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The Impact of Financial Literacy and Financial Behavior on Investment Decision among Private Sector Employees in Tasikmalaya City

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Abstract

This study aims to determine the extent of the influence of financial literacy and financial behavior on investment decisions among private sector employees in the city of Tasikmalaya. The population in this study is 39,775, with a sample size of 400 determined using the Slovin formula. The research method used is descriptive and verificative, with purposive sampling as the technique. This study employs multiple linear regression, F-test, and t-test. The results show that both financial literacy and financial behavior have a positive and significant impact on investment decisions, both partially and simultaneously. The added value of this research lies in its ability to provide insights into how financial literacy and financial behavior influence investment decisions, particularly among private sector employees in an emerging region like Tasikmalaya. The findings emphasize the importance of financial education in shaping investment behavior, offering valuable data to improve financial literacy programs and interventions. These insights can guide efforts to enhance financial behaviors and promote more informed investment decisions, supporting better financial decision-making among employees.

Keywords

Financial Literacy; Financial Behavior; Invesment Decision

INTRODUCTION

The level of financial literacy in Indonesia has shown a significant increase. According to the 2024 National Survey on Financial Literacy and Inclusion (SNLIK), the financial literacy index of the Indonesian population reached 65.43%, while the financial inclusion index stood at 75.02%. However, the level of financial literacy in second-tier cities, such as Tasikmalaya, remains relatively low (OJK, 2024). Nevertheless, a gap between financial literacy and inclusion persists, which may affect the quality of individuals' investment decision-making.

Tasikmalaya is one of the cities experiencing significant economic growth in West Java. As a regional economic and trade hub, Tasikmalaya has a substantial population of private sector employees, making it a strategic location for understanding the factors influencing investment decisions. However, the level of financial literacy in the city is still unknown. Therefore, the aim of this study is to determine the financial literacy level of private employees in Tasikmalaya, providing a representative basis for research related to financial decision-making. To support the data, interviews were conducted as part of the preliminary research, as presented in Table 1.

Based on a survey conducted on 20 private employees in Tasikmalaya City, several important findings emerged regarding financial literacy, financial management habits, and perspectives on investment. Among them, the majority of respondents (70%) do not understand basic investment concepts such as stocks and mutual funds, with only 30% having such knowledge. This indicates a low level of

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financial literacy among private employees. Additionally, only 25% of respondents have attended financial training or education, while the remaining 75% have not, further highlighting their limited financial knowledge.

The level of participation in investment is also low, with only 20% of respondents owning investment products, while 80% do not. The main reasons cited by respondents for not investing include a lack of understanding of investment (50%), insufficient income (30%), and fear of investment risks (20%). These findings underscore the need for more in-depth education about the benefits and risks of investment, as well as how to manage them.

In terms of financial management habits, only 40% of respondents regularly record or manage their monthly finances, while 60% do not. Furthermore, 75% of respondents reported feeling that their expenses exceed their income, indicating difficulties in managing personal finances. Despite this, 90% of respondents recognize the importance of investing for the future, suggesting the potential for increased participation if supported by adequate knowledge and facilities. However, support from their employers remains minimal, with only 15% of respondents stating that their company provides financial education, while the majority (85%) do not receive such facilities. This highlights the need for collaboration between companies and financial institutions to enhance financial literacy and provide broader access to financial education for employees.

Overall, these findings illustrate that, although there is awareness of the importance of investment, low levels of financial literacy and education, along with insufficient support from employers, are significant barriers preventing private employees in Tasikmalaya City from investing effectively.

An empirical gap is evident when comparing these findings to previous research. Lusardi and Mitchell (2017) demonstrated that financial literacy significantly influences investment decisions in developed countries, while studies in developing countries like Indonesia show varying results. Research by Herdjiono and Damanik (2019) indicates that financial literacy has a positive influence, but other studies, such as Rahmawati et al. (2020), suggest that this influence is insignificant without being supported by good financial behavior. These differences raise questions about the specific conditions affecting the relationship between financial literacy, financial behavior, and investment decisions in Indonesia.

A research gap is also apparent due to the lack of studies specifically focusing on private employees as a research population. Most previous studies have centered on students (Setiyani & Wulandari, 2021) or the general public (Sutrisno et al., 2022). However, private employees have unique characteristics, such as limited time to learn about investment products and the need for long-term financial planning. This makes research on this group crucial to understanding the factors influencing their investment decisions.

