

The Influence of Financial Literacy and Income on the Decision to Invest in Islamic Stocks

Galang Kalifat Ekanagara^{1*}, Novi Puspitasari², Akhmad Munir³

^{1,2,3}Department of Management, Universitas Jember, Indonesia

ARTICLE INFO

JEL Classification:

G14, G21, G32

Corresponding Author:

Galang Kalifat Ekanagara
(galangkalifat1@gmail.com)

Received: 01-10-2023

Revised: 14-10-2023

Accepted: 28-10-2023

Published: 10-11-2023

Keywords:

Sharia Investment, Financial Literacy, Income



This work is licensed under a Creative Commons Attribution-ShareAlike 4.0 International License.

ABSTRACT

The capital market plays a significant role in a country's economy as a meeting place between those in need of capital and those who have capital for investment. However, good financial literacy and income factors influence investment decisions. Data shows an increase in the number of investors in the capital market, but low levels of financial literacy, particularly among young investors, remain a challenge. This research utilizes the Planned Behavior Theory (PBT) to understand the factors that influence investment decisions, while also highlighting the growing interest in Shariah-based investments. For students, financial literacy and income have a significant impact on their investment decisions. The research findings indicate that improving financial literacy and income management can assist individuals in making better investment decisions and enhancing their financial well-being.

1. INTRODUCTION

The capital market has an important role in a country's economy. According to the Capital Market Law (UUPM) number 8 of 1995 article 1 number 13 states that the capital market is all kinds of activities related to securities trading and public offerings of companies that have gone public as well as institutions and professions related to securities.

According to the Indonesian capital market statistics report issued by KSEI (Indonesian Central Securities Depository) in October 2022, there was a significant increase in the number of SID (Single Investor Identification) in the capital market. This increase can be seen from the number of investors in the capital which reached 9,975,261 as of October 2022. this number has increased 33.01% from 2021 which amounted to 7,489,337 SID. SID (Single Investor Identification) is a single identity code that must be owned by investors to conduct securities transactions (Sinaga et al, 2018).

The increase in the number of investors as of October 2022 is dominated by investors less than 30 years old as much as 59.01%. The highest average related to the level of education owned by investors is high school as much as 62.58%. With the average age and education according to the report, it raises questions related to the level of understanding of financial literacy owned by investors. investors who are dominated by those under 30 years of age in making investment decisions.

According to the results of the National Survey on Financial Literacy and Inclusion (SNLIK) in 2019 conducted by OJK (Financial Services Authority), the financial literacy index of Indonesian society is only 38.03% and the financial inclusion index is 76.19%. This figure is still classified as a low number. This shows that in general, Indonesian people still do not understand well and correctly the characteristics of various financial services and products offered by formal financial services institutions. Whereas financial literacy is an important basic skill that every investor must have.

Then another factor that can influence investment decisions is the income factor. This is because everyone who invests must know in advance the source of funds they have, either from personal sources or loans. In Dewi & Purbawangsa's research (2018) found that income has a significant effect on investment decisions. This is also the same as research conducted by Safryani, Aziz, & Triwahyuningtyas (2020) which states that income has a significant effect on investment decisions. However, it is different from the research conducted by Putri & Rahyuda (2017) which states that there is no influence between income and individual investment decision behavior.

In line with the increase in the number of SIDs, the Islamic stock index also experienced a significant development. The Islamic stock index has increased from 2021 from the previous 3,983,652.80 to 4,409,187.05 in October 2022. This was also followed by the increasing number of Islamic stocks listed on the IDX (Indonesia Stock Exchange). In the last period in 2021, the number of Islamic stocks listed on the Islamic securities list was 484. Currently, the number of Islamic stocks has grown to 532 in the first period of 2022. This is related to the increase in the number of SIDs registered with KSEI. Do these investors invest their funds in Islamic stocks.

Based on the background of the problems described above, this research has the title "The Effect of Financial Literacy and Income on Sharia Stock Investing Decisions (Study on Students of the Faculty of Economics and Business, University of Jember)", and the following problem formulations.

1. Does financial literacy affect the investment decision making of students of the Faculty of Economics and Business, University of Jember in Islamic stocks?
2. Does income affect the decision-making of investing students of the Faculty of Economics and Business, University of Jember in Islamic stocks?

2. LITERATURE REVIEW

1. Planned Behavior Theory (PBT)

Planned Behavior Theory (PBT) is one of the theories that has been widely applied in previous research to understand how a person behaves and how to show a reaction. Planned Behavior Theory (PBT) states that the background

which includes gender, age, experience, economy, and knowledge will ultimately affect the behavior of the person (Somer, 2011).

