The Influence of Investment Motivation and Financial Literacy on Interest in Investing During the COVID-19 Pandemic

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Abstract: **The purpose of this study is to analyze the influence of investment motivation and financial literacy on investment interest in the capital market. The population used in this study were investor and potential investors at the Investor Gathering event, then sample was selected using purposive sampling technique. Multiple linear regression method was applied. The findings stated that investment motivation and financial literacy either partially or simultaneously have a significant positive effect on investment interest in the Indonesian capital market. The implication is that stakeholders must increase their efforts to generate investment motivation and grow the financial literacy index of investors so that they are increasingly interested in investing in the capital market. This study has limitations because it only uses internal variables from the investor's perspective, further studies may add external variables which are also determinants of interest in investing.**

Keywords: investment motivation, financial literacy, interest in investing

I. INTRODUCTION

In the first quarter of 2020, Indonesia entered an economic slowdown, as was the economic growth of other countries. This global condition was triggered by the emergence of a new virus, namely Coronaviruses 2019 (COVID-19) which initially spread out in China. The World Health Organization states that COVID-19 attacks the human airway, from mild flu symptoms to fatal consequences that exceed the effects of MERS-CoV and SARS-CoV[1]. The International Monetary Fund and World Bank predict that the global economy at the end of the first quarter of 2020 will be corrected very sharply. Global economic growth is estimated to decline to a negative 2.8 percent[2].

In an effort to overcome the impact of COVID-19, several countries have implemented emergency programs such as lockdown, travel restrictions, quarantine and virus tests, as well as various economic packages. However, COVID-19 continues to spread into a pandemic and carries a bad risk to the world economy, including Indonesia. The COVID-19 pandemic has an impact on the investment climate because it tends to make people more selective in investing. The COVID-19 pandemic has greatly influenced market projections, fluctuations in market assumptions and supply chain uncertainty. Furthermore, the COVID-19 pandemic also influenced investor behavior that affected trading activities on the stock exchange[3], [4].

The capital market, with its central role in economic and financial functions, greatly contributes to supporting the country's economy. Stock trading allows investors to invest their funds, on the other hand it also allows companies to obtain non-debt financing. Potential investors must master basic investment knowledge. Investment knowledge will equip potential investors to avoid inaccurate and detrimental investment practices. Investment knowledge will also increase potential investors' understanding of the concept of risk and rate of return[5].

Investment is one of the development instruments needed by the state in order to improve the welfare of its people. Investment activities in the capital market are relatively new to most Indonesians when compared to other countries. The motivation of the Indonesian people to invest is quite low due to a low understanding of investment in the capital market and a lack of public knowledge that investing in the capital market can also generate profitable profits[6].

Until the end of 2019, PT KustodianSentralEfek Indonesia stated that investors in the Indonesian capital market grew significantly by 53.04 percent compared to the previous year. Total capital market investors in Indonesia, consisting of stock investors, mutual funds, and state securities, reached 2.47 million investors. Equity investors only grew by 29.53 percent to 1.10 million Single Investor Identification (SID). Mutual fund investors increased significantly by 77.65 percent, while government securities investors grew by 61.89 percent. Overall, Indonesian capital market investors are dominated by local investors as much as 98.97 percent, while the rest are foreign investors[7].

The Indonesia Stock Exchange releases data the number of companies that go public in the capital market always increases. The addition of a public company can be one of the factors driving the number of investors, especially in investing in stocks in the capital market. However, an increase in the number of companies alone will not have a significant effect on increasing investment motivation if public financial literacy is still low. The financial literacy and inclusion survey by the Financial Services Authority in 2019 stated that the Indonesian people's financial literacy index was 38 percent, an increase compared to 2016, which was 29 percent[8]. This reflects that very few Indonesians have knowledge and confidence in financial management[7].

The low financial literacy index during the COVID-19 pandemic could lead to lower investor sentiment towards the market. As the COVID-19 pandemic case increases, the market fluctuates more in a negative direction. The current global economic slowdown has had a major impact on Indonesia's economic growth. This can be seen in the sensitivity analysis of the Indonesian economy. When there is a one percent slowdown in the economies of China, the European Union, Japan and the United States, it will have a similar impact on the rate of economic growth in Indonesia[9].

