

The Influence of Financial Literacy on Green Investment Decisions

Theodorus Sutadi¹, Christina Heti Tri Rahmawati²

^{1,2}Department of Management, Faculty of Economics, Sanata Dharma University,
Yogyakarta, Indonesia
christina.heti@usd.ac.id

ABSTRACT

This research aims to determine the influence of financial literacy on green investment decisions. The research sample for part of the Z generation in Yogyakarta was 100 respondents. The data analysis technique used was purposive sampling. The data analysis technique uses simple linear regression analysis. The research results show that financial literacy influences green investment decisions. The implications of the results of this research are that the higher the financial literacy, the higher the green investment decisions so that people's welfare increases.

Keywords: Financial Literacy, Green Investment Decisions

ABSTRAK

Penelitian ini bertujuan mengetahui pengaruh *financial literacy* terhadap *green investment decisions*. Sampel penelitian sebagian generasi Z di Yogyakarta sebanyak 100 responden. Teknik analisis data yang digunakan berupa *purposive sampling*. Teknik analisis data menggunakan analisis regresi linear sederhana. Hasil penelitian menunjukkan literasi keuangan berpengaruh terhadap *green investment decisions*. Implikasi hasil penelitian ini dengan literasi keuangan yang semakin tinggi, maka semakin tinggi *green investment decision* sehingga kesejahteraan masyarakat meningkat.

Kata kunci: Literasi Keuangan; Green Investment Decisions

INTRODUCTION

The trend of increasing awareness in environmental problems encourages the emergence of the concept of green investment decisions. The concept of green investment discusses companies that have focused on protection of natural resources and minimize air pollution. The concept of green investment decisions is one form of investing in

companies that have focused on environmental preservation so as to improve the welfare of the community (Zhang & Wang, 2019).

The concept of green investment is one kind of investment in demand by generation Z by implementing Environmental, Social, and Governance (ESG). The higher generation Z as a young investor who invests in companies that apply the concept of environmentally friendly investment, it can improve the Indonesian economy. However, this young investor as a generation Z requires a good understanding of financial literacy so as to make the right investment decisions.

According to the Organization for Economic Co-Operation and Development (2020), the concept of financial literacy is defined as a person's understanding of financial knowledge, skills, and motivation so as to make appropriate financial decisions and ultimately improve welfare. Referring to the results of the survey conducted by OJK (Financial Services Authority) in 2019 as stipulated in SNLIK (National Literacy and Financial Inclusion Survey) interpreted the level of financial literacy of 38.03% where in general the Indonesian people do not understand managing finances and making investment decisions the right (www.ojk.go.id). Therefore, generation Z as a young investor requires a good understanding of financial literacy so as to have an impact on increasing investment decisions on companies that apply environmentally friendly concepts. The increasing financial literacy is expected to increase green investment decisions. This is in accordance with the results of the research SU (2020); Zhang et al. (2021) where financial literacy affects Green Investment Decisions. While the results of Akims & Jagongo (2017) research described financial literacy had no effect on green investment decisions. Based on the phenomenon and research gap, this study discussed "The Effect of Financial Literacy on Green Investment Decision".

RESEARCH METHODS

This research is a quantitative research and uses a population, namely all generation Z in Yogyakarta. While the research sample is some generation Z in Yogyakarta as many as 100 respondents. The sampling technique using purposive sampling is 18-25 years old and has made investment. This research data collection technique uses primary data in the form of online questionnaires in the form of Google Forms relating to financial literacy (as independent variables) and green investment decisions (as dependent variables).

According to Anderson & Robinson (2022) defining the concept of Green Investment Decision illustrates the form of investment decisions that have a good impact on environmental sustainability so as to improve the welfare of the community. The

indicators used in the Green Investment Decision variable include returns, risks and return and risk relationships (Garg & Singh, 2018). Meanwhile, according to Chen & Volpe (1998) defines the concept of financial literacy as a form of understanding that can have an impact on one's behavior and attitudes in making decisions and financial management that is more appropriate so as to increase welfare. The indicators used in financial literacy variables include attitudes, behavior, and knowledge about finance (Jin, Gao & Wang, 2021). The data analysis technique used is in the form of multiple linear regression analysis using the SPSS application, which previously conducted a classic assumption test and instrument test which included the validity test and reliability test.

