ASN Puskesmas Kalibawang dengan 29 orang yang dijadikan sebagai sampel penelitian. Teknik pengambilan sampel menggunakan Purposive Sampling dengan syarat sudah pernah melakukan investasi. Data dalam penelitian ini dikumpulkan dengan menggunakan kuesioner. Analisis data dalam penelitian ini menggunakan uji Chi Square. Hasil penelitian ini menunjukkan bahwa tingkat literasi keuangan tidak mempengaruhi keputusan investasi. Namun faktor demografi usia, pendapatan dan pengalaman investasi mempengaruhi keputusan investasi. Sementara itu, faktor demografi jenis kelamin dan pendidikan tidak mempengaruhi keputusan investasi.

Kata kunci: *Faktor demografi, Literasi keuangan, Keputusan investasi.*

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INTRODUCTION

Human is called as homo economicus, which in every aspect of their life could not be separated from economic activities. These activities have been and will continue to be done by human to fulfill their various needs by using the limited resources. According Darmawan *et al*. (2011: 1), almost every man experiences to have a lot and various of needs. The need for goods and services appears when human wants to survive and adapt. While, nature only provides limited resources and the income we got is also limited.

Human needs are getting various as many new discoveries emerge. Technological developments that move quickly allegedly to be the biggest factor of the numerous and various of modern human needs. This is in line with Darmawan *et al*. (2011: 39) which states that the population growing, civilization and technology developing, however prosperity is declining. The need for various goods increases, and the number is also increasing. The new findings of information technology create new needs for humankind.

Darmawan et al (2011: 39) states that population growth is also one of the factors that affect prosperity. The greater number of population means the more needs and the more difficult for every individual to fulfill his needs. Based on this problem, the idea of the importance of financial literacy emerges, considering money is the main thing that used to fulfill our current needs.

The definition of financial literacy according to Lusardi and Mitchell (2014), is financial knowledge, with the aim of achieving prosperity. This financial knowledge should be owned by every individual to harmonize between the needs and the resources (money).

Although some people have been aware of the importance of financial literacy, however the results of the national financial literacy survey done by OJK in 2013, quoted in http:www.ojk.go.id/id/alal/edukasi-and-consumer protection/Pages/ Literasi-Keuangan.aspx shows that Indonesia's financial literacy index only reaches 21.84%. While in 2016, Indonesia's financial literacy index only slightly increased to 29.66%. This survey shows that Indonesians still have a low knowledge of finance. In other words, the level of Indonesian financial literacy is still poor.

The adverse effect of low financial literacy level can lead to financial problems. One of the most common financial problems is the financial planning for the future (investment decision). Investment decision, according to Sutrisno (2012: 5), is a matter on how a financial manager (in this context is each individual) has to be able to allocate the fund to any kind of investment forms which can result in more profit in the near future. In this research, the investments chosen to be the futuristic investments are real asset (for instance houses, golds, and other real assets) and financial asset (for instance deposits, stocks, and other valuable documents). The first problem in investment is the tendency of people with low literacy levels to make mistakes in allocating resources (money) they owned. This tendency makes them unable to set aside resources to plan for better economic conditions in the future. Tirta Segara, as a Member of the Board of Commissioners for Education and Consumer Protection of OJK, said that understanding of financial literacy can improve people's habits of saving and investing, which in turn can improve the welfare of the people, quoted in http: //ekonomi.kompas. com / read / 2017/10/04/144105526 / ojk-only-297-percent-society-who-understand-literacy-finance.

The second problem appears when public interest and access to investment media are emerging but not accompanied by good financial literacy. Segara, said that from the consumer side, the results of the national survey of literacy and national financial inclusion in 2016 show that there are 67.8 percent of people who have used financial products and services. Nevertheless, only 29.7 percent of them have been able to understand financial literacy. That is, many people already have access to financial media, but are not equipped with adequate financial understanding (are cited in http://ekonomi.kompas.com/read/2017/10/04/144105526/ojk-hanya-297-persen-masyarakat-yang financial-literacy). This problem causing many people trapped in investment fraud cases.

On the other hand, the fact shows that investment decision is not only affected by the level of financial literacy, but also by other factors. Demographic factors such as gender, age, education, income, and investment experience are often considered as other factors affecting people's investment decision. This notion is supported by some scientists and researchers who conduct research on the influence of demographic factors on investment decisions, such as researchs done by Putri & Rahyuda (2017), and Aini *et al*. (2017).