A number of studies reveal that investment motivation and financial literacy will have an impact on investment interest [10]–[14]. However, so far previous research has been conducted with respondents from the Faculty of Economics and Business who have attended the Introduction to Capital Market and/or Investment Management courses at various campuses. Although these students have been provided with a number of relevant financial currencies, they have not invested in real terms in the capital market. This study has a noveltyin analyzing the investment interest of investors in the Investor Gathering organized by PT Asia Raya Kapital. It is hoped that the opinion of real investors will illustrate more sharply the extent of the causality of the factors that encourage investment interest in the capital market. In addition, this study also analyzes the conditions at the beginning of the COVID-19 pandemic that characterized the investment climate.

This study aims to analyze the effect of investment motivation and financial literacy on interest in investing in the capital market during the COVID-19 pandemic. The findings of this study are expected to contribute theoretically to research on investment in the capital market. In addition, the findings of this study are expected to support in encouraging increased investment in the capital market, especially in the conditions of the COVID-19 pandemic and conditions of economic recovery.

II. LITERATURE REVIEW

A. Investment Motivation

McClelland developed a motivation theory which states that there are three basic needs that motivate an individual to behave, namely the need for success, for affiliation, and for power[5]. With regard to investing, investors are motivated to invest for self-sufficiency in order to be successful in making a profit, for affiliation with other companies, and for power in their business or expansion.

Investment is a commitment to sacrifice present consumption in order to increase future consumption. Investment is a commitment to a number of funds or other resources carried out at this time, with the aim of obtaining a number of benefits in the future[6]. In relation to investment, investors are influenced by the investment environment, the psychological factor and the investment motivation so that they are motivated to invest [12], [14]–[16].

B. Financial Literacy

According to the Financial Services Authority, financial literacy is knowledge, skills, and beliefs that influence attitudes and behavior to improve the quality of decision making and financial management in order to achieve prosperity. Financial literacy is translated into knowledge of financial concepts, the ability to communicate about financial concepts, the ability to manage personal finances, the ability to make financial decisions, the confidence to make future financial planning[8].

C. Investment Interest

Interest is basically a cause and effect of the follow-up of his experiences of motivation and knowledge that drives his beliefs to act. The characteristics of someone who is interested in investing can be known by how hard they are in finding out about a type of investment, studying and then practicing it. Investment interest is the desire to find out about the type of investment starting from profits, weaknesses, investment performance and so on.

Planned Behavior Theory indicate the desire to act is due to a specific desire to behave. This shows that the intention to behave can indicate the behavior that will be carried out by someone. This shows that someone who has an interest in investing will take actions that can achieve the desire to invest, such as attending training and seminars on investing, receiving investment offers well, and ultimately invest [17].

D. Hypothesis Development

The need to invest is carried out by someone when their substantial needs are met, such as psychological needs and security needs. Actions taken by someone to take advantage of their excess funds by saving or deposits are usually carried out by investors in the risk averse category. This is different from investors in the risk taker category, who tend to invest their funds in investment products. The desire or motivation to invest arises because someone's substantial needs have been met, so that the next needs are social needs, appreciation needs, and self-actualization

Several research results reveal that the higher the motivation to invest, the more interested in investing. This findings applies both student and investor respondents [11], [12], [14]–[16], [18]. Then the first hypothesis is formulated as follow:

H1: investment motivation has a positive effect on investment interest.

In the current millennial era, financial literacy is very important given the many new investment products emerging, so investors must understand the risks and benefits of each. Investors who master financial literacy will be able to invest safely, well and correctly. So financial literacy contributes to increasing investor interest in investing.

A number of studies have concluded that financial literacy impact positivelytowards investment interest. Studies on various respondents in various countries show that the higher a person's financial literacy level, the more interested he will be in investing in the capital market [10], [13]–[15], [19], [20]. Then the second hypothesis is formulated as follow:

H2: Financial literacy has a positive effect on investment interest.

