Research Review

The Influence of Financial Literacy and Investment Motivation on Investment Interest in the Capital Market Among the Millennial Generation With Income as a Moderating Variable

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Abstract: This study aims to analyze the influence of financial literacy and investment motivation on investment interest in the capital market among the millennial generation with income as a moderating variable. This study uses an associative research method with a quantitative approach. The population in this study is the millennial generation who have an interest in investing in the capital market, with a total of 150 respondents determined through a purposive sampling technique. Primary data was obtained through distributing questionnaires using a Likert scale, and data analysis was carried out with the help of SmartPLS 4.0 software. The results of the study indicate that financial literacy and investment motivation have a positive and significant effect on investment interest in the capital market. However, the results of the moderation test show that income only acts as a significant moderating variable in strengthening the relationship between financial literacy and investment interest. Meanwhile, income does not significantly moderate the relationship between investment motivation and investment interest. These findings provide important implications for policy makers and financial institutions to improve financial literacy through comprehensive education programs and consider the income aspect in encouraging investment interest.

Keywords: Financial Literacy, Investment Motivation, Investment Interest, Income, Millennial Generation.

1. Introduction

Investment in the capital market sector is an alternative source of funding for both the government and the private sector. However, the level of participation of the Indonesian people in capital market investment is still relatively low compared to other countries. Based on the report of the Financial Services Authority (OJK, 2024), the number of investors in Indonesia only reached 5.15% of the total population. Although increasing, this figure is still far below other countries such as Malaysia (7.44%) and Australia (46.15%). Currently, Indonesia is experiencing a "demographic bonus," which is a situation where the number of productive age population is greater than the number of non-productive age population. The productive age includes individuals aged 15 to 64 years, including Generation Z and Millennials (Viana, 2021). Based on the 2020 Population Census conducted by BPS, the majority of Indonesia's population consists of Generation Z and Millennials. Generation Z, who were born between 1997 and 2012, reached 75.49 million people or around 27.49% of the total population of 270.2 million people. Meanwhile, the Millennial Generation, who were born between 1981 and 1996, numbered 69.90 million people or equivalent to 25.87% of the total population (BPS, 2021).

Financial literacy plays an important role in helping individuals manage personal finances, plan investments, and understand the risks and opportunities in investing. Research shows that individuals with higher levels of financial literacy tend to be more active in investing in the stock market (Kumari, 2020). Conversely, the lack of financial literacy causes many

potential investors to hesitate to invest or even fall into irrational investment practices, such as stock gambling, bandwagon culture, and fraud. The Fear of Missing Out (FoMO) phenomenon is also one of the factors that causes retail investors to often make impulsive investment decisions without adequate understanding. The need for financial literacy introduces a series of new, complex skills, including an understanding of financial products, how they work, and their benefits and risks. Another important component of financial literacy is the ability to apply this knowledge and understanding in making wise and profitable financial decisions. Based on a household survey in the Netherlands, it was found that individuals with higher levels of financial literacy tend to be more active in participating in the stock market. Conversely, individuals with lower financial literacy tend to be reluctant to invest in stocks (Kumari, 2020). In addition to financial literacy, investment motivation is also a factor that influences an individual's decision to invest. Investment motivation can be intrinsic or extrinsic, and has been shown to have a significant effect on an individual's interest in investing (Adelina & Rikumahu, 2022). In society, there are two paradigms regarding investment, namely first, investment is considered a desire, where individuals only invest if they have excess funds, and second, investment is considered a need, where individuals actively allocate funds for investment to achieve long-term financial goals (Pangestu & Bagana, 2022). Lack of understanding of the importance of investment often causes individuals to not have clear investment goals, so they have difficulty measuring investment success and maintaining motivation to continue investing.

