

Financial Technology Proficiency as Leverage Factor of Financial Literacy affect on Investment Decisions

(Case Study of Young Entrepreneurs in Yogyakarta and Palembang)

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ABSTRACT. Indonesia's financial literacy is only 38% in contrast to financial inclusion which reaches 78% resulting in an increased risk of financial management failure, fraudulent investment and embezzlement. On the other hand, fintech developments are increasingly rapidly adding to the dynamics of the financial market during this pandemic. This study aims to examine the effect of financial literacy on investment decisions by mastering fintech as mediation. The object of research focuses on millennial and z generation MSMEs who are considered to have the capacity to invest in the capital market and are technologically literate. The sampling technique in this study was purposive sampling with the sample criteria being young entrepreneurs investing in the capital market. Data analysis was carried out using Moderated Regression Analysis for hypothesis testing. The results in the study are (1) There is a positive effect of financial literacy on the investment decisions of young entrepreneurs. (2) There is a positive effect of fintech literacy on the investment decisions of young entrepreneurs. (3) Fintech literacy do not mediates the influence of financial literacy on the investment decisions of young entrepreneurs.

KEYWORDS: Financial Literacy; Financial Technology; Investment Decision

INTRODUCTION

Capital flows into the financial sector have been indirectly influenced by the epidemic that hit the real sector of the economy. These immigrants are primarily from young people demographically. This is inextricably linked to the simpler access to financial instruments made possible by digital technology, or what is frequently referred to as financial technology (fintech). Contrarily, investing in the stock market is a risky activity that should not be undertaken without the necessary training or expertise. To manage the risk of engaging in capital market operations, fundamental knowledge (literacy) of finance and financial analysis procedures must be mastered. There have been several reports of fraudulent investments, fraud utilizing digital technologies, and embezzlement involving substantial quantities of money and numerous victims since the year 2021 [1]. This demonstrates that despite the rapid advancement of technology, particularly digital-based financial technology, many people still lack basic literacy skills (fintech).

Existing products are increasing more quickly as a result of the continued advancement of digital technology, notably in the area of financial technology (fintech). After a very dynamic, quick, and moving era, changes in the way transactions through fintech continue to grow. Every technology product seems to have made the world in our hands more expressive due to the convenience it provides. Various information can already be owned using a smartphone that fits in the palm of the hand. The only thing that can be done to continue this progress is to grasp the information literacy technology [1].

The impact of financial literacy on MSMEs' financial management is still minimal, which raises the possibility of financial management errors. A person's financial behavior, such as managing or managing his financial condition appropriately, will benefit from having adequate financial knowledge. People nowadays have a culture of consumption, making it difficult for them to save money or engage in other forms of investing. Because many still think that personal financial investment plans can only be completed by those who have sufficient or greater earnings, many people are unaware of the significance of managing their personal finances [2].

Understanding, concepts, and role models on how to handle assets during this pandemic are necessary because the number of capital market investors is expected to expand significantly throughout

the epidemic. Therefore, it is necessary to conduct this research in order to have a better understanding of how novice investors are equipped with the necessary knowledge and skills to engage in risky capital market activities [3].

As a result of this description, this study's specific objective is to investigate how financial literacy affects investment choices using fintech as a mediator. The subject of the study is MSMEs from the millennial and z generations that are thought to be technologically literate and capable of making investments in the capital market. MSME financial literacy is the key to improving their financial management capabilities. With a good understanding of basic financial concepts such as bookkeeping, cash flow management, budget planning, and managing financial risks, MSMEs can make wiser decisions in managing their finances. Financial literacy research can help identify areas where MSMEs need improvement and develop relevant training programmes. Because it is anticipated that this research would uncover concepts and guiding principles in management science, it raises a fundamental research framework. where research and scientific advancement on related issues might utilize the study's findings as a guide or reference.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial literacy and inclusion are crucial for everyone to manage finances to support their welfare. Financial literacy is a series of processes or activities to increase the knowledge, skills of consumers and the general public so that they are able to manage finances properly, according to what they need and provide benefits. The Financial Services Authority divides the level of financial literacy into the following sections [4].

1. Well literate, namely having knowledge and confidence about financial service institutions and financial service products, including features, benefits, risks, rights and obligations related to financial products and services, and having skills in using financial products and services
2. Literate, namely having knowledge and confidence about financial service institutions and their products and services, including the features of benefits and risks, rights and obligations related to financial products and services.
3. Less literate, only having knowledge about financial institutions and financial products.
4. Not literate, meaning not having knowledge and confidence in financial service institutions and financial products and services and not having skills in using financial products and services.