The urgency of this research is further supported by changes in the investment landscape in Indonesia. With the development of digital investment platforms like Bareksa and Ajaib, the public, including private employees, now have easier access to investment. However, this ease of access is not always accompanied by improved financial literacy and behavior. Many employees fall victim to fraudulent investments or make impulsive investment decisions due to a lack of understanding and financial discipline (Putri & Santoso, 2023). Therefore, this study is essential to provide a deeper understanding of how financial literacy and financial behavior influence investment decisions.

Financial literacy is a crucial element in making investment decisions. Research by Lusardi and Tufano (2020) reveals that individuals with low financial literacy levels tend to have suboptimal investment portfolios. However, financial literacy alone is not enough. Financial behavior, such as saving habits and risk management skills, also plays an important role in investment decisions (Atkinson & Messy, 2019). The combination of financial literacy and good financial behavior is believed to improve the quality of investment decisions, particularly among private employees.

Furthermore, this study is expected to provide practical contributions to companies in designing financial education programs for their employees. Effective financial education can help employees make better investment decisions, ultimately improving their financial well-being. Thus, this research is relevant not only for

academics but also for practitioners in the field of human resource management.

In the context of Tasikmalaya City, private employees are an interesting group to study because the city is experiencing significant economic growth. According to data from the Central Bureau of Statistics (2023), the private sector's contribution to the local economy is increasing. However, this growth has not been accompanied by adequate financial literacy, as evidenced by low public participation in the capital market. This research aims to fill this gap by providing an in-depth analysis of the influence of financial literacy and financial behavior on investment decisions.

Therefore, this study is not only theoretically relevant but also practically significant. The research findings are expected to serve as a basis for developing more effective financial education policies and programs by both the government and companies. Additionally, this study is anticipated to provide new insights for financial literature in Indonesia, particularly in the context of investment decision-making among private employees in Tasikmalaya City.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

FINANCIAL LITERACY

Financial literacy refers to an individual's ability to understand, manage, and make effective financial decisions based on their knowledge and skills. Huston (2010) defines financial literacy as a combination of understanding basic financial concepts and applying those skills to make sound financial decisions. This concept encompasses various financial aspects, such as budgeting, debt management, investment, retirement planning, and risk management.

In measuring financial literacy, Lusardi and Mitchell (2014) identified several key dimensions: basic financial knowledge, advanced financial knowledge, and financial application. The first dimension, basic financial knowledge, involves understanding fundamental concepts such as simple interest, compound interest, inflation, and the relationship between risk and return. The second dimension, advanced financial knowledge, includes the ability to comprehend more complex topics, such as portfolio diversification, the functions of capital markets, and investment instruments. The final dimension, financial application, refers to an individual's ability to apply financial knowledge in personal financial management, such as budgeting, saving, and investing.

Each dimension of financial literacy has specific indicators. For basic financial knowledge, the indicators include the ability to understand the concept of interest, the impact of inflation on purchasing power, and investment risks. In the advanced financial knowledge dimension, the indicators involve understanding risk diversification, portfolio management, and the functions of capital markets. Meanwhile, for financial application, the indicators include expense management, budgeting, and investment planning.

Financial literacy is considered one of the essential skills in the modern era, as a lack of financial literacy often leads to irrational financial decisions, such as falling into consumptive debt or engaging in high-risk investments without proper calculation. According to Atkinson and Messy (2012), financial literacy is not only relevant for individuals but also has a significant impact on the financial stability of families and society as a whole.

FINANCIAL BEHAVIOR

Financial behavior refers to an individual's actions in managing their daily finances, which include decision-making related to spending, saving, investing, debt management, and long-term financial planning. According to Xiao (2008), financial behavior encompasses all actions taken by individuals to manage their financial resources in achieving specific financial goals. This behavior reflects the level of financial literacy, financial attitudes, as well as the influence of environmental factors and individual values related to financial management.

Financial behavior can be categorized into several key dimensions identified by experts, including saving behavior, spending behavior, debt management behavior, and investment behavior. Saving behavior includes an individual's habits of setting aside income for both short-term and long-term goals, with indicators such as the frequency of saving, the amount saved, and the purpose of saving. Spending behavior involves an individual's spending patterns, with indicators like expense control, budget

management, and preferences for needs versus wants. Debt management behavior involves the ability to manage debt wisely, characterized by timely debt repayment, the use of debt for productive purposes, and avoiding consumptive debt. Investment behavior involves decision-making to allocate funds into financial instruments or assets, with indicators such as the level of investment diversification, risk orientation, and the frequency of portfolio evaluation.