2. Financial Literacy

Financial literacy is an understanding of the financial knowledge and skills possessed by an individual in managing their personal finances in order to improve the welfare or standard of living of that individual. Financial literacy is held with the aim of increasing the level of public understanding of long-term financial management (Margaretha & Pambudhi, 2015). Adhering to research conducted by Chen and Volpe (1998), the measurement of financial literacy can use four kinds of indicators, including:

1. Basic knowledge of financial management.
2. Credit management.
3. Savings and investment management.
4. Risk.

3. Income

Income is a certain amount of money given to someone in return for that person's work. The higher someone earns income, the more likely it is that someone will try to get an understanding of how to better utilize finances through increased financial knowledge (Amran, 2018). According to Satrio & Siswanto (2016) there are four kinds of indicators related to income, including:

1. Bonuses and incentives.
2. Additional income.
3. Regular salary income.
4. Investment.

4. Investment Decision

Just like other economic activities, in investing, of course, every investor must make considerations before deciding to invest. This is important to note so that the investment chosen is in accordance with the expectations of the investor. Decisions in investing can be divided into two sides, namely the first from the economic side by measuring the extent to which the results of the investment maximize investor wealth, then the second is based on the psychological aspects owned by investors (Hartono & Wahyuni, 2017). According to Tandililin (2010), there are three indicators in investment decisions, namely:

1. Return (Rate of Return).
2. Risk.
3. The Time Factor.

Hypothesis

1. The effect of financial literacy on investment decisions

Based on previous research conducted by Upadana & Herawati (2020), it was found that financial literacy affects investment decisions. Then in another study conducted by Saftriyani, Aziz, & Triwahyuningtyas (2020) it was also found that

financial literacy affects investment decisions. So the hypothesis of the financial literacy variable is:

H1: Financial literacy affects the investment decisions of students of the Faculty of Economics and Business, University of Jember in Islamic stocks.

2. The effect of income on investment decisions

The income variable is stated to have an effect on investment decisions in research conducted by Dewi & Purbawangsa (2018). This is also the same as Financial Literacy Income Investment Decisions in Islamic Shares 19 research conducted by Saftriyani, Aziz, & Triwahyuningtyas (2020) that income affects investment decisions. So the hypothesis of income is:

H2: Income affects the investment decisions of students of the Faculty of Economics and Business, University of Jember in Islamic stocks.

3. RESEARCH METHODS

Research Design

The approach used in this research is a quantitative approach. Then for the classification of this research, it is included in the classification of explanatory research or research that examines the position and influence between the variables being studied.

Population and Sample

The population in this study were all FEB UNEJ students who already had SID and were under 25 years old. Then for the minimum sample calculation using the Cochran formula where this formula was chosen because the population in this study was unknown (Sugiyono, 2017: 149).

$$n = \frac{Z^2 pq}{e^2}$$

Description:

- n = Number of samples
- Z = Confidence level in the sample
- p = Chance of being right
- q = Chance of being wrong
- e = Desired tolerance of error

Based on the formula above, the calculation of the number of samples obtained is as follows.

$$n = \frac{(1,65)^2 (0,5)(0,5)}{(0,1)^2}$$

$$n = 67,5$$

Thus, the minimum sample size from the population of FEB UNEJ students who already have SID, totaling 68 respondents with the sampling technique using convenience sampling.

Data Collection Technique

Researchers used an online method to distribute questionnaires with google form using the link <https://unej.id/LKPInvestasi>. The results of filling out the questionnaire that has been filled in by the respondent will be measured using a ratio scale on the financial literacy variable and a Likert scale on the income and investment decision variables.

Instrument Test

Instrument testing in research includes validity test and reliability test by relying on SPSS software. validity test if $r_{count} > r_{table}$ and reliability test if Cronbach's alpha value > 0.60 .

Multiple Linear Regression Analysis Method

The use of multiple linear analysis methods in this study is to determine the direction of the relationship between the independent variable and the dependent variable. The regression equation model used in this study is as follows.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Description:

- Y = Investment decision
- β_0 = Constant
- β_1 - β_2 = Regression coefficient of independent variables
- X_1 = Financial literacy
- X_2 = Income
- ε = Error term

Classical Assumption Test

The classic assumption test in this study uses a normality test (Kolmogorov-Smirnov with a confidence value of 95%), multicollinearity test ($VIF \leq 10$), and heteroscedasticity test.

