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Bridging Financial Knowledge and Investment Decisions: Insights from FEBI IAIN Ponorogo Students

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Abstract

Introduction: The participation rate in Indonesia's capital market remains low, with only 0.4% of the population actively investing. As part of the younger generation, students represent a promising demographic to shift this trend through improved investment literacy. This study focuses on students at the Faculty of Islamic Economics and Business (FEBI), IAIN Ponorogo, to assess the factors influencing their investment interest. **Research Methods**: This research employed a quantitative approach, using questionnaires to collect primary data from 212 fifth-semester students during the 2018/2019 academic year. Multiple linear regression analysis was used to examine the influence of two independent variables—investment knowledge and minimum investment policies—on the dependent variable, investment interest. **Results**: Findings indicate that investment knowledge has a positive and significant impact on students' investment interest. In contrast, minimum investment policies do not significantly influence interest. However, when analyzed together, both variables significantly affect investment interest. **Conclusion**: It suggests that capital market authorities and educational institutions should intensify efforts to improve financial literacy and promote student engagement in capital markets.

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INTRODUCTION

The source of this problem focuses on how knowledge and minimum capital affect the investment intentions of students' from the Faculty of Islamic Economics and Business (FEBI) IAIN Ponorogo in the stock market. In recent years, investment interest among young people, especially students, has increased due to technological advances and better access to information. According to the Financial Services Authority (OJK), the number of young investors in Indonesia has increased significantly, with young investors under the age of 30 growing by 60% in 2022 (Fitriani, 2021). This shows that there is a great opportunity for students' to participate in investment, but many are still hesitant to enter the market. The following is data on the number of investors in the Indonesian Capital Market for 2017, 2018, and 2019:

Table 1. Number of Investors in the Indonesian Capital Market

Year	Number of Investors
2017	1,121,000
2018	1,619,372
2019	2,484,354

Source: Indonesia Capital Market Statistics 2019

This data shows the growth in the number of investors in the Indonesian Capital Market from 2017 to 2019. In 2017, the number of investors was recorded at 1,121,000, increasing to 1,619,372 in 2018, and reaching 2,484,354 in 2019.

One of the factors that influences investment interest is the knowledge a person has about investment. Different traces show that a high level of investment knowledge is positively correlated with investment interest (Faidah, 2019). Students' who have a good understanding of investment instruments, risks, and potential profits are more likely to be interested in investing. However, unfortunately, even though the level of investment knowledge has increased, a large number of students' remain apathetic due to fears related to the minimum amount required (Anan & Devi, 2023). The minimum capital barrier is actually one of the challenges for students' who want to try investing because many still do not have a reliable income stream.

The main challenge faced by these students' when investing in the stock market is the lack of financial literacy and poor understanding of investment mechanisms (Sari et al., 2021). Previous studies have shown that students' tend to invest without utilizing their knowledge of investment and risk management, which increases their uncertainty and fear of investment (Sihombing et al., 2024). In addition, negative perceptions of investment risk can prevent students' from developing an interest in investing even though they have sufficient understanding (Nadeak et al., 2024). Therefore, it is necessary to further investigate how the level of knowledge and minimum capital can affect students' interest in investing.

There are several previous studies that have presented mixed results regarding the effect of knowledge and minimum capital on investment interest. For example, in a study by Nadeak, it was found that investment knowledge positively contributed to the level of investment interest while minimum capital had no significant effect (Yusuf, 2019). On the other hand, a study by Kaharudin and Vernando revealed that external factors such as the social environment also contribute to students' investment interest (Kaharudin & Vernando, 2020). This study is intended to complement and improve the shortcomings in previous studies by considering the case of FEBI IAIN Ponorogo students who we expect to have different characteristics and problems compared to students' from other institutions.

In researching this topic, I am guided by the results of previous studies where I will conduct a survey approach to FEBI IAIN Ponorogo students' about investment knowledge, minimum capital, and investment interests that they want to do. The analytical tool used to measure the relationship between these variables is multiple linear regression analysis. I hope this study can provide new contributions to the development of science, especially in understanding the factors that contribute to investment interest among students.

Specifically, the academic objective of this study is to measure the effect of knowledge and minimum capital on the investment interest of prospective FEBI IAIN Ponorogo students' in the capital market. Theoretically, there is an expectation to add to the treasury of studies that have an important meaning for financial literacy and investment in students'. Practically, the results of this study are expected to provide recommendations to educational institutions regarding financial and investment education programs and to students' to motivate themselves to invest.

RESEARCH METHOD

In this research, a quantitative method was used to analyze how independent investment knowledge and minimum investment variables affect the dependent variable, which is the students' interest in investing. Data analysis was done through multiple linear regression to explain the relationship between independent and dependent variables, and to solve the posed hypotheses sequentially (Darmawan et al., 2019).