Investment interest among the younger generation continues to increase along with the growth in the number of investors from the age group under 30 years. Based on IDX data released by KSEI (2021), young investors dominate with a proportion of 54.83% of total investors in Indonesia, with total assets reaching IDR 83.97 trillion. In addition, the 31-40 age group also has a fairly large portion, namely 24.48%, with total assets of IDR 56.61 trillion. The increase in the number of young investors shows that awareness of the importance of investment is growing, although it still needs to be supported by increasing financial literacy and investment motivation. In the employment category, the student group covers 22.67% of total investors with assets of IDR 18.08 trillion, which shows that investment awareness among students is increasing. Previous research also shows that financial literacy and investment motivation play an important role in increasing investment interest among the younger generation. According to research by Lusardi and Mitchell (2019), good financial literacy allows individuals to make wiser investment decisions and manage risks better. In addition, investment motivation, both intrinsic and extrinsic, also influences the decision to invest (Kumari, 2020). Various studies have shown that financial literacy and investment motivation have a positive influence on investment interest. Research by Khan et al. (2020) shows that financial literacy contributes $R^2 = 0.46$ or 46% to the decision to invest in the capital market. Meanwhile, research by Eduard et al. (2024) found that investment motivation has a determining contribution of $R^2 = 0.529$ or 52.9% to the investment interest of the millennial generation. In addition to the influence of each variable partially, several studies also show that financial literacy and investment motivation simultaneously have a significant influence on investment interest. Darmawan et al. (2019) found that the two variables together explain investment interest with an R^2 contribution of 62.7%. Similar results were also found in the study by Adelina and Rikumahu (2022) which stated that financial literacy and investment motivation simultaneously influenced stock investment interest with an R^2 value of 60.1%. In addition, Hudha (2021) reported an R^2 value of 56%, while Pangestu and Bagana (2022) recorded an R^2 value of 61% for the simultaneous influence of the two variables on investment interest. Research by Eduard et al. (2024) also showed a simultaneous contribution of 52.9%. This finding strengthens the argument that literacy and motivation together are the main drivers in shaping investment interest. However, the strong influence of financial literacy and investment motivation on investment interest does not necessarily apply consistently to every individual's condition. One factor that is thought to be able to strengthen or weaken this relationship is income.

Income is another factor that can moderate the relationship between financial literacy and investment motivation on investment interest. Research shows that individuals with higher incomes tend to have better levels of financial literacy and are more motivated to invest (Sabri & MacDonald, 2021). Based on Keynes' consumption theory, income levels are directly

proportional to a person's consumption and savings. The higher the income, the more likely individuals are to set aside part of their income for investment. This is in line with research showing that income has a significant impact on individual investment decisions and another study by Alam and Karim (2020) also found that a stable income level increases an individual's confidence in taking investment risks. However, many Millennials still face financial challenges, such as high living costs, student debt, and lack of emergency funds, which can affect their investment decisions and determine the level of risk they are willing to take. Conversely, individuals with low incomes often face limitations in allocating funds for investment, despite having high motivation (Lusardi & Mitchell, 2020). Higher income not only provides the financial ability to invest but also increases an individual's confidence in making investment decisions. Several studies have found that income has a positive and significant effect on investment interest. For example, research by Mastura et al. (2020) and Hutapea & Dewi (2021) shows that the higher a person's income, the higher their investment interest. Likewise, research by Sandi (2020) found that customer income has a positive and significant effect on investment interest. However, the results of the study are not always consistent. A study by Hidayat & Kayati (2020) showed that income did not have a significant effect on investment interest. In addition, research by Muntiah et al. (2022) found that income did not have a significant effect on capital market investment interest during the COVID-19 pandemic. These differences in results indicate that the relationship between income and investment interest is influenced by various factors, such as financial literacy and individual motivation.