A good investor must have investment motivation as well as an adequate level of financial literacy about his investment. In the scope of investment in the capital market, financial literacy is absolutely necessary given the complexity of investment products and procedures. Several previous studies have shown that investment motivation and financial literacy simultaneously have a positive effect on investment interest in the capital market [14], [15]. Then the third hypothesis is formulated as follow:

H3: investment motivation and financial literacy have a positive effect on investment interest.

III. METHOD

This research is a descriptive causality research. The research design uses quantitative methods. This research was conducted in several cities, namely Jakarta, Bandung, Medan, Palembang, and Pontianak with a population of 320 respondents as investors and potential investors at the Investor Gathering held by PT Asia Raya Kapital in January and February 2020.

The sampling technique used is purposive sampling with the criteria of investors who already have a Single Investor Identification (SID). The number of samples was determined based on the Slovin formula, in order to obtain a total of 98 people.

The data analysis technique used in this study is multiple linear regression, with the previous classical assumption test. The classical assumption test consists of the Normality Test, Multicollinearity Test, and Heteroscedasticity Test. This test is intended to ensure that the model obtained really meets the basic assumptions in the regression analysis and ensures that the regression model is really the Best Linear Unbiased Estimator.

IV. RESULT AND ANALYSIS
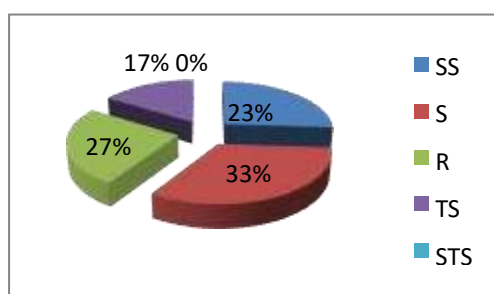
A. Descriptive Analysis

Figure 1. Investment Motivation

Based on Figure 1, 23 percent of respondents who gave a strongly agree assessment, 33 percent of respondents who gave an agreeable assessment, and 27 percent who gave an assessment of doubt, while respondents who gave an assessment of disagree were 17 percent who gave an assessment strongly disagreed with no answer. In the overall results on the Investment Motivation variable, the total answer value is 323 in the agree category, this means that the respondents' Investment Motivation is good.
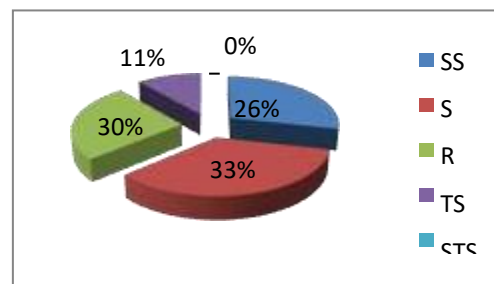

Figure 2. Financial Literation

Based on Figure 2, there were 26 percent of respondents who gave a strongly agree assessment, 33 percent of respondents who gave an agreeable assessment, 30 percent who gave an assessment of doubt, while respondents who gave an assessment of disagree were 11 percent and gave an assessment strongly disagree no answer. In the overall results on the Financial Literacy variable, the total value of the most answers is 322 in the agree category, this means that the respondent's Financial Literacy is good.
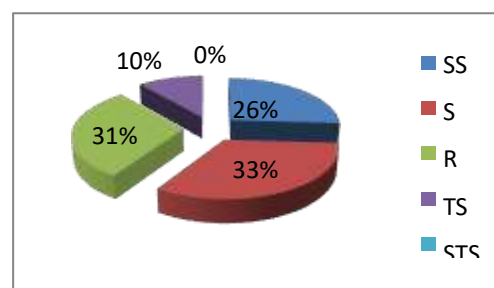

Figure 3. Interest in Investing

Based on Figure 3, there were 26 percent of respondents who gave a strongly agree assessment, 33 percent of respondents who gave an agreeable assessment, 31 percent who gave an assessment of doubt, while respondents who gave an assessment of disagree were 10 percent and those who gave an assessment strongly disagree no answer. In theoverallresultsontheInterest in Investingvariable, the total valueofthemostanswersis 322 thusitis in theagreecategory, thismeansthattherespondent'sInterest in Investingisgood.