The explanations about the problem of financial literacy level, the relationship between financial literacy level with investment decisions, and the relationship between demographic factors with investment decisions encourage researcher to conduct a deeper examination of the effect of financial literacy levels and demographic factors on investment decisions. Although in studies conducted by Putri & Rahyuda (2017) and Aini *et al*. (2017), it has been proven that there is an effect of financial literacy level and demographic factors on the investment decisions, but in this study the researcher would examine even more demographic factors which allegedly affect the investment decisions. The research would be conducted on a population that is considered as a proper target for this research. In this study, the study choosen by the researchers involving the government employees of Kalibawang Community Health Center, Kulon Progo, Yogyakarta.

LITERATURE REVIEW

According to Lusardi and Mitchell (2014), financial literacy can be defined as financial knowledge which aims to achieve welfare. A definition of financial literacy is also articulated by *Otoritas Jasa Keuangan (OJK)* or Financial Service Authority (2016: 3) as a knowledge confidence, skills that influence attitude and behaviour to improve the decision making quality and financial management in order to attain welfare.

As financial literacy holds a huge role, someone must be well literate before determining any kind of decisions in term of investment. This is important for financial literacy has complex leverages towards the success of the investment decisions. Puspitasari (2014: 5) conveys that the demographic factors of the investors also need to think of as those factors might bring effects to the investment decision making by the investors. Lewellen et al., as cited in Kusumawati (2013: 1), mentioned that the demographic factors has something to do with the investment decision. Demographic factors related to the investment decisions are age, level of education, occupation, and income.

In order to improve the economic conditions, someone is obliged to prepare the future financial plans. Those plans involves the investment decision. Sutrisno (2012: 5) claims that investment decision is an issue where the financial manager must allocate the fund in a form of investment products which later on can result in more profits.

The investment decisions is able to do when someone sets aside a part of his wealth in order to get other much bigger substances in the future time. According to Tandellin (2010: 3), when someone does not spend his whole income as soon as he gets it, he will face the investment decision. Tandellin (2010: 3) conveys that someone must make a decision on how much he allocates the income for the daily basis consumption and for the investment

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based on his own preference. In determining the preference, one is suggested to make a certain decision to achieve the highest level of personal satisfaction. The preference is all about the types of investment which will be used to be the source of property in the future. In this study, the researcher used gender, age, level of education, income, and investment experience as the demographic factors affecting the investment decisions.

Hypothesis Development

Financial Literacy Level Affects Investment Decision

According to Lusardi and Mitchell (2014), financial literacy could be defined as financial knowledge, with the aim of achieving prosperity. Warsono (2010), states that financial literacy is how deep the knowledge and implementation of a person or society in managing his personal finances. The definition of financial literacy is also presented by Otoritas Jasa Keuangan (2016: 3), as knowledge, confidence, and skill, which influence attitude and behavior to improve quality of decision making and financial management in order to achieve prosperity. Lusardi, Mitchell & Curto (2010), argues that low financial knowledge affects the future financial planning, while the ignorance of basic financial concepts might be related to low investment planning. The higher level of financial knowledge (financial literacy) of a person, the wiser he is in determining investment decisions. The first hypothesis proposed in this research are as follows.

H_1 = Financial literacy level affects investment decisions.

Gender Affects Investment Decision

There has been many researches on the effect of gender on investment decisions. A study conducted by Jamil & Khan (2016), provides an empirical evidence that men are more risk seeker in investing. This study is supported by a study done by Bhushan & Medury (2013); Subramaniam & Velnampy (2016), which states that women tend to be more careful in investing compared with men. Another study, conducted by Jain & Mandot (2012) states that men have a higher confidence level than women, so this would affect in the process of investment decision-making. Given the evidence from these studies that the level of tolerance of risk in women is lower than that in men, the authors would like to participate to prove that gender affect investment decisions. The second hypothesis proposed in this research are as follows.

H_2 = Gender affects investment decision.

Age Affects Investment Decision

Growing age will cause different ways of thinking which then will be manifested in human behavior including in determining investment decisions. Singh (2010), states that the older the age of a person, the more avoidance of risk in making investment decisions, and vice versa. This happens because as we get older the knowledge and experience that a person has in making the decision is also getting higher. This means that investors with older age are considered to be more careful in considering the risks and returns of an investment.

Older investors are more mature and less reckless in determining investment decisions. Christanti and Mahastanti (2011: 49), said that young age investors (under 25 years) in making investment decisions are very considering the variables related to the decision of their investment because at this age they still do not have much experience so that the way of young investors thinking is more complicated. Meanwhile, mature investors do not consider many investment variables in their investment activities because at this age many experience in making investment decisions has been obtained more on logic so that their way of thinking become simpler. The third hypothesis proposed in this research are as follows.

H_3 = Age affects investment decision.