Research indicates that financial behavior plays a crucial role in determining an individual's financial well-being. For instance, Lusardi and Tufano (2015) highlighted that poor financial behavior, such as procrastination in debt repayment or uncontrolled spending, can lead to serious financial issues. Hilgert, Hogarth, and Beverly (2003) also found that financial behavior is significantly influenced by financial literacy, where individuals with higher financial knowledge tend to exhibit better financial behavior. Furthermore, this behavior is shaped by social, cultural, and psychological factors that influence how individuals manage their finances.

The urgency to improve financial behavior has become increasingly important in the modern era, given the complexity of financial products and the growing access to digital financial services. Research by Perry and Morris (2005) shows that good financial behavior can enhance personal and family financial stability while minimizing the risk of bankruptcy. By understanding the dimensions and indicators of financial behavior, more effective interventions, such as financial education programs, can be designed to help individuals improve the quality of their financial management.

INVESTMENT DECISION

Investment decision refers to the process of deciding how to allocate funds into specific assets or financial instruments with the goal of generating future returns. According to Sharpe, Alexander, and Bailey (1999), investment decision is the process of evaluating and selecting investment alternatives based on risk, return, and the investor's financial goals. This decision involves various factors, including risk understanding, return preferences, investment time horizon, and individual market and financial conditions.

The main dimensions of investment decision include risk assessment, return expectation, investment horizon, and portfolio diversification. Risk assessment relates to an investor's ability to identify and evaluate the level of risk associated with an investment. Its indicators include risk tolerance, understanding of volatility, and awareness of both systematic and unsystematic risks. Return expectation involves the investor's anticipated returns from the investment, with indicators such as target returns, evaluation of past investment performance, and estimates of future profits. Investment horizon refers to the desired duration an investor intends to hold an investment, with indicators including preferences for short-term, medium-term, or long-term investments. Portfolio diversification reflects an investor's ability to distribute funds across various asset types to mitigate risk, with indicators such as the number of instruments in the portfolio, asset allocation, and diversification ratio.

Research shows that investment decisions are influenced not only by rational aspects but also by emotional and psychological factors. According to Kahneman and Tversky (1979), in their prospect theory, investors often make decisions that are not entirely rational due to behavioral biases, such as loss aversion or overconfidence. These factors affect how individuals perceive risk and potential returns. Additionally, external factors such as market information, interest rates, and economic policies also impact investment decisions. Baker and Ricciardi (2014) emphasize that investor behavior is often influenced by perceptions of market conditions, where inaccurate or limited information can lead to suboptimal decisions. Therefore, a deep understanding of the dimensions and indicators of investment decision is crucial to help individuals make more rational and informed investment decisions.

THE RELATIONSHIP BETWEEN FINANCIAL LITERACY AND INVESTMENT DECISION

The relationship between financial literacy and investment decision is significant, as the level of financial literacy determines how well individuals can understand, evaluate, and make rational investment decisions. Lusardi and Mitchell (2014) assert that individuals with a high level of financial literacy are more likely to possess adequate knowledge about portfolio diversification, the relationship between risk and return, and the

impact of inflation on investments. This enables them to make better investment decisions aligned with their financial goals.

Research by Huston (2010) highlights that financial literacy is a key element in reducing errors in investment decision-making. Individuals who understand basic financial concepts, such as risk, return, and compound interest, are better equipped to evaluate investment instruments and avoid high-risk investments that do not match their risk profiles. This underscores why financial literacy is considered a critical foundation in making investment decisions.

Additionally, Lusardi and Tufano (2015) found that low financial literacy is often associated with poor investment decisions, such as allocating funds to low-return instruments or completely avoiding investments due to a lack of understanding. They also noted that individuals with low financial literacy are more susceptible to decision-making biases, such as overconfidence or loss aversion, which can hinder their investment performance. This factor is further emphasized by van Rooij, Lusardi, and Alessie (2011), who demonstrated that individuals with higher financial literacy are more likely to invest in the stock market. They tend to have a better understanding of the benefits of risk diversification and long-term potential returns, which boosts their confidence in making financial market investment decisions.

