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Motivating Factors Influencing Investment Decisions in Stock Purchases Among Professional Workers of Various Private Institutions in Indonesia

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This research contributes to a better understanding of the factors influencing investment decisions based on income level and financial literacy in stock purchases. The findings of this study can serve as a guideline for investors and market participants in making investment decisions through stock purchases. Moreover, the research findings provide insights for the government and capital market regulators in developing financial literacy programs and enhancing public participation in stock investments. Using a quantitative approach, the research team investigated professional workers in diverse Indonesian regions and private institutions. These individuals had investment income and were familiar with stock options. The researchers gathered 239 valid data points through purposive random sampling. The research affirms that both income level and financial literacy significantly impact the rise in stock-purchasing investments. Notably, financial literacy yields a more substantial effect, influencing investment decisions through a better understanding of economic aspects, including risk assessment and potential gains. Enhanced financial literacy empowers rational evaluation, proactive management of threats, and alignment of investment strategies with financial goals. These findings underscore the pivotal role of financial literacy in fostering informed and strategic investment choices, including stock purchases.

Keywords: *level of income, financial literacy, stock purchase.*

The economic activities of the community intertwine with community life. Individuals must learn to manage their resources effectively for long-term prosperity. This management involves financial management, as finances represent one of the resources that individuals can invest. Generally, people support by saving money in a bank account. However, considering money saving as an investment form is regarded as less profitable, primarily because the Bank's interest rates cannot raise or preserve the value of money against the purchasing power of today's society. This phenomenon is because their savings keep decreasing due to inflation, which keeps rising compared to bank interest rates (Malik & Budiman, 2022). Therefore, society seeks alternative investment instruments to increase its purchasing power and preserve its wealth value against inflation.

There are numerous options for investment instruments offered to society nowadays, including real estate, gold, forex, and stocks. People base the standard choices on their income level after deducting consumption expenses. Stocks are a commonly chosen investment option due to their varied prices, affordability across all income segments of society, and alignment with the diverse risk profiles of investors (Nie, 2020). In other words, an individual's income level will determine their choices in creating an investment decision portfolio from the various available investment options (Yundari & Artati, 2021).

The use of digital technology for online stock investing is increasingly popular, which correlates with the rising financial literacy of the public compared to their tolerance for investment risks (Muthia et al., 2022). Furthermore, current advancements in information technology make purchasing stocks more convenient and flexible while providing relatively higher yields than traditional savings accounts. Another reason investing in stocks is attractive is its ease of transaction and liquidity, making them suitable for long-term savings and passive income during retirement (Nie, 2020).

From the phenomenon above, this study aims to provide an alternative investment instrument for people who experience a decrease in the value of their savings against inflation. The incapability of bank interest rates brings about this situation to rise and sustain the value of money concerning the purchasing power of the general public. Therefore, authorities should offer public investment options that enhance their purchasing power and safeguard the value of their wealth from inflation. Thus, this study aims to provide an understanding of stock investment as one of the investment options available to the public with different income levels. The investment must be affordable for all income groups.

Furthermore, this study aims to provide an understanding of the increasing use of online digital technology in stock investing activities, yielding relatively greater returns than savings. Hence, this research contributes to understanding the factors influencing public interest in stock investing, such as financial literacy and investor psychology. By understanding these factors, investors can make better decisions when investing in stocks. Additionally, this writing can improve financial literacy and better financial management for society.

Income Level and Stock Purchasing

Generally, a company generates income through its productive efforts, quantified by the rise in new assets acquired from selling products to customers. This concept indicates that income is a source of inflow of asset increases from the company's main operational activities (Dzakiyuddin, 2018). In financial accounting standards, IAI employs the revenue definition from IASC, which does not differentiate between the terminology of revenue and gains—combining both forms a singular concept known as income (Suwardjono, 2014). According to Lindananty and Angelina (2021), income refers to earnings derived from work in production and sales in the service sector over a certain period. It serves to signify the well-being of individuals, households, and communities.