Education Affects Investment Decision

The education factor is the level of mastery of science possessed by a person about how well his ability in understanding things, especially in the academic field (Puspitasari, 2014: 6). The higher a person's level of education, then it is assumed that the person will have better financial knowledge. This knowledge is used as the basic knowledge for determining an investment decision.

In addition, the level of education also affects investor tolerance of risk, the higher level of education the higher tolerance of risk they got (Tanusdjaja, 2018). Lutfi (2010: 3) states that investors who take at least diploma education, tend to invest their funds in the capital market than in bank products or real assets. This is because the high level of education is considered to have knowledge and excellent ability in investing so as to analyze and count the risks that might be faced. The fourth hypothesis proposed in this research are as follows.

H_4 = Education affects investment decision.

Income Affects Investment Decision

Income is the acquisition of value or the result of sacrifice or effort of a person in doing a job for the fulfillment of life needs (Puspitasari, 2014: 6). According to Sudherr (2015), there is a positive relationship between income and responsible behavior of financial management. This means that the higher income the better and the more responsible financial behavior they have. Meanwhile, according to Lutfi (2010: 10), investors who have low income tend to be investors who avoid risk. This happens because their funds tend to be used for the fulfillment of life needs rather than invested in some assets. The fifth hypothesis proposed in this research are as follows.

H_5 = Revenue affects investment decisions.

Investment Experience Affects Investment Decision

The other demographic factor that affects investment decision is the investment experience. Alradabi, Al-Gharaibeh & Zurigat (2011) mentioned that experience or frequency of investment is suspected to be related to investment decisions. The new investors tend to consider all factors related to their investment decisions. While the longer investors invest their funds, the less factor they consider. It is because the more experience they have so that they make more investment decisions based on experience. In other words, investors with longer investment experience have the ability to choose factors that are more relevant to investment decisions.

A study conducted by Alradabi, Al-Gharaibeh & Zurigat (2011), reveals that investor's confidence is increasing when they gain more experience. In line with that, Pratiwi (2015: 6), also said that investment experience owned by investors allegedly affects the investor's behavior in investing. Lusardi & Tufano (2015), also stated that investing experience has a positive effect on the investor behavior. The sixth hypothesis proposed in this research are as follows.

H_6 = Investment experience affects investment decision.

Based on the reference to the theoretical foundation, figure 1 depicts the frameworks and the research proposed hypotheses.

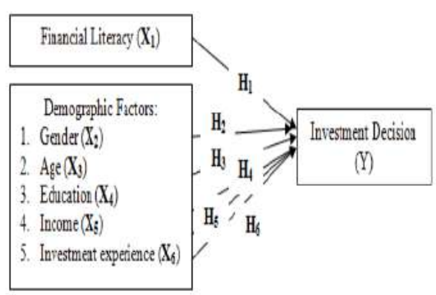

Figure 1. Conceptual Framework

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RESEARCH METHODS

Population in this research is all government employees of Kalibawang Community Health Center which are 95 people. Meanwhile, the sample used in this research is the government employees of Kalibawang Community Health Center who have been doing investment.

The sampling technique used in this research is nonprobability sampling, namely, purposive sampling. Nonprobability sampling is a sampling technique to collect sample that does not give equal opportunities to each member of the population to be selected as sample (Sugiyono, 2014:66). Meanwhile purposive sampling is a technique to determine sample with certain consideration (Martono, 2014:81). In this research, the population that are treated as sample are the government employees of Kalibawang Community Health Center who have been doing investment. The sampling technique above is used considering the objective of this research that is to find out the effect of financial literacy level and demographic factors on investation decision, so the employees that are treated as sample in this research are those who have been doing investment.

In the financial literacy variable, its fluctuation is measured by giving correct or incorrect answers to 10 statements about the financial literacy. The right answers of the statements will be displayed in a form of an ordinal scale, that is low, medium, and high. On the other hand, on the demography factor, the data measurement is conducted by filling out a form of sex, age, education, income, and investment experience which have been classified into several categories, hierarchies, and intervals. The demography factor is then depicted in a form of a nominal, ordinal, and ratio scale. For the sex or gender part, the data were served in a form of a nominal scale. For the education level, the data were served in a form of an ordinal scale. While, the age, income, and investment data were showed in a form of a ration scale.

In order to simplify the measurement process of the investment decision variable in this research, the researcher employed the Likert scale as the research measurement instrument. The Likert scale used in this research is depicted in an ordinal where the data are classified into 5 hierarchies; Extremely Bad, Bad, Moderately Good, Good, Extremely Good.