2.   Preliminaries or Related Work or Literature Review
Theory of Planned Behavior
Ajzen and Fishbein (1980) developed a theory of human behavior called the Theory of Reasoned Action (TRA). According to TRA, individual behavior is influenced by behavioral intentions formed from two main factors, namely attitudes and subjective norms. Attitude is defined as a person's positive or negative feelings towards a behavior, such as liking or disliking when performing a certain action. Meanwhile, subjective norms refer to an individual's perception of the beliefs or expectations of others that can influence their decisions, although these beliefs are still in the consideration stage. In its development, Ajzen (1991) expanded TRA by adding elements of perceived behavioral control, thus creating the Theory of Planned Behavior (TPB). In TPB, subjective norms are defined as an individual's response to the influence of those closest to them, such as family or friends, who encourage or inhibit them from performing a behavior. To determine whether a behavior is feasible or not, individuals will consider all the information they have, including estimating the impact of the behavior. Thus, a person can adopt a behavior through active interest in the behavior. This behavioral interest is a key factor in determining whether a behavior will be achieved or not. With planning and attention, one's behavior can be directed toward more concrete and measurable outcomes.

Investment Interest
Interest is a person's sense of attraction and liking for something or an activity without any coercion from outside parties. Someone who has an interest in an activity will consistently pay attention and do it with a feeling of pleasure, because the interest comes from within themselves (Wulandari & Indahwati, 2024). Attitude also plays an important role in shaping investment interest. A positive attitude towards investment, which is influenced by factors such as financial self-efficacy and expectations of financial gain, can increase a person's interest in investing. However, in some cases, attitude alone may not be enough to influence investment interest without other supporting factors.

Investment motivation.
Motivation is a condition within a person that drives the individual's desire to carry out certain activities in order to achieve goals. The motivation that exists in a person will manifest a behavior that is directed at the goal of achieving satisfaction targets. So, motivation is not something that can be observed but is something that can be concluded because of visible behavior (Wulandari and Indahwati, 2024). Motivation is often interpreted as encouragement. This encouragement or energy is the movement of the soul and body to act, so that motivation is a force that moves humans to behave in their actions that have certain goals. Motivation is defined as a process by which individuals recognize their needs and take action to satisfy those needs. In its content, motivation is a process and this process can explain differences in the intensity

of consumer behavior (investors). Another content of the definition is that motivation is an encouragement, namely the encouragement for humans to take certain actions in an effort to satisfy their needs. McClelland developed a theory of motivation known as McClelland's Theory of Learned Needs, which states that a person's motivation is influenced by three main needs, namely the need for achievement, need for affiliation, and need for power (McClelland, 1961).

Income

Income can be defined as the total money received by a person or household in a certain period of time, usually one month. Income can be in the form of wages or salaries, employee recruitment, income from assets such as rent, interest, and dividends, and transfers or receipts from the government such as social benefits or unemployment insurance. Income is compensation obtained from production factors in a certain period of time. The compensation for that time can be in the form of rent, wages or salaries, interest or profit. Personal income is all types of income, including income earned without doing anything that is received by citizens. Income can be used by the recipient, namely all households in the economy can use income to buy goods and services they want. According to the Central Statistics Agency (BPS, n.d.) income is salary and wages for work that has been completed, overtime pay, bonuses and allowances, calculation of unworked time, bonuses paid irregularly, awards, and all other types of payments. Meanwhile, household income according to the Central Statistics Agency (BPS) is the income received by the household concerned, both from the income of the head of the household and household members.

3. Proposed Method

Research design is a systematic guideline used to answer research questions and test hypotheses through data collection and analysis. This study uses an explanatory design with a quantitative approach. The explanatory design was chosen because this study aims to explain the causal relationship between the independent and dependent variables, as well as to analyze the role of moderating variables in influencing the strength of the relationship. Explanatory design is suitable for answering analytical research questions and for testing hypotheses that have been formulated theoretically (Sugiyono, 2019)

The data collection technique in this study used a questionnaire survey method distributed online to respondents. The questionnaire was used as the main instrument to measure the research variables, namely financial literacy, investment motivation, investment interest, and income. The selection of the online questionnaire method was carried out by considering time effectiveness, ease of access, and relevance to the characteristics of respondents who mostly come from the millennial generation and are accustomed to using digital technology. In addition, this technique allows researchers to reach respondents spread across various regions efficiently. The questionnaire was compiled in the form of closed questions using a 5-point Likert scale. The scale used in this study was the Likert scale.