All sources of income contribute to the calculation of the total income, and the largest source of income comes from their salaries or wages based on their position. Sari and Mahdzan add that income results from someone's sacrifice in the form of material to meet their living needs. As a person's income increases, they seek understanding and ways to manage their finances through relevant financial knowledge to invest their income in various investments, including stocks, bonds, deposits, gold, and similar investment types. In other words, the higher a person's income, the greater their desire to invest (Yundari & Artati, 2021).

This idea finds support in earlier research indicating that an investor's income level will influence their decision to buy stocks in the stock market. Various factors, such as occupation, consumption lifestyle, and current economic conditions, shape an investor's personality. As one progresses in their job, their financial ability and lifestyle tend to improve, leading to a greater desire to invest in stocks. In other words, an increase in income indicated by a job promotion and enhanced economic and lifestyle conditions can influence a person's ability to purchase stocks (Novrianda et al., 2020).

On the contrary, researchers discovered that income does not affect one's decision to invest in stocks because most respondents have low income yet possess adequate financial knowledge and rationality. Additionally, investors with low income can now purchase stocks with at least one hundred shares per lot at prices more affordable in the current stock trading market (Lindananty & Angelina, 2021).

Financial Literacy and Stock Purchasing

According to the Organization for Economic Cooperation and Development (OECD), financial literacy entails understanding financial concepts and risks, including skills, motivation, and confidence in applying such knowledge to

determine appropriate financial investments for attaining economic well-being (Priscilia et al., 2020). Financial literacy is related to an individual's competency in managing finances, which includes having a financial understanding, the ability to read and communicate financial concepts and reports, the capacity to manage financial needs, and the proficiency to make adequate investment decisions. Moreover, it entails having high confidence in effectively planning for future financial needs (Remund, 2010).

Therefore, financial knowledge and the ability to read financial statements are necessary when making investment decisions related to financial investment. Understanding finances well will aid investors in choosing suitable investment instruments based on their financial situation and help them avoid investment mistakes, resulting in prosperity and economic stability in the future (Sulistiyowati et al., 2022). Thus, someone with good financial literacy will tend to have financial information that can help them choose investment instruments with tolerable risks. Research (Loprang et al., 2022) supports this, showing that improving financial understanding will encourage individuals to invest more.

Further, Lindananty and Angelina (2021) found that an individual's financial literacy assists in making informed decisions on stock purchasing, supported by a competent understanding of investment risks, rational investment management, and relevant financial knowledge.

Methodology

This research used a quantitative approach to examine a specific population or sample. The research population consisted of professional workers in various regions of Indonesia who have income to invest and are familiar with stocks as an investment instrument. Using a questionnaire, the researchers collected and employed the collected data as the research sample. They used purposive random sampling to gather valid data

from 239 participants. The data were analyzed utilizing the statistical software SPSS version 23 to examine the independent and dependent variables.

The data was analyzed using descriptive statistical analysis, linear regression, significance testing, correlation testing, and coefficient determination to answer the research hypothesis. The study consists of independent and dependent variables whcihc are presented in Table 1. The independent variables comprise income level and financial literacy, while the dependent variable is stock purchasing, as explained below.

Table 1
Research Variables

Variable	Definition
Income Level (Astuti, 2019)	Earnings from salary or wages based on job position levels: 3 = Manager/ Director, 2 = Supervisor, 1 = Employee, and others.
Financial Literacy (Mahendra, 2022)	By having a fundamental understanding of personal finance and the ability to read financial statements, measured by 1 = literate, 0 = less literate.
Stock Purchase (Mahendra, 2022)	Investment/stock purchase decision, measured by 0 = never invested/bought stocks. 1 = Have invested/ bought stocks.

Source: Author (2022).

The regression equation in the study is $Y = a + b_1X_1 + b_2X_2$, where Y = stock purchase; X_1 = income level; X_2 = financial literacy.

