



# Economic Literacy and Pocket Money Predict Students' Interest to Make an Investment

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**Abstract.** Along with the development of economics, it can be seen that the young generation has a big interest in investing, including students in universities. This study aims to examine how well economic literacy as reported by students and their pocket money predicts students' interest to invest. A quantitative method was employed with a sample of 128 students of the Accounting Education Study Program in the final year. The data were collected using questionnaires and were analyzed using standard multiple regression by applying the Statistical Package for the Social Sciences (SPSS). The result of this study revealed that economic literacy and pocket money as perceived by students explains 64.7 percent of the variance in perceived students' interest to make an investment. This analysis of variance is statistically significant. Of the two independent variables, the perceived pocket money makes a statistically significant largest contribution to the prediction of the perceived students' interest to make an investment.

**Keywords:** Economic literacy · Interest · Investment · Pocket money · Student

## 1 Introduction

Headings should always be followed by text. The development of technology is one of the human efforts to achieve optimal satisfaction. Automation and digitization are driving innovations in various sectors that make everyday life easier. One of the sectors experiencing digitization is the financial sector. Various modern facilities have begun to be implemented in several financial institutions in order to provide better and faster services for users of financial services. With the innovation of financial services, it is hoped that it will make it easier for the community, especially in terms of finance, including investment.

Investment activities can be carried out easily because of various financial industry innovations that make it easier for transactions to be carried out anywhere and anytime. Various investment platforms have also collaborated with financial technology (fintech) platforms so that investment transactions can be carried out quickly and easily [1]. Diverse investment options show the progress of investment innovation so that people can choose to invest in various types of investments.

The trend shows that the young generation has a big interest in investment. According to data from March 2022, 8.3 million Indonesian investors have registered, an increase

of 12.13 percent from the situation at the end of 2021 [2]. Furthermore, among those data, data from the end of March also revealed that Gen Z (no more than 26 years old) investors preferred to invest in financial stocks. At that span of age, they might belong to university students.

There are many factors affecting student investment interest. There are two components: 1) desire to invest and the need to invest and 2) economic condition and support variables [3]. Also, there is a direct effect of knowledge, motivation, and pocket money on investment [4]. The ability to make a consideration and invest in future future is part of the financial experience [5]. Investment has an important role for continuity of development or domestic economic growth [6]. Based on the result of the literature review, investment interest is related to many factors, including investment motivation, investment knowledge, minimum capital, income expectation, risk perception, and financial literacy [7]. Furthermore, Triono [8] found that sharia economic literacy and pocket money allowance affect partially and simultaneously students' interest in investment. According to Kusmawati (in Umboh & Atahau [9]), the degree to which a person seeks to learn about a certain sort of investment, including its advantages and disadvantages as well as its success over time, can reveal whether or not they are interested in investing. Another trait that may be observed is that they will try to take the time to learn more about the investment or they will attempt to invest right away (without conducting any analysis), even increasing their present investment. This study only focuses on the factors related to economic literacy and pocket money.

As educated human beings, young people especially university students must think smart in investing. For this reason, it is necessary to understand the basics of economics that are useful for processing a variety of information. Therefore, economic literacy is needed because economic literacy is a tool to change unintelligent behavior into intelligent behavior [10]. Salemi [11] said that "Students attain economic literacy if they can apply basic economic concepts years later, in situations relevant to their lives and different from those encountered in the classroom". In addition, economic literacy plays an important role in making decisions regarding economic decisions [12]. Economic literacy partially affects student investment interest, so if students' economic literacy is low, it will reduce student investment interest [13]. Economic literacy is believed as one of the factors affecting investment interest [11, 12].

Another factor affecting investment interest is pocket money [4, 15]. Students, in general, do not have a permanent job and have not been able to make their own money because their main focus is studying. They rely on pocket money from their parents or other sources of income to meet their needs. The pocket money given by the parents of students generally varies because the socio-economic level of parents of students also varies [16]. With the amount of pocket money obtained by different students, the management plays an important role for students to be able to maximize the use of the existing pocket money as best and optimally as possible. In addition to using pocket money for consumption activities in moderation, students also need to learn to use pocket money in investment activities. Students said that their inability to get pocket money from family or other financing sources added to their financial stress, which had a poor impact on their learning [17].

The purpose of this research was to examine how well economic literacy as reported by students and their pocket money predicts students' interest to make an investment. The hypothesis of this research is that there will be a significant prediction of students' interest to make an investment by economic literacy and pocket money as perceived by students.