The data analysis technique used in this study is a quantitative analysis technique that is carried out by quantifying research data so as to produce the information needed in the analysis. Therefore, to test the hypothesis in this study, SmartPLS 4.0 was used.

4. Results and Discussion

The results of obtaining p-values from each variable are as follows:

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
X1 -> Y	0.358	0.359	0.076	4.726	0.000
X2 -> Y	0.440	0.438	0.071	6.155	0.000
Z x X1 -> Y	0.089	0.088	0.043	2.059	0.020
Z x X2 -> Y	-0.088	-0.086	0.069	1.271	0.102

The results of hypothesis testing in this study are based on the analysis of T-statistic and P-value values through bootstrapping techniques. The influence between constructs is considered significant if it meets the requirements, namely T-statistic> 1.96 and P-value <0.05. The explanation of the results of hypothesis testing is as follows:

- Hypothesis Testing 1 (X1 → Y):
  The effect of financial literacy on investment interest is 0.358 with a p-value of 0.000 which means p-value <0.05 and with a t-statistic value of 4.726. This means that financial literacy has a significant effect on investment interest because the probability value of 0.000 does not exceed the profitability level of 0.05 or with a t-count value of 4.726 which is greater than the t table of 1.96 with a positive path coefficient value of 0.358. This means that if there is an increase in the value of financial literacy, it increases investment interest, thus it is concluded that financial literacy has a positive effect on investment interest

- Hypothesis Testing 2 (X2 → Y):
  The effect of investment motivation on investment interest is 0.440 with a p-value of 0.000 which means p-value <0.05 and with a t statistic value of 6.155. This means that investment motivation has a significant effect on investment interest because the probability value of 0.000 does not exceed the profitability level of 0.05 or with a calculated t value of 6.155 which is greater than the t table of 1.96 with a positive path coefficient value of 0.440. This means that if there is an increase in the value of investment motivation, it increases investment interest, thus it is concluded that investment motivation has a positive effect on investment interest.

- Hypothesis Testing 3 (Z × X1 → Y):
  The interaction between income and financial literacy on investment interest has a path coefficient value of 0.089 with a p value of 0.020 which means p-value <0.05 and with a t statistic value of 2.059 which means the income variable moderates the influence between financial literacy and investment interest significantly, because the probability value of 0.020 does not exceed the profitability level of 0.05 or with a t-count value of 2.059 which is greater than the t-table of 1.96 with a positive path coefficient value of 0.089.

- Hypothesis Testing 4 (Z × X2 → Y): The interaction between income and investment motivation on investment interest has a path coefficient value of 0.088 with a p-value of 0.102 which means p-value> 0.05 and with a t statistic value of 1.271 which means that the income variable does not significantly moderate the influence between investment motivation and investment interest significantly, because the probability value of 0.102 exceeds the profitability level of 0.05 or with a calculated t value of 1.271 which is smaller than the t table of 1.96.

5. Conclusions

Based on the findings and discussions that have been presented previously, the following conclusions can be drawn

- Financial literacy has a positive and significant effect on investment interest. The higher a person's financial literacy, the greater their interest in investing.
- Investment motivation also has a positive and significant effect on investment interest. Individuals who have strong motivation are more motivated to invest.
- Income significantly moderates the relationship between financial literacy and investment interest. Individuals with a good level of financial literacy and adequate income tend to have higher investment interest.
- Income does not significantly moderate the relationship between investment motivation and investment interest. This means that the effect of motivation on investment interest does not depend on the size of a person's income.

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