The researcher gives out an operational definition to elucidate the variables into measurable indicators. The operational definitions are as follows: *First*, financial literacy level is a level of knowledge, confidence, and skills influencing attitude and behaviour to enhance the decision making quality and financial management in order to achieve a welfare (OJK) (2016: 3). The indicator of financial literacy level variable is the general and personal financial knowledge, savings and borrowings, insurance, and investment.

Second, demography factor can be defined as factors related to any kind of measurable human conditions and attitudes, for instance, the general changes, physical changes, life style changes, intellectual changes, and moral value changes (Guillard, 1855) as cited in Mahardika (2017:4). The indicator of demography factor variable includes sex, age, education, income, and investment experience

Third, investment decision is a matter on how a financial manager (in this context is each individual) has to be able to allocate the fund to any kind of investment forms which can gain more profit in the near future (Sutrisno, 2012: 5). The indicators of investment decision variable are return, risk, and the correlation between return and risk.

This research is called as survey research, therefore the data in this research are collected by using questionnaires as the instrument. In order to obtain a good result, the instrument needs to be tested. The instrument made should be able to measure actually and accurately everything that has to be measured from the concept (Jogiyanto, 2008:35). The instrument testing could be done by doing validity and reliability test.

The data in this research is analyzed by using descriptive analysis, while the hypotheses are tested using Chi Square ($\chi 2$) test. Chi Square test is used because the data in this research are categorical, hierarchy, and interval. In addition, one of Chi Square test functions is to test the independency between variables. Independent test is conducted to check if two variables with categories are related to each other or not (Santoso, 2009:62).

RESULT AND DISCUSSION

Descriptive Analysis

Based on the data collected by using questionnaires, the respondents profile are presented as Table 1.

Hypothesis Testing

Hypothesis testing in this research is using Chi Square test ($\chi 2$). Based on this test, the researcher obtains the following Table 2.

The result of Chi Square test shows that the value of $\chi 2$ calculate for the financial literacy level is less than $\chi 2$ table (2.302 < 9.49) and the sig > α (0.680 > 0.05). In other words, the financial literacy level does not affect investment decision. It means that the higher financial literacy level does not mean the more profitable or unprofitable the investment decision. This result contradicts the theory advanced by Lusardi, Mitchell & Curto (2010), which states that low financial knowledge affects the future financial planning, while the ignorance of basic financial concepts might be related to low investment planning. This could happen because in rural communities, the investment decision is taught through generations that make it as a habit so that the respondents could still make well investment decisions without having a high level of financial knowledge. This result also supports the OJK statement that many people already have access to financial media, but are not equipped with adequate financial understanding.

Demographic factors age, income, and investment experience have $\chi 2$ calculate more than $\chi 2$ table and sig value less than 0.05. Therefore age, income, and investment experience affect the investment decision. This result shows that age affects investment decision. In this research, age has a possitive effect on the investment decision. It means that the older age of a person the more profitable investment decision he makes. This result is in line with Singh (2010), that states the older the age of a person, the more avoidance of risk in making investment decisions, and vice versa. This happens because as we get older the knowledge and experience that a person has in making the decision is also getting higher. This means that investors with older age are considered to be more careful in considering the risks and returns of an investment. In other words, elder investors are more mature and less reckless in determining investment decisions. Therefore, the investment decision would be more profitable.

The other demographic factor that affects investment decision is income. In this research, income has a possitive effect on the investment decision. It means, the higher income, the more profitable investment decision of a person. This is in line with Lutfi's (2010: 10) statement that states investors who have low income tend to be investors who avoid risk. This happens because their funds tend to be used for the fulfillment of life needs rather than invested in some assets. Therefore, it can be concluded that the higher income of a person, he tends to choose the more profitable investment decision.

The other demographic factor that affects investment decision is investment experience. In this research, investment decision has a possitive effect on the investment decision. It means that the more investment experience of a person, the more profitable investment decision he makes. Therefore, this result supports the statement

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of Alradabi, Al-Gharaibeh & Zurigat (2011) that states experience or frequency of investment is suspected to be related to investment decisions. The few investors tend to consider all factors related to their investment decisions. While the longer investors invest their funds, the less factor they consider. It is because the more experience they have so that they make more investment decisions based on experience. In other words, investors with longer investment experience have the ability to choose factors that are more relevant to investment decisions.

In addition, the study conducted by Alradabi, Al-Gharaibeh & Zurigat (2011) reveals that investor's confidence is increasing when they gain more experience. In line with that, Pratiwi (2015: 6), also said that investment experience owned by investors allegedly affects the investor's behavior in investing. Lusardi & Tufano (2015) also stated that investing experience has a positive effect on the investor behavior. Lusardi & Tufano (2015) also stated that investment experience has a positive effect on investor behavior. Thus, it can be concluded that the more investment experience of a person, the more profitable the investment decision.