## 2 Method

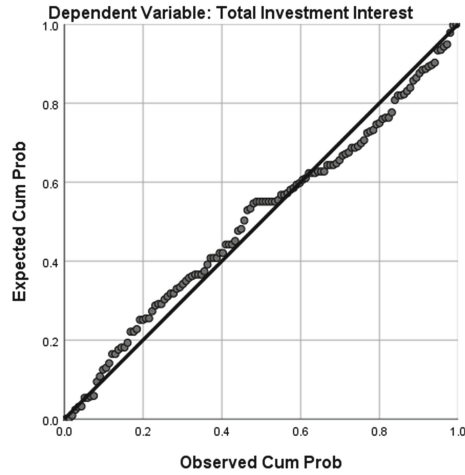
This study uses a quantitative approach using a survey design. The target population in this research is the final-year students enrolled in an Accounting Education Study Program, Faculty of Teacher Training and Education with a total number of 189 students. The final-year students were selected purposively because they had comprehensive knowledge related to economic literacy and investment as they had learned from the class in Accounting Education Study Program. By applying Slovin's formula (see Eq. (1)), the sample consisted of 128 students as participants:

$$n = N / \left( 1 + Ne^2 \right) \quad (1)$$

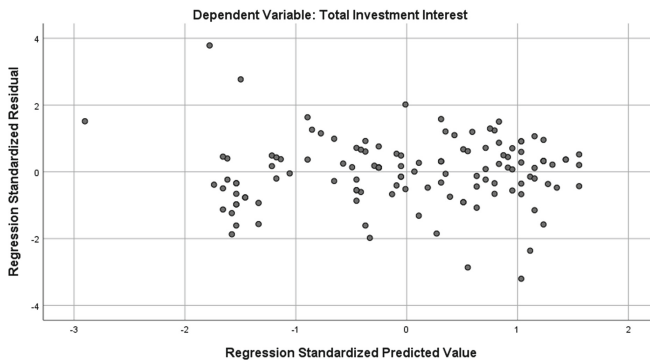
In terms of the operational definition of variables, investment interest referred to in this study is the tendency and desire of students to be interested in activities, namely investment activities. It means students use the amount of money they have to buy some assets to be stored and later can be resold in the hope of making a profit. Economic literacy is a person's basic understanding of matters relating to the basis of how an economic activity runs well and smoothly. Pocket money is one source of student income to meet all needs, including basic needs, educational needs, and other needs.

There were three questionnaires used in this study. The questionnaires were adapted from the previous research. First, to measure the economic literacy as perceived by the students, a questionnaire adapted from Andini [18] was applied. Second, a questionnaire adapted from Mutia [19] was used to measure students' perception of pocket money. Third, to measure the investment interest as perceived by the students, a questionnaire adapted from Alfrita [20] was employed. All the questionnaires were answered using a 5-point Likert scale ranging from strongly disagree to strongly agree with total of 18 items. The validity and the reliability of the questionnaires were checked first so it can be drawn 15 items that were valid and reliable. For the economic literacy scale, 4 items are valid out of 6 items and the reliability was .672, indicating minimally reliable [21]. There are 5 items out of 6 items that are valid in the pocket money perception scale with a reliability of .761, indicating reliable. For students' investment interest, all 6 items are valid with a reliability level of .948 which indicated very high internal consistency.

The data collected were analyzed using standard multiple regression by employing Statistical Package for the Social Sciences (SPSS). Examining normality, linearity, homoscedasticity, and multicollinearity is important before conducting the multiple regression analysis. The normal probability plots known as normal P-P plots were used to check for normality (see Fig. 1), and a scatterplot was required to look for deviations from the linearity and homoscedasticity assumptions (see Fig. 2). For checking multicollinearity, it can be done by looking at the Coefficient table for Tolerance and VIF (see Table 1). The results of these checking assumptions are shown.



**Fig. 1.** Normal P-P Plot of the Regression Standardized Residual



**Fig. 2.** Scatterplot

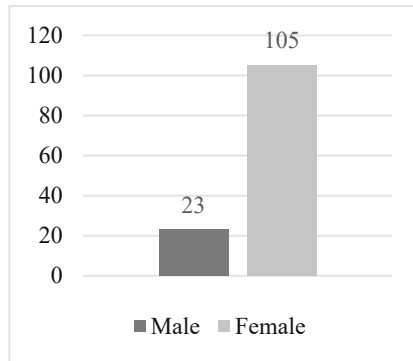
Figure 1 shows the result of the Normal P-P Plot of the regression standardized residual. It can be seen that from bottom left to top right, the points are located in a straight diagonal line. This would indicate that there are no major deviations from normality [22].

Figure 2 illustrates the scatterplot of the standardized residuals. It shows that there is a straight line with the majority of the scores centered in the middle, the residuals have a roughly rectangular distribution (along the 0 point). For homoscedasticity, along its length, the scatterplot displays a pretty equal cigar shape. These indicate no violation of the linearity and homoscedasticity assumptions.

Table 1 reveals the value of Tolerance and VIF. The tolerance value for each independent variable is .597, which is larger than .10, so it has not violated the multicollinearity assumption. Furthermore, the VIF value 1.674 is well below the cut-off of 10.