This research took place in the Investment Gallery of the Faculty of Economics and Islamic Business (FEBI) of IAIN Ponorogo. The subject of this study was 5th semester students' of Islamic Banking Department from the year 2018/2019, which was 212 students' all together, 39 boys and 173 girls. This subject and place was chosen because students' are assumed to be novices in investing to capital markets with significant potential (Ardiana et al., 2020).

In this study, questionnaires were the main source for each subject data. These questionnaires were intended to gather data that pertained to investment knowledge, perception on minimum investment requirements, and investment interest of the students' (Hasanudin, 2023a). Thus, the questionnaires were given out and collected directly and therefore, will be categorized as primary data because it was gathered directly from the subjects of the study (Hasanudin, 2023b).

The analytical technique that was utilized is multiple linear regression which relied on the independent variables to assess the changes of the dependent variables criteria and to evaluate both the independent and dependent variables simultaneously and separately (Attrah, 2021). The surveys were validated and relied on to ensure that the specific constructs were accurately measured and the analysis was performed on reliable data (Osborne & Waters). Also, the prerequisites for the regression model were examined through classical assumptions that included normality, multicollinearity, and heteroscedasticity tests .

The hypotheses were evaluated with the use of an F-test for simultaneous effect tests and a t-test for partial effect tests. With the analysis done, it became clear the how investment knowledge and the minimum investment amount students' were willing to engage had an effect on their investing interests. Thus, this study will be significant for preparation of education and promotional investment programs to be directed to students' specifically in an academic environment.

RESULT AND DISCUSSION

The paper, aims to examine how investment knowledge and minimum investment policies influence students' interest in investing in the capital market. Despite the growth of Indonesia's capital market, participation remains low, with only 0.4% of the population engaged as investors (Regan, 2017). This highlights the critical need to improve financial literacy among young people. Students' are seen as a vital demographic with the potential to shift this trend by making informed early financial decisions (Rahmawati & Dwijayanto, 2021).

The results indicate that investment knowledge significantly impacts students' interest in capital market investments. The regression analysis showed a strong positive correlation between students' understanding of investment concepts and their likelihood of investing (Hassan Al-Tamimi & Anood Bin Kalli, 2009). This aligns with financial literacy theories that suggest individuals with greater knowledge are better equipped to evaluate risks and opportunities. Thus, investment knowledge is a fundamental building block for fostering sound financial decision-making (Akhtar & Das, 2019).

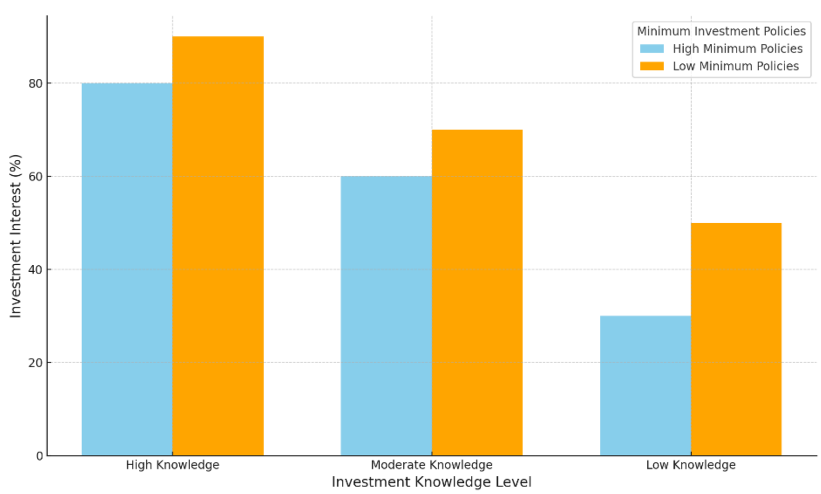
Conversely, minimum investment policies did not exhibit a significant effect on student interest in investing. This finding implies that the amount of required capital is not the main factor discouraging students' from participating in the capital market. Although these policies are designed to provide easier access, their effectiveness depends on the students' awareness and understanding of the capital market (Daniel et al., 2002). These results underscore the need to prioritize financial education over merely introducing policy reforms.

When analyzed together, investment knowledge and minimum investment policies contribute significantly to shaping student interest in investing. However, investment knowledge emerged as the more influential factor. Students' who possess a better understanding of the workings of the capital market tend to feel more confident in making investment decisions (Lucey & Dowling, 2005). As such, financial literacy remains the cornerstone for encouraging active participation in investments.

The study highlights that investment knowledge plays a dominant role in shaping investment interest among students'. A strong foundation of knowledge enables individuals to assess the risks and benefits of investments more effectively (Baskerville & Dulipovici, 2006). This is consistent with earlier studies that have established a direct link between financial literacy and capital market participation (Van Rooij et al., 2011). Consequently, financial education initiatives should focus on equipping students' with practical knowledge about investment.