Results and Discussion

Descriptive Statistical Analysis

Table 2 below provides a descriptive overview of respondent data. This include variables X_1 =

income Level (INC), X_2 = financial Literacy (LIT), and Y = Stock purchase (STP).

Table 2
Descriptive Statistics

	N	M	SD
Income Level(INC)	239	1.5230	1.24621
Stock Purchase(STP)	239	.5523	.49830
Financial Literacy(LIT)	239	1.4644	.86832
Valid N (listwise)	239		

Source: Author (2022)

The survey findings reveal exciting insights into the respondents’ characteristics. The average income level (INC) reported is 1.52, indicating that the participants’ income surpasses a supervisor’s. The average Financial Literacy (LIT) score stands at 1.46, nearly approaching 1, implying that not all respondents possess proficient financial report reading abilities. Regarding stock buying (stock purchase), the average score is 0.55, suggesting that most respondents have chosen to engage in stock investments.

The analysis of survey data provides valuable insights into the respondents’ attributes. The average income level (INC) reported as 1.52 indicates that the participants generally have incomes exceeding that of a supervisor. The average Financial Literacy (LIT) score of 1.46, approaching 1, suggests that not all respondents possess advanced financial report reading skills. Regarding stock buying (stock purchase), the average score of 0.55 implies that many respondents have opted for stock investments.

Correlation

The researchers conducted the statistical Pearson product-moment correlation test to examine relationships between independent and dependent variables. the results are shown in Table 3.

Table 3
Correlation Test

		Stock Purchase	Income Level	Financial Literacy
Stock Purchase (STP)	Pearson	1		
Income Level (INC)	Pearson	.196**	1	
Financial Literacy(LIT)	Pearson	.172**	.186**	1

Source: Author (2022).

Based on the statistical test results, this study reveals the presence of relationships among the examined variables. The findings underscore that there are significant correlations within the dataset. Specifically, the dependent variable, stock purchasing (stock purchase), exhibits a correlation of 0.196 with the independent variable, income level (INC). Similarly, a correlation of 0.172 is observed between stock purchases and another independent literacy trait (LIT). Furthermore, the research identifies a correlation value of 0.186 between income level (INC) and financial literacy (LIT). Collectively, these findings suggest mutual interdependence and reciprocal influence among these factors within the context of this study.

The findings showed a significant relationship between stock purchasing, income level, and financial literacy. The positive correlation between stock purchasing and income level (0.196) indicates that as an individual's income level increases, they tend to be more inclined to invest in stocks. The correlation of 0.172 between stock purchasing and financial literacy implies that individuals possessing higher financial literacy might have enhanced capabilities to understand the advantages and risks associated with stock investments. The correlation between income level and financial literacy (0.186) reflects that individuals with higher income levels tend to possess better financial literacy, which in turn may aid them in making more informed investment decisions. These findings highlight the importance of financial literacy and income level in shaping investment behavior and demonstrate how these two factors mutually influence each other in the context of stock purchases.

Regression Analysis

To determine the extent of the independent variable's influence on the dependent variable and to test the research hypothesis, linear regression analysis was conducted. Table 4 below presents the findings of the study.

Table 4
Regression Analysis

		B	SE
1	(Constant)	.287	.081
	Income Level(INC)	.065	.026
	Financial Literacy(LIT)	.078	.037

Source: Author (2022)

Based on the table above, we have derived the following linear regression equation of $Y = a + b_1 X_1 + b_2 X_2$. The presented linear regression equation, $\text{Stock Purchase} = 0.287 + 0.065 \text{ Income Level} + 0.078 \text{ Financial Literacy}$, holds significant implications. The positive constant term "a" (0.287) signifies that if all independent variables, Income Level (X1) and financial literacy (X2), remain unchanged (with values of 0), the predicted Stock purchase (STP) would be 0.287.