Financial literacy can be interpreted as financial knowledge and skills to apply financial knowledge. Financial literacy can be obtained through formal education, informal education (such as seminars, training), family, friends, workplace and experience [5]. Financial literacy is something that every individual can avoid financial problems because individuals are often faced with a tradeoff, namely a situation where a person has to give up one of his interests for the sake of the other. Financial literacy is an important factor in making investment decisions [6]. This financial literacy should influence a person's behavior in managing finances and the investment decisions they make. The better a person's level of financial literacy, the wiser the person is in making financial decisions [7].

The definition of mastery of technology is the ability to use, understand, manage, and evaluate an innovation that involves processes and knowledge to solve problems and develop one's abilities [8]. Technological literacy is an understanding of technology that can be used effectively in a technological society. Interpret technological literacy as the ability to use technology, especially in learning and teaching science. The development of fintech has started since the use of securities as financial instruments in the 1600s. Fintech is growing rapidly with the advent of digital technology, which is now the main engine of innovation. Information technology is the mainstay in increasing financial inclusion. Information technology innovation, both in terms of infrastructure and content, provides opportunities for innovations in the financial sector [9]. One of the major changes resulting from the development of information technology in the financial sector is the transaction process [10]. The development of digital-based fintech makes it easier for individuals to access financial instruments, including capital market instruments. Apart from that, the pandemic, which has sluggish the real sector, has encouraged people, including MSME actors, to invest assets in the capital market.

Asset management is a process of evaluating and selecting long-term investments that have

consistent performance so as to maximize firm value [11]. Investment means spending at this time and the expected results of these expenditures will only be received more than one year in the future. Investment decisions have an important role for companies both on a large scale and SMEs [12]. Investments that are developed and implemented effectively can help achieve long-term economic and financial goals, but if there is an error in making decisions in capital expenditures it can cause problems and impact big losses for the company [13]. In a company, the financial manager is responsible for handling financial decision making. Investment decisions require complex procedures. The main reason for the complexity of investment decisions is that there are a large number of investors who exhibit varying emotional and behavioral patterns when making investment decisions [14].

H1: There is a positive effect of financial literacy on the investment decisions of MSME actors.

H2: There is a positive effect of fintech proficiency on the investment decisions of MSME actors.

H3: Fintech proficiency mediates the effect of financial literacy on the investment decisions of MSMEs

RESEARCH METHODS

Financial literacy and FINTECH literacy can play an important role in making good investment decisions. An understanding of financial concepts, traditional investment instruments and financial technology will assist individuals or companies in choosing the right investment options, minimizing risk and maximizing profit potential. Thus, it is important to increase financial literacy and FINTECH literacy so that individuals or companies can make better investment decisions in this ever-evolving financial era. This research design uses a quantitative explanatory approach. Respondents in this study were young entrepreneurs operating in Yogyakarta and Palembang. Data was collected using online and offline questionnaires which were distributed to respondents in 2022-2023. The amount of data to be tested is 200 samples. Respondents who filled out the questionnaire consisted of 32% male respondents and 68% female respondents. This research used a cross-sectional study where the data in this study could only be collected once in one period simultaneously. Hypothesis testing uses an interaction test or often called Moderated Regression Analysis (MRA). The purpose of this analysis is to find out whether the moderating variable will strengthen or weaken the relationship between the independent variables and the dependent variable. MRA uses an analytical approach that maintains sample integrity and provides a basis for controlling for the influence of moderator variables. In this study the variable that is treated as a moderating variable is information technology skills with the following regression model.

$$Y = \alpha + \beta_1 X(i) + \beta_2 M(i) + \beta_3 (\beta_i * M(i)) + e$$

Information:

Y = investment decisions

X_(i) = financial literacy

M_(i) = fintech literacy proficiency (moderating variable)

RESULTS AND DISCUSSION

Financial literacy can be interpreted as financial knowledge and skills to apply financial knowledge. Financial literacy can be obtained through formal education, informal education (such as seminars, training), family, friends, workplace and experience. Financial literacy is something that every individual can avoid financial problems because individuals are often faced with a tradeoff, namely a situation where a person has to give up one of his interests for the sake of another [15]. Financial literacy is an important factor in making investment decisions. This financial literacy should influence a person's behavior in managing finances and the investment decisions they make. The better a person's level of financial literacy, the wiser the person is in making financial decisions.

The definition of mastery of technology is the ability to use, understand, manage, and evaluate an innovation that involves processes and knowledge to solve problems and develop one's abilities. Technological literacy as an understanding of technology that can be used effectively in a technological society [16]. Interpret technological literacy as the ability to use technology, especially in learning and teaching science. The development of fintech has started since the use of securities as financial instruments in the 1600s. Fintech is growing rapidly with the emergence of digital technology which is now the main engine of innovation. Information technology is the mainstay in increasing financial inclusion. Information technology innovation, both in terms of infrastructure and content, provides opportunities for innovations in the financial sector. One of the major changes resulting from the development of information technology in the financial sector is the transaction process [17]. The development of digital-based fintech makes it easier for individuals to access financial instruments, including capital market instruments. Apart from that, the pandemic, which has sluggish the real sector, has encouraged people, including MSME players, to invest assets in the capital market.