Hypothesis Test

Hypothesis testing in this study uses a partial test (t test) with a significance value < 0.05 and $t_{count} > t_{table}$. Then proceed to the multiple coefficient of determination (R^2).

4. RESULTS AND DISCUSSION

Results

General Description of Respondents

The majority of respondents in this study were female at 55.1%, the remaining male at 44.9%. Most respondents live in Jember with a percentage of 21.7%. Respondents in this study were dominated by Sharia Economics majors by 39.1%. The respondents' source of income is dominated by parents by 44.9% with monthly income dominated at Rp.500,000-Rp.1,500,000 with a percentage of 43.4%.

Respondents mostly invested 1-5 times through the broker Mirae Indonesian Securities Assets.

Instrument Test

Table 1. Validity Test

Variable	Item	R tabel	R hitung	Sig.	Ket.
Financial Literacy	X1.1	0,236	0,754	0,000	Valid
	X1.2	0,236	0,605	0,000	Valid
	X1.3	0,236	0,723	0,000	Valid
	X1.4	0,236	0,632	0,000	Valid
	X1.5	0,236	0,649	0,000	Valid
Income	X2.1	0,236	0,791	0,000	Valid
	X2.2	0,236	0,729	0,000	Valid
	X2.3	0,236	0,697	0,000	Valid
	X2.4	0,236	0,619	0,000	Valid
	X2.5	0,236	0,609	0,000	Valid
Sharia Stock Investment Decision	Y1.1	0,236	0,861	0,000	Valid
	Y1.2	0,236	0,837	0,000	Valid
	Y1.3	0,236	0,753	0,000	Valid

Source: Data Processed, 2023

Judging from Table 1, every question and statement contained in the questionnaire with all variables can be proven valid because it has $r_{count} > r_{table}$ with a significance value < 0.05 .

Table 2. Reliability Test

No.	Variable	Cronbach Alpha	A Decree	Test Results
1.	Financial Literacy	0,684	0,60	Reliability
2.	Income	0,725	0,60	Reliability
3.	Sharia Stock Investment Decision	0,752	0,60	Reliability

Source: Data Processed, 2023

From table 2, it can be seen that all variables have a value of more than 0.60, so it can be said that all variables in this study are reliable.

Multiple Linear Regression Analysis Method

Table 3. Multiple Linear Regression Analysis Results

Variable	Coefficient	Sig.
Constant	8,428	0,000
Financial Literacy (X1)	0,378	0,000
Income (X2)	0,049	0,000

Source: Data Processed, 2023

Based on table 3, the regression equation is obtained as follows. $Y = 8.428 + 0.378 X1 + 0.049 X2$ From the above equation, the constant number value of 8.428 is positive. This shows that if there is no increase in the financial literacy variable (X1) and income (X2), the value of investment decisions (Y) is 8.428.

Classic Assumption Test

Table 1. Data Normality Test

N	Kolmogorov Smirnov Test Value	Sig.	Information
69	0,200	0,05	Normal Distributed

Source: Data Processed, 2023

From table 4, it can be seen that the Kolmogrov-Smirnov Test value is $0.200 > 0.05$, which means that the data is normally distributed.

Table 2. Multicollinearity Test

No.	Variable	Tolerance	VIF	Information
1.	Financial Literacy	0,904	1,106	There is no multicollinearity
2.	Income	0,904	1,106	There is no multicollinearity

Source: Data Processed, 2023

Based on table 5, it can be seen that the tolerance value is > 0.1 and $VIF < 10$. So it can be said that there is no multicollinearity.

Tabel 3. Heteroscedasticity Test

Model	Coefficients ^a				t	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
(Constant)	.318	.073			4.338	.000
Financial Literacy	.006	.013	.055		.432	.667
Income	-.005	.004	-.149		-1.159	.251

a. Dependent Variable: KI

Source: Data Processed, 2023

Based on table 6, it can be seen that the significance value of each $.05$. So it can be said that there are no symptoms of heteroscedasticity.

Hypothesis Test

Table 7. Partial Test Results (t Test)

Variable	Sig.	t _{hitung}	t _{tabel}	Test Results
Financial Literacy	0,000	14,192	0,236	H ₀ is rejected
Income	0,000	5,864	0,236	H ₀ is rejected

Source: Data Processed, 2023

Based on table 7, it can be seen that the effect of each independent variable on the dependent variable is as follows.