Analyzing the equation and its corresponding coefficients, the regression coefficient for income level (X1) is 0.065. It suggests a positive association between income level and stock purchases. A 1% increase in income level is projected to correspond with a 6.5% increase in stock purchases.

For financial literacy (X2), the regression coefficient is 0.078. This positive coefficient implies that a 1% elevation in financial literacy is linked to a 7.8% increase in stock purchases, assuming other variables remain constant. This analysis underscores the role of income and financial literacy in influencing stock investment decisions.

F-Test

The study aims for an F-test to assess the impact of income level and financial literacy on stock purchasing through a simultaneous regression analysis of the variables listed in Table 5. The provided table indicates a notable influence of income level and financial literacy on stock purchases, with a significance value of 0.002 (sig. 0.002 < 5% significance level). The finding suggests that both income level and financial literacy play a significant role in influencing stock purchasing decisions.

Tabel-5

F-Test

Model		Sum Sq	df	M Sq	F	Sg.
1	Reg.	3.637	3	1.212	5.137	.002 ^b
	Res.	55.459	235	.236		
	Total	59.096	238			

Source: Author (2022)

This test examines the combined effects of income level and financial literacy on stock purchasing. A simultaneous regression analysis of variables listed in Table 5 shows that both income level and financial literacy significantly impact stock purchases. The significance value of 0.002 (sig. 0.002 < 5% significance level) underscores the statistical relevance of these influences. It found that individuals with higher income levels

and better financial literacy are likelier to purchase stock, emphasizing their importance in shaping investment decisions.

Hypothesis Testing

The study uses significance tests to accept or reject the formulated hypotheses. The test outcomes are available in the subsequent Table 6.

Table 6

Hypothesis Decisions

Variable	T	Sig.	Decision
Income Level(INC)	2.522	.012	Accepted
Financial Literacy(LIT)	2.121	.035	Accepted

Source: Author (2022)

Based on the provided table, it is evident that the income level variable (X1) holds statistical significance, as indicated by the t-value of 0.012 (0.012 < 0.05). This finding implies that the t-test is accepted, suggesting a meaningful connection between income level and the decision to purchase shares.

Similarly, the t-value for the literacy variable (X2) is 0.035 (0.035 < 0.05), leading to the conclusion that the test is accepted. This finding indicates a substantial impact of financial literacy on stock purchase decisions. Therefore, income level and financial literacy are statistically influential factors in shaping individuals' decisions to engage in stock purchasing.

Coefficient of Determination

The coefficient of determination is used to understand the combined influence of income level and financial literacy on stock purchasing. Results are presented in the table 7.

Table 7

Coefficient of Determination

Model	R	R Sq	Adj R Sq	SE Est.
1	.248 ^a	.062	.050	.48579

Source: Author (2022)

As indicated in the table, the combination of income level and financial literacy contributes 6.2% to stock purchasing, while other factors that have not been studied account for the remaining influence. The coefficient of determination table results suggest a relatively weak correlation ($r = 0.248$) between income level and financial literacy in stock purchasing.

Income Level Influences Stock Purchases

The test results presented in Table 6 show that H1 is accepted. The research hypothesis for H1 states that income level significantly influences stock purchases. The test results presented in Table 6 show that H1 is accepted. The test results presented in Table 6 show that H1 is accepted. This alignment aligns with research findings that show a significant impact of income level on stock purchases, as evidenced by the sig-value of 0.012. The study results reveal a positive relationship and considerable influence between income level and stock purchases.

Thus, researchers can conclude that an increase in the income level of professional workers over time will cause them to invest more in stock purchases. This finding coincides with the study by Novrianda et al. (2020), which suggests that an investor's attitude towards income will influence their decision to purchase stocks in the stock market. However, in contrast to the findings of Lindananty and Angelina (2021), which specifically targeted respondents with low-income levels and allowed for stock trading transactions with a minimum of 1 lot (100 shares), making it affordable for low-income investors. This finding suggests that income levels determine a person's purchasing power for investing. In simpler terms, an individual's ability to buy investments is affected by their income level, which serves as a factor that reinforces an investor's choice to purchase stocks.