Table 1 Panel Data Regression Test Results with Moderating Variable

Variable	Coefficient	Prob.
C	3,244	0,282
Financial Literacy (X)	0,266	0.028*
Fintech Proficiency (M)	0,119	0,066*
(X)*(M)	0,013	0,366

*significant in alpha 5%

Hypothesis testing uses an interaction test or often called Moderated Regression Analysis (MRA). MRA uses an analytical approach that maintains sample integrity and provides a basis for controlling the influence of moderator variables. In this study the variable that is treated as a moderating variable is information technology literacy with the following regression model. The results of the calculation of hypothesis testing 1 show a probability value of $0.028 < 0.1$ so it can be concluded that the Financial Literacy variable (X) has a significant effect on Investment Decisions. The results of the calculation of hypothesis testing 2 show a probability value of $0.066 < 0.1$ so it can be concluded that the Information Technology Literacy variable (M) has a significant effect on Investment Decisions.

The results of calculating the effect of (X)*(M) on the Investment Decision variable show a probability value of $0.366 > 0.1$ so it can be concluded that the Information Technology Literacy variable does not moderate the effect of financial literacy on investment decisions. The first hypothesis statement that the financial literacy variable has a positive effect on the investment decisions of young entrepreneurs is accepted. Among the arguments that can be developed in this case the indicators contained in financial literacy have contributed sufficiently as a role to influence investment decisions.

The results of this study are in accordance with the results which state that financial literacy has a significant effect on investment decisions [18]. The statement of the second hypothesis that information technology literacy influences investment decisions is accepted. One's knowledge of information technology, which is the backbone of transactions in the capital market, is a major factor in determining an investment decision. Young people, including young entrepreneurs, tend to have sufficient information technology literacy from an early age so that they can become smart entrepreneurs in investing in the capital market which can also be used as a vehicle for managing finances in a good financial preparation for the future.

Financial literacy has a significant influence on MSME investment decisions. Financial literacy gives MSMEs a better understanding of basic financial concepts, such as profit and loss calculations, cash flow management, risk evaluation, and measurement of financial performance. With a solid understanding of these concepts, MSMEs can better analyze investment projects and make more rational decisions based on available financial information. Financial literacy introduces MSMEs to various available investment instruments, such as stocks, bonds, mutual funds or property investment. With an understanding of the characteristics, risks and potential returns of these instruments, MSMEs can make more diversified investment decisions and can adapt investment strategies to their goals and risk profile. Financial literacy

helps MSMEs in identifying, measuring and managing the risks associated with investment decisions. MSMEs that have good financial literacy can view investment risks comprehensively and evaluate the potential expected returns. This allows MSMEs to make more informed investment decisions and choose options that suit their risk tolerance and financial goals.

Financial literacy helps MSMEs in planning their long-term finances, including developing sustainable investment strategies. With a good understanding of financial aspects such as financial goals, timing, diversification and risk profile, MSMEs can direct their resources to achieve long-term goals, such as business growth, expansion or business diversification. Financial literacy can improve the ability of MSMEs to access the financial resources needed for investment. MSMEs that have good financial understanding can apply for loans with solid proposals, apply for external funding, or enter into partnerships with potential investors. Financial literacy helps MSMEs in communicating with financial institutions and building trust with related parties in the investment decision-making process.

The statement of the third hypothesis that the effect of financial literacy on investment decisions is moderated by information technology literacy is rejected. A person's knowledge of managing his personal finances is a major factor in determining an investment decision [19]. In this case, there are indications that MSMEs gain access to finance too quickly with insufficient financial literacy. This has resulted in MSMEs not being able to take advantage of access to fintech for more expert benefits, including in assisting in making investment decisions. Information technology literacy is more directed to product consumption activities both goods, services and consumption of information. Understanding of information technology does not necessarily have an impact on capital market investment decisions.

CONCLUSION

The results in the study are (1) There is a positive effect of financial literacy on the investment decisions of young entrepreneurs. (2) There is a positive effect of fintech literacy on the investment decisions of young entrepreneurs. (3) Fintech proficiency do not mediate the influence of financial literacy on the investment decisions of young entrepreneurs. Information technology literacy is relevant on investment both real sector investment and finance investment. This level of financial awareness ought to affect how someone manages their money and how they choose to invest. A person's ability to make financial decisions increases with their level of financial technology proficiency. In order to increase financial inclusion, it is important to develop financial literacy and take advantage of FINTECH's reliability as a means to improve individual financial access and understanding. The combination of good financial literacy and expanded accessibility through FINTECH can play a role in strengthening overall financial decisions. In this case, there are indications that MSMEs gain access to finance too quickly with insufficient financial literacy. This has resulted in MSMEs not being able to take advantage of access to fintech for more expert benefits, including in assisting in making investment decisions.

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