Other non-financial factors, such as risk perception and confidence, also contribute significantly to students' interest in investing. By improving their financial knowledge, students' can develop strategies to manage investment risks, which enhances their confidence (Lusardi, 2019). Studies have shown that financially literate individuals are more adept at understanding risk mitigation techniques (Remund, 2010). This underscores the importance of education in building confidence and encouraging active participation in investments.

Figure 1. Effect of Investment Knowledge and Minimum Policies on Investment Interest



Source : Processed Data

The chart illustrates the influence of investment knowledge levels and minimum investment policies on students' investment interest. It highlights that students with high investment knowledge exhibit greater investment interest, regardless of the minimum investment policies. However, for students with moderate or low knowledge, lower minimum investment policies significantly enhance their interest compared to higher minimum policies. This suggests that while financial literacy is a key driver of investment interest, flexible investment policies can further encourage participation, especially among those with limited knowledge. These findings reinforce the importance of combining financial education with accessible investment options to boost market engagement.

The limited impact of minimum investment policies suggests they are effective only when paired with adequate financial education. Without sufficient understanding, such policies may fail to motivate students' to start investing (Heckman, 2000). Students' who are knowledgeable about the capital market are better positioned to leverage these policies effectively (Olssen & Peters, 2005). Therefore, combining financial education with policy reforms is critical to boosting participation in the capital market.

Students from FEBI IAIN Ponorogo who had access to investment-related education or training demonstrated a higher interest in the capital market. This finding highlights the crucial role of educational institutions in cultivating financial literacy among students'. Universities can serve as platforms to introduce foundational investment concepts and promote active learning (Soroko, 2021). Collaboration between academic institutions and capital market authorities is therefore highly recommended.

Survey results further emphasize the importance of financial literacy, revealing that students' with greater knowledge about investments are more inclined to participate in the capital market. Educational initiatives, such as workshops and seminars, can enhance students' understanding of investment opportunities and risks. Practical learning experiences enable students' to make informed financial decisions and prepare them for future investments (Sharma et al., 2018).

Capital market regulators also have a pivotal role in promoting financial literacy, especially among students' as a key demographic. Outreach programs should focus on dismantling misconceptions, such as the belief that investments require substantial capital (Young, 2011). Additionally, introducing accessible investment options like mutual funds can help students' take their first steps in the capital market. Educational campaigns targeting younger audiences can broaden financial inclusion.

This study contributes to Indonesia's financial inclusion agenda by demonstrating the significant potential of students' in driving capital market participation. By improving financial literacy, the younger generation can become more financially capable and contribute to national economic growth (Young, 2011). These findings reinforce the importance of integrating financial education into broader strategies for economic development.

In addition to financial literacy, building trust in the capital market is essential to foster students' interest in investing. Students' should view investing as a strategic tool for long-term financial growth, not just for short-term gains (Arpaci et al., 2024). Educational programs focused on risk management and diversification can enhance their understanding and trust in the system. Strengthening this trust is critical to motivating students' to actively participate in the capital market.

Overall, this research underscores the critical role of investment knowledge in encouraging student participation in the capital market. While minimum investment policies are valuable, they are only effective when accompanied by a strong foundation of financial education (Hidayat-ur-Rehman, 2024). As such, literacy programs should remain the primary focus of initiatives aimed at increasing capital market participation among the younger population.

By enhancing investment knowledge, students' at FEBI IAIN Ponorogo can lead efforts to increase participation in the capital market. Targeted educational programs not only benefit individuals but also contribute to a more inclusive financial ecosystem (Millett, 2020). The study highlights the importance of collaboration between academic institutions, market authorities, and students' to create a financially literate generation prepared to engage in long-term investments.

CONCLUSION

This study highlights the crucial role of financial knowledge in shaping students' interest in capital market investments, particularly among students at FEBI IAIN Ponorogo. The findings reveal that a strong understanding of investment principles significantly increases the likelihood of student participation in the capital market, reinforcing financial literacy as a fundamental driver of informed financial behavior. In contrast, minimum investment policies were found to have a limited impact, indicating that such policies alone are insufficient to motivate student engagement unless they are supported by robust educational initiatives.

The results also emphasize the importance of collaboration between educational institutions and capital market authorities in fostering financial literacy. Universities should integrate investment-related content into academic programs and provide practical learning opportunities that enhance students' financial competencies. Simultaneously, capital market regulators should offer accessible investment instruments and conduct outreach programs to dispel misconceptions and build trust. Overall, improving financial literacy is essential not only for empowering individual students to make informed investment decisions but also for advancing financial inclusion and supporting sustainable economic growth in Indonesia.

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