- Based on the results of the t test, it shows that the effect of the financial literacy variable on investment decisions has a significant value of 0.000 and a tcount of 14.192. Where the significance value < 0.05 and $t_{count} > t_{table}$ ($14.192 > 0.236$), then H₀ is rejected.

- Based on the t test results, the income variable gets a significance value of 0.000 and a tcount of 5.864. Where the significance value <0.05 and $tcount > t_{table}$ (5,864 > 0.236), then H_0 is rejected.

Coefficient of Multiple Determination (R^2)

Table 8. Results of the Coefficient of Multiple Determination (R^2)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.910 ^a	.828	.823	.303	1.937
a. Predictors: (Constant), Income, Financial Literacy					
b. Dependent Variable: Sharia Stock Investment Decision					

Source: Data Processed, 2023

Adjusted R Square is equal to 0.823, which means that the magnitude of the influence caused by the independent variable on the dependent variable, in this case the investment decision on Islamic stocks, is 82.3%.

Discussion

1. The Effect of Financial Literacy on Investment Decisions in Sharia Shares

Based on the results of the analysis on the financial literacy variable, it is known that the first hypothesis (H_1) is accepted. The t test results in a significance value <0.05 , namely 0.000 and the value of $t_{count} > t_{table}$ (14.192 > 0.236), then H_0 is rejected or H_a is accepted. The regression coefficient result is positive, it means that financial literacy has a significant positive effect on the investment decisions of FEB UNEJ investors in Islamic stocks. This contradicts the results of research conducted by Yundari & Artati (2021) which shows that financial literacy has no significant effect on investment decisions. However, the results of this study are in line with previous research conducted by Rasuma Putri & Henny Rahyuda (2017), Upadana & Herawati (2020), Safriyani, Aziz, & Triwahyuningtyas (2020) which show that financial literacy has a significant positive effect on investment decisions. then it can be concluded, the higher the level of financial literacy of FEB UNEJ student investors, the better the investment decisions that are decided later. A high level of financial literacy can make it easier to minimize risks associated with investment (Mufidah et.al., 2022).

2. The Effect of Income on Investment Decisions in Sharia Stocks

Based on the research results, it is proven that the second hypothesis (H_2) is accepted. The t test results show that the income variable gets a significance value of 0.000 and t count of 5.864. Where the significance value is <0.05 and $t_{count} > t_{table}$ (5.864 > 0.236), then H_0 is rejected or H_a is accepted. The value of the regression coefficient is positive, which indicates that the effect of the independent and dependent variables is also positive. Based on the results of the research analysis, it can be concluded that income has a significant positive effect on the investment

decisions of FEB UNEJ student investors in Islamic stocks. This can be interpreted that the higher the income of FEB UNEJ student investors, the higher the consideration in making their investment decisions. Someone who has a high income will tend to control their finances well, so they really consider their decisions. This is in accordance with research conducted by Dewi & Purbawangsa (2018), Saftriyani, Aziz, & triwahyuningtyas (2020), Yundari & Artati (2021) which state that income has a significant effect on investment decisions. However, the results of this study contradict the results of research conducted by Rasuma Putri & Henny Rahyuda (2017), Olubanjo Michael Adetunji & Olayinka David (2019) which state that income has no significant effect on investment decisions.

5. CONCLUSION

This study aims to test and discuss the effect of Financial Literacy and Income on Investing Decisions in Sharia Shares (Study on Students of the Faculty of Economics and Business, University of Jember. Based on the results of the research that has been done, the following conclusions can be drawn.

- The first hypothesis statement is accepted. The financial literacy variable has a significant positive effect on the investment decisions of FEB UNEJ student investors in Islamic stocks.
- The second hypothesis statement is accepted. The income variable has a significant positive effect on the investment decisions of FEB UNEJ investors in Islamic stocks.

REFERENCE

- Adetunji, O. M., & David-West, O. (2019). The relative impact of income and financial literacy on financial inclusion in Nigeria. *Journal of International Development*, 31(4), 312-335.
- Amran, A. (2018). Pengaruh Sanksi Perpajakan, Tingkat Pendapatan dan Kesadaran Wajib Pajak terhadap Kepatuhan Wajib Pajak Orang Pribadi. *ATESTASI: Jurnal Ilmiah Akuntansi*, 1(1), 1-15.
- Chen, H dan Volpe, R.P, 1998. "An Analysis of Personal Literacy Among College Students". *Financial Services Review*. Vol. 7 (2).
- Dewi, I. M., & Purbawangsa, I. B. A. (2018). Pengaruh literasi keuangan, pendapatan serta masa bekerja terhadap perilaku keputusan investasi. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 7(7), 1867-1894.
- Hartono, E. F., & Wahyuni, D. U. (2017). Analisis faktor-faktor keputusan investasi pada perusahaan property dan real estate. *Jurnal Ilmu Dan Riset Manajemen (JIRM)*, 6(6).
- Margaretha, F., & Pambudhi, R. A. (2015). Tingkat literasi keuangan pada mahasiswa S-1 fakultas ekonomi. *Jurnal Manajemen dan Kewirausahaan*, 17(1), 76-85.