The χ^2 calculate of gender and education is less than χ^2 table while the sig of gender and education is more than α, thus gender and age in this research do not affect the investment decision. This could be happen because both men and women have the same range of education level so the information they got is considered as the same. This information is used to determine the tolerance of risk and return of an investment. This result contradicts the statement of Jamil & Khan (2016); Bhushan & Medury (2013); Subramaniam & Velnampy (2016), that state women tend to be more careful in investing compared with men.

Table 1. Respondent Profile

Based on	Group	Amount	Total
Financial Literacy Level	Low	9	29
	Medium	18	
	High	2	
Gender	Men	7	29
	Women	22	
Age	Under 20	0	29
	20 to less than 30	4	
	30 to less than 40	5	
	40 to less than 50	15	
	50 or more	5	
Education	High School	6	29
	Diploma/ D3	16	
	Bachelor	7	
	Master	0	
	Doctoral	0	
	Others	0	

Table 1. Continue …

Based on	Group	Amount	Total
Income	< Rp 1.000.000,00	2	29
	Rp 1.000.000,00 – Rp 2.999.999,00	11	
	Rp 3.000.000,00 – Rp 4.999.999,00	13	
	≥ Rp 5.000.000,00	3	
Investment Experience	Less than 1 years	2	29
	1-2 years	3	
	2 years 1 day-3 years	1	
Investment Decision	Very Bad (VB)	0	29
	Bad (B)	0	
	Enough (E)	6	
	Good (G)	21	
	Very Good (VG)	2	

Source: Processed primary data (2018)

Table 2. The Results of Chi Square Test

Variable	Chi Square	Sig.
Financial Literacy Level	2.302	0.680
Gender	0.915	0.663
Age	13.936	0.030
Education	4.322	0.364
Income	20.231	0.003
Investment Experience	23.296	0.001

Source: Processed primary data (2018)

CONCLUSION AND RECOMMENDATION

The first finding proves that the financial literacy level does not affect investment decision. It means that the higher financial literacy level does not mean the more profitable or unprofitable the investment decision. The second finding indicates that demographic factors age, income and investment experience affect investment decisions. It means that the older age, the higher income and the more investment experience of a person, the more profitable investment decision he makes. The last finding shows that gender and education do not affect investment decision. It could be happen because both men and women have the same range of education level so the information they got is considered as the same.

Based on the descriptive analysis and Chi Square test, the researcher proposes recommendations that could be considered for the government employees of Kalibawang Community Health Center and the further researcher. The researcher's suggestions are:

First, the results show that age, income and investment experience affect investment decision. In terms of age, it could be concluded that the older age of a person the more profitable investment decision he makes. Age maturity is reflected in his wise attitude when determining the tolerance of the return and risk of an investment.

The theory presented by Singh (2010), states that the older the age of a person, the more avoidance of risk in making investment decisions, and vice versa. This happens because as we get older the knowledge and experience that a person has in making the decision is also getting higher. This means that investors with older age are considered to be more careful in considering the risks

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and returns of an investment. Older investors are more mature and less reckless in determining investment decisions. Therefore, the recommendation that could be suggested by the researcher is the government employees of Kalibawang Community Health Center increase their maturity in considering return and risk of an investment decision so that the investment decision could be more profitable.

In terms of investment experience, it could be concluded that that the more investment experience of a person, the more profitable the investment decision. One of the keys to gain investment experience is by willing to try, given the fact that every employee will be faced with many choices of investment decision such as the types of the investment asset. Based on the research result, it can be seen that not all employees invest their assets in both real and financial assets. In other words, there are still employees who have not tried one of the two types of the assets. Therefore, researchers suggest that employees increase their investment experience by willing to try different types of investment decision options, both on real and financial assets, with still considering the possibility of return and risk of the investment decision. Thus, the investment decisions is expected to be more wise and profitable.

From the income side, it can be interpreted that the higher income, the more profitable investment decision of a person. This is in line with the statement stated by Lutfi (2010: 10) that investors who have low income tend to be investors who avoid risk. This happens because their funds tend to be used for the fulfillment of life needs rather than invested in some assets. Therefore, the researcher suggests that the employees to increase their income through side business or by looking for additional income sources. As more income, employees could set aside some of their income and allocate it in a various profitable investment asset.

Second, for further research, the researcher suggests to add other variables that might affect the investment decision. This is because there are still many variables outside the variables in this research that might affect the investment decisions. The addition of other variables is expected to explain the investment decisions further so that the results of his research becomes more accurate.

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