Financial Literacy Influences Stock Purchasing Decisions

The second hypothesis (H2) posits that the utilization of financial literacy significantly impacts stock purchasing. After conducting a significance test, the results suggest that the variable Financial Literacy (X2) has a t-statistic of 0.035 ($0.035 < 0.05$), indicating the acceptance of H2; this means that financial literacy has a significant influence on stock purchasing decisions. The research by Sulistyowati et al. (2022) supports this finding that individuals with higher financial literacy tend to possess financial information aiding investment choices. This finding aligns with Lindananty and Angelina (2021), who assert that financial literacy aids stock purchasing decisions. Hence, it guides investors to consider financial understanding and reports as factors reinforcing decisions to buy shares in specific companies. In essence, financial literacy emboldens investment decisions through stock purchases.

Conclusion and Recommendation

According to the findings of the above research discussion, the majority of respondents chose to invest in stocks. Most respondents had income levels similar to those of supervisors and could read financial reports. Statistical test results indicated that income levels and financial literacy significantly influenced investor motivation to purchase stocks. Further findings reveal that separate regression tests have shown that both income level and financial literacy significantly affect the increase in stock-purchasing investments. Financial literacy has the most considerable impact for every 1% increase in each variable, with an increase in Stock purchasing investments influenced by income level at 6.5% and financial literacy at 7.8%. In other words, a person's decision to invest in buying stocks is more influenced by their knowledge of financial management, including their ability to read financial reports, which contributes the most to their investment decision-making.

This finding explains that individuals with higher levels of financial literacy tend to understand better the essential aspects of investing, including the risks and potential gains of stocks. They can more rationally evaluate investment options and make more informed decisions. Meanwhile, good financial literacy enables individuals to understand the risks associated with investing in stocks and how to manage them. They might possess enhanced skills to handle market fluctuations and proactively manage the impacts of threats. Therefore, solid financial literacy can assist individuals in comprehending the long-term profit potential of investing in stocks. They may be more motivated to invest in stocks, believing that these investments can provide better long-term returns. Aside from that, high financial literacy enables individuals to have better skills in making financial decisions, including investment decisions. They can plan more sound investment strategies that align with their financial goals. Thus, financial literacy strongly influences individuals to understand, manage risks, and make better investment decisions, including purchasing stocks.

The study's results are expected to guide investors and capital market participants in making investment decisions through stock purchases, recognizing stocks as a viable investment alternative in contemporary society. For investors and the general public alike, with income and financial literacy, this research encourages them to confidently make investment decisions in stocks with higher return potential. Meanwhile, for capital market participants, these findings can act as an indicator or guide that individuals with specific income levels (such as supervisors) and financial literacy, despite risk aversion, can be encouraged to participate as investors in stock investments.

The study has limitations; it is conducted only on a limited number of respondents in a specific location and time, making the findings not generalizable to a broader population or other regions. The research only considers two

independent variables: income level and financial literacy. This study does not include other factors such as investment experience, knowledge about the stock market, and corporate policies that might influence respondents' investment decisions. The data collection method employed a questionnaire, raising the possibility of response bias.

Hence, future research can consider other factors influencing investment decisions in stock purchases, such as investment experience, knowledge about the stock market, and corporate policies. Moreover, researchers can conduct studies in a more comprehensive range of regions, allowing findings to apply to a broader population. Data collection methods beyond questionnaires, such as interviews or observations, can be utilized to obtain more accurate data and reduce potential bias.

At the very least, this study contributes to a better understanding of the factors influencing investment decisions in stock purchases: income level and financial literacy. The research results can guide investors and participants in the capital market in making investment decisions through stock purchases. These findings can offer government and capital market regulators insights into developing financial literacy programs and enhancing public participation in stock investments.

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