**Table 1.** Coefficients: Tolerance and VIF

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Total Economic Literacy	.597	1.674
	Total Pocket Money	.597	1.674



**Fig. 3.** Demographic Background of the Respondents by Gender

**Table 2.** Model Summary of Dependent Variable: Total Investment Interest

Model	R	R Square	Adjusted R Square
1	.808 <sup>a</sup>	.653	.647

a. Predictors: (Constant), Total Pocket Money, Total Economic Literacy

### 3 Results and Discussion

Before applying the standard multiple regression, here is the data description of the respondents. Figure 3 shows that the vast majority of the participants are female with 82,03% (105 students).

Standard multiple regression was used to examine how well economic literacy as reported by students and their pocket money predict students’ interest to make an investment. It was determined through preliminary analysis that the assumptions of normality, linearity, multicollinearity and homoscedasticity had not been violated.

Table 2 presents the result of the Model Summary, which consists of an Adjusted R square that tells how much the variance in the dependent variable (students’ investment interest) is explained by the model (including the variables of perceived economic literacy and pocket money). It can be seen that the value of Adjusted R square is .647, which means that the model explains 64.7 percent of the variance in students’ interest in making

**Table 3.** ANOVA of Dependent Variable: Total Investment Interest

Model		F	Sig.
1	Regression	117.396	.000 <sup>b</sup>
	Residual		
	Total		

b. Predictors: (Constant), Total Pocket Money, Total Economic Literacy

an investment. The value of .647 suggests that the regression model strongly fits the data [23]. In addition, Table 3. Presents the result of ANOVA, which indicates the statistical significance of the model. The model is statistically significant (Sig. = .000,  $p < .001$ ).

To know the contribution of each independent variable to the dependent variable, this can be seen from the Coefficient table (see Table 4.). The Beta values under Standardized Coefficients show a value of .338 for perceived economic literacy and .550 for perceived pocket money. This means that perceived pocket money makes the largest contribution to explaining the dependent variable. The Sig. Value for both perceived economic literacy and pocket money is .000 ( $p < .001$ ), which is indicating that the independent variables make a significant contribution to the prediction of the dependent variable.

The current study found out that perceived economic literacy and pocket money makes a statistically significant prediction to students' investment interest where they explain 64.7 percent of the variance in students' interest in making an investment. Both perceived economic literacy and pocket money make a significant contribution to the prediction of students' investment interest with perceived pocket money making the largest contribution to explaining the dependent variable. These findings are consistent with those of other studies conducted by [4, 8, 13–15].

The regression model shows that around two third of the students' investment interest is predicted by perceived economic literacy and pocket money. This value of the model indicates a high, robust model [23]. The observed prediction of students' investment interest by perceived economic literacy and pocket money might be explained in this way. As students enrolled in the Accounting Education Study Program, which prepares them to be future teachers in accounting, they had taken many classes related to accounting and economics. Economics education on the campus makes them have enough knowledge related to economics, including finance and investment so their literacy in economics, management of pocket money, and interest in investment are relatively good. This investment knowledge significantly affects students' interest in investing [20]. However, some actions are still needed to foster economic literacy for students at the university level on campus. It is necessary to make economic corner/outlet and investment gallery available on the campus [24, 25].

Budiwati et al. [26] found that the economic literacy of someone affects their ability in economic-related decision-making. This economic decision-making might include investment. The higher the level of economic literacy, the better the public's interest in investment [14]. Furthermore, the research results show that there is a direct significant influence of pocket money on the investment interest of students [4].

**Table 4.** Coefficients of Dependent Variable: Total Investment Interest

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.679	1.618		-1.656	.100
	Total Economic Literacy	.517	.104	.338	4.954	.000
	Total Pocket Money	.862	.107	.550	8.064	.000

Regarding the result of perceived pocket money making the largest contribution to explaining the students' investment interest, it might be related to the student's income, source of money, that later will be invested. This income plays an important role in students' interest in making an investment. Without enough income, they cannot make an investment effectively. Likewise, if they have good economic literacy but they do not have good management of pocket money, they might not be able to have the intention to make an investment. In comparison to students who have substantial allowances but lack financial literacy, those who understand financial literacy and have limited allowances can handle their money well [27]. The willingness of students to invest is also influenced by their access to pocket money [28].

These findings may help us to understand the importance of economic education for students, especially related to economic literacy, pocket money, and investment interest. The limitations in this study are: 1) the economic literacy data collected were based on students' self-reports, not on the result of tests, and 2) the respondents are only limited to the final-year students who enrolled in Accounting Education Study Program.

## 4 Conclusion

As the investment gets more attention from young people, it is important to examine how well predictors, perceived economic literacy and pocket money, predict the students' interest in making an investment. This study found that perceived economic literacy and pocket money makes a statistically significant prediction of students' interest to make an investment. Furthermore, perceived pocket money gives a statistical significance largest contribution to the prediction of students' interest to make an investment. Future research into students' interest in making an investment should focus on establishing a clearer picture of how perceived pocket money and related construct influence students' interest to make an investment. Furthermore, it is necessary to measure the economic literacy of students by applying tests. The campus also should maintain an academic environment that supports students' economic literacy by providing an economic corner/outlet and investment gallery on the campus.

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