The positive relationship between financial literacy and investment decision is also acknowledged by Atkinson and Messy (2012). They highlight the importance of financial literacy in helping individuals better evaluate investment information, avoid financial fraud, and plan investment strategies that align with their financial needs and goals.

The Relationship Between Financial Behavior and Investment Decision

Financial behavior plays a crucial role in determining investment decisions, as it reflects how individuals manage financial resources and respond to different financial situations. Xiao (2008) states that positive financial behavior, such as consistent saving and prudent debt management, influences one's ability to invest more effectively. In other words, good financial behavior creates a strong foundation for rational investment decision-making.

According to Kahneman and Tversky (1979), in their prospect theory, investment decisions are often influenced by behavioral biases, such as risk aversion or overconfidence in evaluating investment opportunities. Therefore, individuals with good financial behavior, such as being disciplined in risk management and making decisions based on rational information, are more likely to make profitable investment decisions. Hilgert, Hogarth, and Beverly (2003) found a positive relationship between financial behavior, such as budgeting and debt management, and participation in investment. They concluded that individuals with good financial management habits are more likely to consider and engage in investment activities.

Lusardi and Mitchell (2014) also emphasize that financial behavior, such as saving habits and regular investment evaluation, is critical in investment decision-making. These behaviors help individuals navigate the complexities of financial markets and reduce the likelihood of errors in asset allocation. Baker and Ricciardi (2014) stress that financial behavior grounded in risk evaluation and portfolio diversification can significantly improve investment outcomes. They note that individuals who understand the importance of diversification tend to have more balanced portfolios that are resilient to market volatility.

Research by Perry and Morris (2005) indicates that individuals with good financial behavior, such as consistent budgeting and disciplined saving, are more likely to make strategic and well-informed investment decisions. Nyhus and Webley (2001) argue that personality traits and habits in financial behavior, such as regular saving and avoiding excessive spending, have a direct impact on one's ability to invest. They found that these behaviors create a financial foundation that allows individuals to be more confident in taking investment risks.

Belsky and Gilovich (1999) state that good financial behavior, including the ability to control impulses and manage emotions in fluctuating market conditions, helps individuals make more rational investment decisions and avoid harmful behavioral biases. Danes and Hira (1987) demonstrate that individuals with planned

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Table 1. Preliminary Research Table

No	Question	Answer	Percentage
1	Do you understand the basic concept of investment (e.g., stocks, mutual funds, etc.)?	Yes: 6 people No: 14 people	Yes: 30% No: 70%
2	Have you ever attended financial training or education?	Yes: 5 people No: 15 people	Yes: 25% No: 75%
3	Do you own any investment products?	Yes: 4 people No: 16 people	Yes: 20% No: 80%
4	What is the reason for not investing (for those who answered 'No' in question 3)?	Lack of understanding of investment: 10 people Income is insufficient: 6 people Risk aversion: 4 people	Lack of understanding: 50% Income is insufficient: 30% Risk aversion: 20%
5	Do you have the habit of recording or managing monthly finances?	Yes: 8 people No: 12 people	Yes: 40% No: 60%
6	Do you ever feel that your expenses exceed your income?	Yes: 15 people No: 5 people	Yes: 75% No: 25%
7	In your opinion, is investing important for the future?	Yes: 18 people No: 2 people	Yes: 90% No: 10%
8	Does the company you work for provide financial education?	Yes: 3 people No: 17 people	Yes: 15% No: 85%

Source: (Primary Data, 2024)

financial behavior are more likely to understand the importance of investment in achieving long-term financial goals. They also tend to consider various risk and return factors before making investment decisions. Fama and French (1993) highlight that financial behavior focused on diversification and risk management enables individuals to achieve more optimal investment portfolios. They found that good financial behavior correlates with higher investment performance.

METHODS

This study employs a quantitative approach with a descriptive-verificative design to analyze the relationship between financial literacy, financial behavior, and investment decisions among private employees in Tasikmalaya City. According to Sugiyono (2019), the quantitative method is a scientific approach used to study a specific population or sample through structured data collection and statistical analysis. This approach enables the measurement and quantitative analysis of variables, while the descriptive-verificative design supports the explanation of phenomena through descriptive methods and hypothesis testing or the examination of relationships between variables through verificative methods.