According to Senda, Rahayu & Rahmawati (2020) shows that if individuals have low financial knowledge will have an impact on the worse financial management, as well as the lower understanding of financial literacy can have an inappropriate impact on making investment decisions. Therefore, the concept of financial literacy is considered important to be understood, especially in generation Z so that it can find out the risks and profits obtained by making appropriate investment decisions. Generation Z who have good attitudes, behavior, and financial knowledge can improve quality in carrying out environmentally friendly investment decisions so that it has an impact on environmental sustainability and community welfare. The higher the level of financial literacy of a person, the more wise in determining green investment decisions. The increasing financial literacy is expected to increase green investment decisions. This is in accordance with the results of the research SU (2020); Zhang et al. (2021) where financial literacy affects Green Investment Decisions.

RESULT AND DISCUSSION

Characteristics of Respondent Data

This study uses a generation Z respondent in Yogyakarta aged 18-25 years and has made an investment. The respondents in this study totaled 100 respondents, who included 42 men (42%) and 58 women (58%). Whereas based on an allowance per month <IDR1,500,000.00 a number of 54 people (54%), IDR1,500,000.00 - IDR2,000,000.00 a total of 28 people (28%), and >IDR2,000,000.00 a number of 18 people (18%).

Research Instrument Test Results

The following is the result of validity and reliability tests for aspects of financial literacy and green investment decisions.

Table 1. Test Results for Validity of Financial Literacy and Green Investment Decisions

Statement Item	Total Questionnaire Items	Information
Financial Literacy	10	Valid and Reliabel
Green Investment Decisions	10	Valid and Reliabel

Source: Primary data is processed (2023)

Classic Assumption Test Results

Multicollinearity test conducted in this study was obtained that there were no independent variables (financial literacy variables) that had a tolerance value of less than 0.10, so there was no correlation between independent variables. Whereas based on the calculation of the Variance Inflation Factor (VIF) value which illustrates that there is no independent variable that has a VIF value of more than 10. Therefore, the regression model on the influence of financial literacy on green investment decisions does not have multicollinearity problems.

Heteroscedasticity test is used to test whether in a regression model there is an inequality of variance from residuals in one observation to another. Heteroscedasticity test conducted in this study using the scatterplot graph illustrates that the points on the scatterplot graph spread randomly both above and below the number 0 on the Y-axis. Therefore it can be concluded that there is no heteroscedasticity in the regression model and the model is feasible used to predict the dependent variable (green investment decisions variable) based on the input of the independent variable (financial literacy variable).

The normality test is used to test whether in the regression model, both the dependent and independent variable data used are normally distributed or not. The normality test conducted in this study using a histogram graph forms a normal curve curve, so that the residual has a normal distributed pattern. In addition, the normal plot graph illustrates that data spreads around the diagonal line and follows the direction of the diagonal line. Therefore, based on the histogram graph and the normal plot graph obtained it is concluded that the assumption of normality in the regression model is met.

Hypothesis Test Results

This study uses a simple linear regression analysis test. Based on the test, the following results are obtained:

Table 2. Test Results t

Model	Unstandadized Coefficient		t	Sig.
	B	Std. Error		
(Constant)	6.032	4.813	1.289	.267
FL	.354	.158	2.185	.015

Source: Primary data is processed (2023)

Based on table 2 above, the financial literacy results are 0.015 smaller than 0.05 so that the financial literacy affects the green investment decision. This is in accordance with the results of the research Su (2020); Zhang et al. (2021) where financial literacy affects Green Investment Decisions. According to Senda, Rahayu & Rahmawati (2020) shows that if individuals have low financial knowledge will have an impact on the worse financial management, as well as the lower understanding of financial literacy can have an inappropriate impact on making investment decisions. Therefore, the concept of financial literacy is considered important to be understood, especially in generation Z so that it can find out the risks and profits obtained by making appropriate investment decisions. Generation Z who have good attitudes, behavior, and financial knowledge can improve quality in carrying out environmentally friendly investment decisions so that it has an impact on environmental sustainability and community welfare. The higher the level of financial literacy of a person, the more wise in determining green investment decisions. The increasing financial literacy is expected to increase green investment decisions.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion Based on the results of the research above, financial literacy affects the green investment decision in generation Z in Yogyakarta. Therefore, the higher the level of financial literacy of a person, the more wise in determining green investment decisions. The increasing financial literacy is expected to increase green investment decisions.

The suggestions that researchers can provide related to the results of this study for investors are generation Z as young investors should have an understanding including attitudes, behavior, and knowledge of good finances so that they can invest in companies that apply environmentally friendly concepts that can ultimately increase welfare. In

addition, the advice that researchers can provide related to the results of this study for further researchers is to be able to add other variables outside the variables used in this study such as the experience of investing and green perceived risk.

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