B. Instrument Test and Classical Assumption Test

Based on the validity test, all statement items have r positive and greater than 0.361 so that the instrument can be declared valid. The Cronbach alpha value of all variables ranges from 0 to 1, so that all items in the measurement instrument can be declared reliable.

The normality test states that the regression model for the Investment Motivation variable is normally distributed with Asymp. Sig. (0.249)> 0.05, for the Investment Knowledge variable normally distributed with Asymp. Sig. (0.074)> 0.05, for the Interest in Investing variable with a normal distribution with Asymp. Sig. (0.083)> 0.05.

The heteroscedasticity test illustrates a scatterplot that spreads randomly, does not form a certain clear pattern, and the distribution is either above or below the number 0 on the Y axis.This means that there is no heteroscedasticity in the regression model so that the regression model is suitable to predict investment interest input the independent variable.

The multicollinearity test is known from the VIF value of each predictor not exceeding 10 so it can be concluded that this regression model is not affected by multicollinearity problems.

C. Multiple Linear Regression Analysis

Tabel 1. Multiple Linear Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.461	2.332		1.484	.141
Motivation	.512	.070	.542	7.269	.000
Literation	.405	.080	.378	5.070	.000

Source: processed data, 2020.

Based on Table 1, it can be seen that the regression equation $Y = 3.461 + 0.512 X_1 + 0.405 X_2$. This equation means that if investment motivation is increased, interest in investingwill also increase, in line with the previous findings[11], [12], [14]–[16], [18]. In addition, if financial literacy increases, interest in investingwill also increase, relevant to previous research [10], [13]–[15], [19], [20].

During the COVID-19 pandemic, government policies related to regional lockdowns, vaccinations, and restrictions on economic activity greatly influenced the motivation to invest, because most people focused on health issues. However, the latest research in several countries and investors in the Indonesia Stock Exchange still have optimistic hopes so that investment motivation will have a positive impact on investment interest. These findings support previous research on a number of capital markets in the world[3].

A person's financial behavior is largely determined by the level of financial literacy. A high level of financial literacy tends not only to be related to the current transaction pattern, but also to shape their perception of investing. Indonesian Stock Exchange investors who have a high level of financial literacy tend to increase their investment interest. The period of the COVID-19 pandemic has not reduced their interest in investing, this is relevant to research results in a number of other countries[4], [10].

Thesefindings support and strengthens previous studies related to the influence of investment motivation and financial literacy in determining interest in investingin the capital market. These findings corroborate Planned Behavior Theory as reviewed in several previous research[4], [17].

Furthermore, the following is an analysis of the coefficient of determination:

Table 2. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.845[a]	.713	.707	3.807

a. Predictors: (Constant), Motivation, Literation.

Source: processed data, 2020.

The coefficient of determination is used to determine how strongly the independent variable determines changes in the variation of the dependent variable. Adjusted R Square shows a value of 0.707, meaning that 70.7 percent of changes in interest in investing are determined by

investment motivation and financial literacy, while the rest is determined by other variables outside of this research model. Therefore this research model is strong enough in predicting interest in investing in capital market.

V. CONCLUSIONS

Based on the analysis and discussion, it can be concluded that the Investment Motivation and Financial Literacy model both partially and simultaneously has a positive effect on Interest in Investing. The higher the investment motivation, the higher Interest in Investing will increase. The higher the Financial Literacy, the more Interest in Investing will increase.

This finding implies that in order to generate investment interest in the capital market, it is absolutely necessary to increase the investment motivation of investors. In addition, during the COVID-19 pandemic, the Financial Services Authority as a regulator should further improve Financial Literacy by socializing investment in the capital market through virtual media.

Future research should add a number of external variables that may determine interest in investing in the capital market. In addition, it can also be analyzed control variables or mediating variables that will build a research model that more accurately describes the conditions of interest in investing in the capital market. Further research in the period of economic recovery after the COVID-19 pandemic will also be very interesting as a comparison. It is hoped that a more comprehensive study will be obtained.

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