The population in this study consists of all private employees in Tasikmalaya City, totaling 39,775 individuals (Tasikmalaya City Data, 2022). The sample size was calculated using the Slovin formula, resulting in 303 respondents with a 5% margin of error. Purposive sampling was applied to select the sample, as recommended by Sugiyono (2019), based on specific criteria relevant to the research objectives. The sample criteria for this study are as follows:

- Aged 20-50 years
- Employed as a private sector employee
- Has a stable income
- Resides in Tasikmalaya City

The data collected through a structured questionnaire, distributed digitally, consists of 33 Likert scale questions to measure three variables: Financial Literacy (X1), Financial Behavior (X2), and Investment Decision (Y). Financial literacy has dimensions of knowledge of financial concepts, financial planning and budgeting, and awareness of financial services. Financial behavior includes dimensions of spending behavior, saving behavior, and debt management. Investment decision has dimensions of risk assessment, return expectation, investment horizon, portfolio diversification, and information source. The Likert scale used ranges from 1 (strongly disagree) to 5 (strongly agree).

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Table 3. Validity Test Results

Instrument	r Pearson Correlation	r Tabel	Description
FL1	0,523	0,349	Valid
FL2	0,503	0,349	Valid
FL3	0,494	0,349	Valid
FL4	0,557	0,349	Valid
FL5	0,528	0,349	Valid
FL6	0,516	0,349	Valid
FL7	0,560	0,349	Valid
FL8	0,641	0,349	Valid
FL9	0,523	0,349	Valid
FB1	0,703	0,349	Valid
FB2	0,685	0,349	Valid
FB3	0,641	0,349	Valid
FB4	0,831	0,349	Valid
FB5	0,608	0,349	Valid
FB6	0,693	0,349	Valid
FB7	0,716	0,349	Valid
FB8	0,652	0,349	Valid
FB9	0,597	0,349	Valid
ID1	0,740	0,349	Valid
ID2	0,664	0,349	Valid
ID3	0,720	0,349	Valid
ID4	0,671	0,349	Valid
ID5	0,650	0,349	Valid
ID6	0,690	0,349	Valid
ID7	0,641	0,349	Valid
ID8	0,698	0,349	Valid
ID9	0,613	0,349	Valid
ID10	0,678	0,349	Valid
ID11	0,740	0,349	Valid
ID12	0,533	0,349	Valid
ID13	0,743	0,349	Valid
ID14	0,570	0,349	Valid
ID15	0,624	0,349	Valid

Source: (SPSS data processing results, 2024).

The collected data were analyzed using descriptive and inferential statistics, following Sugiyono's (2019) guidelines for quantitative data processing. Descriptive statistics such as mean, standard deviation, and frequency distribution were used to summarize financial literacy, behavior, and respondent stability. Validity test using Pearson correlation. Reliability test using Cronbach's Alpha (threshold > 0.7). Regression analysis to examine the relationships between variables, exploring the direct and indirect effects of financial literacy, financial behavior, and financial stability.

To ensure the validity and reliability of the data, this study employs several statistical techniques and procedural steps. The validity test is conducted using Pearson correlation to confirm that each item in the

Table 2. Reliability Test Results

Variable	Cronbach's Alpha	Critical Point	Description
Financial Literacy (X1)	0,716	0,7	Reliable
Financial Behavior (X2)	0,860	0,7	Reliable
Invesment Decision (Y)	0,907	0,7	Reliable

Source: (SPSS data processing results, 2024).

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Table 6. Summary of Respondent Characteristics Table

Charateristics	Category	Total	Percentage
Gender	Male	228	57%
	Female	172	43%
Age	19 – 23 years old	22	5,5%
	24 – 27 years old	158	22,75%
	28 – 31 years old	92	23%
	32 – 35 years old	78	19,5%
	>36 years old	50	12,5%
Marital Status	Married	196	48,9%
	Single	198	49,5%
	Others	6	1,5%
Monthly Salary	< Rp.2.000.000	22	5,4%
	Rp. 2.100.000 – Rp.3.000.000	41	10,2%
	Rp. 3.100. 000 - Rp. 4.000.000	199	49,8%
	Rp. 4.100.000 - Rp. 5.000.000	102	25,5%
	> Rp. 5.000.000	36	9%
Other Income	None	207	51,7%
	Jobside/Business	109	27,3%
	Freelance	47	11,7%
	Digital Assets	31	7,8%
	Others	6	1,5%

Source: (Primary Data, 2024).