- Mufidah, A., Isitifadah, & Awaliyah, I. (2022). Sharia Financial Liteacy in Personal Financial Planning. *UMJember Proceeding Series International Social Sciences and Humanities* (hal. 198-203). Jember: UMJember.
- Ojk.co.id. (2010, 1 Januari). Undang-undang Nomor 8 Tahun 1995 tentang Pasar Modal. Diakses pada 26 November 2022, dari <https://www.ojk.go.id/id/kanal/pasarmodal/regulasi/undang-undang/Pages/undang-undang-nomor-8-tahun-1995-tentang-pasar-modal.aspx>
- Ojk.co.id. (2021, 19 Desember). Strategi Nasional Literasi Keuangan Indonesia (SNLKI) 2021-2025. Diakses pada 27 November 2022, dari <https://www.ojk.go.id/id/berita/dan-kegiatan/publikasi/Pages/Strategi-Nasional-Literasi-Kuangan-Indonesia-2021-2025.aspx>
- Ojk.co.id. (2022, 16 November). Statistik Saham Syariah – Oktober 2022. Diakses pada 28 November 2022, dari <https://www.ojk.go.id/id/kanal/syariah/data-dan-statistik/sahamsyariah/Pages/Statistik-Saham-Syariah---Oktober-2022.aspx>
- PT Kustodian Sentral Efek Indonesia (KSEI). (2022). *Statistik Pasar Modal Indonesia*. Jakarta: Gedung Bursa Efek Indonesia Tower 1 Lt.5.
- Putri, N. M. D. R., & Rahyuda, H. (2017). Pengaruh tingkat financial literacy dan faktor sosiodemografi terhadap perilaku keputusan investasi individu. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 6(9), 3407-3434.
- Putri, N. M. D. R., & Rahyuda, H. (2017). Pengaruh tingkat financial literacy dan faktor sosiodemografi terhadap perilaku keputusan investasi individu. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, 6(9), 3407-3434.
- Safryani, U., Aziz, A., & Triwahyuningtyas, N. (2020). Analisis Literasi Keuangan, Perilaku Keuangan, Dan Pendapatan Terhadap Keputusan Investasi. *Jurnal Ilmiah Akuntansi Kesatuan*, 8(3), 319-332.
- Satrio, E., & Siswanto, D. (2016). Analisis faktor pendapatan, kepercayaan dan religiusitas dalam mempengaruhi minat muzakki untuk membayar zakat penghasilan melalui lembaga amil zakat. *Simposium Nasional Akuntansi XIX*, 1(4), 308-315.
- Sinaga, L. P., Nasution, B., Siregar, M., & Mulyadi, M. (2018). Prinsip Keterbukaan Beneficial Owner (BO) Perusahaan Terbuka Terhadap Upaya Pencegahan dan Pemberantasan Tindak Pidana Pencucian Uang (TPPU).
- Somer, Lutz. 2011. *The theory Of Planned Behavior And The Impact of Past Behavior*. *The International Business & Economics Research Journal*; (10) 1.
- Sugiyono. (2017). *Statistika untuk Penelitian*. Bandung: Alfabeta.
- Tandelilin, D. E. (2010). *Portofolio dan Investasi Teori dan Aplikasi (Satu)*. Yogyakarta: Kanisius.

- Upadana, I. W. Y. A., & Herawati, N. T. (2020). Pengaruh literasi keuangan dan perilaku keuangan terhadap keputusan investasi mahasiswa. *Jurnal Ilmiah Akuntansi Dan Humanika*, 10(2), 126-135.
- Yundari, T., & Artati, D. (2021). Analisis Pengaruh Literasi Keuangan, Perilaku Keuangan dan Pendapatan Terhadap Keputusan Investasi. *Jurnal Ilmiah Mahasiswa Manajemen, Bisnis Dan Akuntansi (JIMMBA)*, 3(3), 609-622.