

## The Role of Financial Literacy on Student Investment Choices

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**ABSTRACT.** The purpose of this study was to determine and measure the impact of the level of financial literacy on the investment choices of students. This study is qualitative descriptive or describes the results of interviews into valid data, data collected based on the results of observation, questionnaires, and direct interviews with students of the faculty of economics and Islamic business, UIN Fatmawati Sukarno Bengkulu. The results of this study indicate that financial literacy has a significant impact on student investment decisions. The higher the financial literacy possessed by students, the better the investment decisions that will be taken by students.

**keywords:** financial literacy; investment decisions; student;

## INTRODUCTION

The millennial era is an era when people are thinking about ways to grow their wealth effectively and efficiently. The pattern of wealth development has changed in line with the development of a country's economy. In this era, in developing their wealth, society has shifted real assets in the form of land, gold, vehicles, and buildings as investment instruments to financial assets in the form of deposits, bonds, foreign currency, and shares. With the rapid development in this era of globalization, insight and knowledge about financial literacy is very necessary, this is intended so that we can manage the finances and wealth that we have.

Financial Literacy is the ability to understand, analyze, and manage finances effectively, which includes an understanding of financial concepts, investments, and debt, as well as wise decision-making skills to achieve short-term and long-term financial goals. Financial literacy has also become a crucial element in modern life, playing an important role in an individual's ability to manage and understand aspects of personal finance.

A strong understanding of concepts such as money management, investing, and financial decision-making becomes increasingly important. Financial literacy education equips individuals with the tools and knowledge necessary to design a sustainable financial future and overcome financial challenges. When someone plans to invest, the individual must have good knowledge of finance (financial literacy), so that when making a decision the individual does not make the wrong decision.

As a millennial generation, students should be able to know what role financial literacy plays in investment choices, therefore the author tries to explore and look for more in-depth information regarding how much students understand the role of financial literacy in student investment choices.

## Role

In the context of investment or financial decision-making, roles refer to the functions or responsibilities played by various elements, such as investors, investment managers, and financial institutions. Each party has a specific role in the investment cycle, from research and analysis to decision-making, implementing investment strategies, and monitoring performance.

## Financial Literacy

Financial literacy is the knowledge, skills, and abilities that every individual has in making effective decisions in managing finances and developing the skills they have to make their lives prosperous in the future. Financial literacy is the ability to understand money and finance and be confident in applying knowledge to make effective financial decisions (coskuner, 2016).

According to a survey conducted by the financial services authority, the population's literacy level is divided into four parts:

1. Well literate, namely the population has knowledge and confidence in the existence of financial service institutions and their products including features, benefits and risks, rights and obligations related to financial services and products, and has skills in using financial services and products.
2. Sufficient literate, namely the population has knowledge and confidence about the existence of financial services and their products including features, benefits and risks, rights and obligations related to financial services and their products
3. Less literate, namely the population only knows of the existence of financial service institutions, financial products and services
4. Not literate, namely the population does not have knowledge and confidence in financial service institutions and their products and the population does not have the skills to use financial services and products.

## Investment

Investment is a commitment of several funds or other resources made at this time, to obtain several profits in the future. The term investment can relate to various activities and is related to investment decisions, this concerns the allocation of funds originating from within and funds originating from outside the company in various forms of investment (Purnamasari et al., 2009).

Investment decisions can be grouped into short-term investments such as investments in cash, short-term securities, receivables, and inventories as well as long-term investments in the form of land, buildings, vehicles, machines, production equipment, and other fixed assets.

## METHOD

In this research, the author uses a qualitative research approach, where qualitative research is research used to examine the condition of natural objects, as well as data collection techniques carried out, namely using interviews, observation, and documentation. The population used in this research were undergraduate students at the Faculty of Islamic Economics and Business. Samples were taken in research using a purposive sampling method. The respondents in this study were 10 respondents.

## RESULTS AND DISCUSSION

The data for this research were obtained through the results of respondents' answers in the form of interviews conducted by researchers with 10 undergraduate students from the Faculty of

Economics and Islamic Business UIN Fatmawati Sukarno Bengkulu. Where in this research the respondents most interviewed were students majoring in Sharia Economics, with a total of 5 respondents, 2 students majoring in Sharia Banking, 2 students majoring in Zakat and Waqf Management, and 1 student majoring in Hajj and Umrah Management.

In short, interviews were conducted by researchers with several respondents from the Faculty of Islamic Economics and Business, UIN Fatmawati Sukarno Bengkulu. Shows that knowledge of financial literacy has a big influence on investment decisions, this knowledge of financial literacy will direct them in the types of investments and decisions they will choose. According to Huston & J, (2010), financial literacy is the process of measuring a person's level of understanding in interpreting financial information. Having financial literacy can make it easier for someone when faced with making the investment decisions they choose. Financial decisions based on good financial literacy can benefit someone facing financial problems.

Furthermore, this research shows the importance of basic knowledge that must be possessed before investing. Sharpe (2005) "Taking investments is motivated by an understanding of investment. This investment understanding includes knowledge of the types of investment, returns to be obtained, risks faced, methods of analysis, and other things related to psychology." This is an initial consideration that must be taken before starting to invest capital in investment. As investments are made, the aim is to obtain increased profits (income) that can be felt or enjoyed in the future.

Apart from that, from the results of this research, it is known that students are still classified as less literate, where students only know of the existence of financial service institutions, financial products, and services, without knowing the benefits and skills in using financial services and other products.

This is because some students do not understand the investment guides in books or other sources. This is very unfortunate considering that knowledge of financial literacy is not only obtained from the financial services authorities but can be obtained from various things, starting from the media which emphasizes the importance of financial literacy, formal education such as in universities, or non-formal education such as training and so on. -other.

## CONCLUSION

Based on the research that has been conducted, it can be concluded that good financial literacy can influence students' investment choices. With a good level of understanding of financial literacy, students can easily make investment decisions. However, it is very unfortunate that students are still classified as less literate, who only have knowledge about financial service institutions, financial products, and services.

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