Table 5. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		400
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	4.04258377
Most Extreme Differences	Absolute	.063
	Positive	.049
	Negative	-.063
Test Statistic		.063
Asymp. Sig. (2-tailed)		.001[c]

Source: (SPSS data processing results, 2024).

Table 4. Multicollinearity Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	28.234	3.244		8.705	.000		
	FL	.617	.075	.385	8.215	.000	.882	1.134
	FB	.306	.076	.188	4.019	.000	.882	1.134
a. Dependent Variable: ID								

Source: (SPSS data processing results, 2024).

questionnaire measures the intended construct. The reliability test is performed using Cronbach's Alpha, where a value greater than 0.7 indicates sufficient internal consistency. Additionally, the reliability of the data is reinforced through the implementation of standardized data collection protocols, ensuring uniformity in respondents' interpretation of the questions. The analysis procedure adheres to rigorous statistical practices to enhance the credibility and reliability of the research findings, as recommended by Sugiyono (2019) for quantitative studies. Based on Table 3, it can

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Table 7. Heteroscedasticity Test Results

Correlations					
			FL	FB	Unstandardized Residual
Spearman's rho	FL	Correlation Coefficient	1.000	.229**	.015
		Sig. (2-tailed)	.	.000	.765
		N	400	400	400
	FB	Correlation Coefficient	.229**	1.000	.044
		Sig. (2-tailed)	.000	.	.379
		N	400	400	400
	Unstandardized Residual	Correlation Coefficient	.015	.044	1.000
		Sig. (2-tailed)	.765	.379	.
		N	400	400	400
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: (SPSS data processing results, 2024).

be observed that all statements in the research questionnaire show rcalculated>rtabler_{calculated} > r_{table} (0.349) for all question items. This indicates that, according to the validity test calculation method outlined by Ghozali (2018), all question items are deemed valid. Based on the table above, it can be concluded that the values of the financial literacy, financial behavior, and investment decision variables are greater than the predetermined standard of 0.7. This indicates that all data are considered reliable.

RESULTS AND DISCUSSION

After all the data were confirmed to be valid and reliable, the research findings will be systematically presented, starting with an overview of respondent characteristics, the quality of the research instruments, and hypothesis testing. Subsequently, the main findings will be discussed and connected to previous studies and relevant theories. This discussion aims to provide a comprehensive understanding of how financial literacy and financial behavior contribute to investment decisions among private employees in Tasikmalaya City.

Based on the table above, the gender characteristics show that the majority of respondents are male, with a total of 228 individuals (57%), while female respondents account for 172 individuals (43%). The age characteristics indicate that most respondents fall within the age range of 24–27 years, totaling 158 individuals (22.75%), followed by respondents aged 28–31 years with 92 individuals (23%). Respondents aged 19–23 years represent the smallest group, with only 22 individuals (5.5%), while respondents aged 32–35 years and those above 36 years account for 78 individuals (19.5%) and 50 individuals (12.5%), respectively. Marital status reveals that unmarried respondents slightly outnumber their married counterparts, with 198 individuals (49.5%) being unmarried compared to 196 individuals (48.9%) who are married.

Additionally, there are 6 individuals (1.5%) classified under other categories. In the category of monthly salary, the majority

Table 8. Multiple Linear Regression Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.948	3.767		5.561	.000		
	FL	.610	.087	.317	7.052	.000	.950	1.053
	FB	.504	.073	.310	6.899	.000	.950	1.053
a. Dependent Variable: ID								

Source: (SPSS data processing results, 2024).

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Table 9 -Test Results

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2059.099	2	1029.550	62.683	.000[b]
	Residual	6520.651	397	16.425		
	Total	8579.750	399			
a. Dependent Variable: ID						
b. Predictors: (Constant), FB, FL						

Source: (SPSS data processing results, 2024).

of respondents earn between Rp. 3,100,000 and Rp. 4,000,000, totaling 199 individuals (49.8%). The next largest category is respondents earning Rp. 4,100,000 – Rp. 5,000,000, with 102 individuals (25.5%). Respondents earning less than Rp. 2,000,000 number 22 individuals (5.4%), while those earning Rp. 2,100,000 – Rp. 3,000,000 total 41 individuals (10.2%). Respondents earning more than Rp. 5,000,000 account for 36 individuals (9%). For additional income, the majority of respondents have no additional income, totaling 207 individuals (51.7%). Meanwhile, 109 individuals (27.3%) have side businesses, 47 individuals (11.7%) work as freelancers, 31 individuals (7.8%) own digital assets, and the remaining 6 individuals (1.5%) fall into other categories.

Classical Asummption Test

Normality Test

To test the regression model in this study, it is necessary to determine whether the independent variable, the dependent variable, or both have a normal distribution by conducting a normality test. The normality test can be performed using the one-sample Kolmogorov-Smirnov test. The decision-making criteria are as follows: if the significance value is greater than 5% or 0.05, the data is considered to have a normal distribution. Conversely, if the test results show a significance value below 5% or 0.05, the data is considered not to have a normal distribution.

Based on the results of the One-Sample Kolmogorov-Smirnov Test, the residual data consists of 400 samples, with a mean of 0 and a standard deviation of 4.04258377. The largest difference between the residual data distribution and the normal distribution is indicated by an absolute value of 0.063, a positive value of 0.049, and a negative value of -0.063. In this test, the Asymp. Sig. (2-tailed) value is 0.001, which is smaller than 0.05, indicating a potential deviation from normality when only considering the asymptotic value. However, in cases with large sample sizes, the Exact Sig. (2-tailed) value is more relevant for interpretation. With an Exact Sig. (2-tailed) value of 0.080, which is greater than 0.05, it can be concluded that the residual data follows a normal distribution.

Multicollinearity Test

The multicollinearity test is a statistical test aimed at examining whether there is a near-perfect correlation between independent variables. A good regression model is one where no correlation or relationship exists among the independent variables. To determine the presence or absence of multicollinearity in a regression model, the Variance Inflation Factor (VIF) and Tolerance values can be used as references. If the VIF is less than 10 and the Tolerance value is greater than 0.1, it indicates that multicollinearity does not occur.

Table 10. Results of the Coefficient of Determination Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.490[a]	.240	.236	4.053	1.600
a. Predictors: (Constant), FB, FL					
b. Dependent Variable: ID					

Source: (SPSS data processing results, 2024).

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Table 11. T-Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	20.948	3.767		5.561	.000		
	FL	.610	.087	.317	7.052	.000	.950	1.053
	FB	.504	.073	.310	6.899	.000	.950	1.053
a. Dependent Variable: ID								

Source: (SPSS data processing results, 2024).

Based on the table of analysis results related to multicollinearity, the regression model uses two independent variables, FL and FB, with ID as the dependent variable. Based on the Tolerance and Variance Inflation Factor (VIF) values, it can be concluded that there is no multicollinearity issue in this model. The Tolerance values for both variables are 0.882, which is greater than the minimum threshold of 0.10, indicating that the independent variables do not have a high linear relationship with each other. Additionally, the VIF values for both variables are 1.134, which is smaller than the maximum threshold of 10, further supporting the conclusion that there is no multicollinearity. Statistically, both FL and FB have a significant influence on the dependent variable ID, as the Sig. values for both variables are 0.00, which is smaller than 0.05. Thus, both independent variables contribute significantly to explaining the variability of the dependent variable.

Heteroscedasticity Test

To detect the presence or absence of heteroscedasticity in this study, the researcher used the Spearman rank correlation coefficient test (Spearman rho). This was done by correlating the absolute residuals from the regression results with all the independent variables. Based on the results of the heteroscedasticity test using Spearman correlation analysis, it can be concluded that there is no heteroscedasticity issue in this model. This is indicated by the correlation results between the independent variables (FL and FB) and the residuals, which are not statistically significant. The Sig. (2-tailed) value for the relationship between FL and the residuals is 0.765, while for FB and the residuals, it is 0.379. Both values are greater than 0.05, indicating no significant relationship between the independent variables and the residuals. Therefore, it can be concluded that the residual distribution is homogeneous (homoscedasticity), which satisfies the assumptions of linear regression. Additionally, the correlation values between the independent variables and the residuals are very small, at 0.015 for FL and 0.044 for FB, further supporting the conclusion that there is no relationship pattern between the independent variables and the residuals.

Hypothesis Testing

Multiple Regression Analysis

Based on the results of the heteroscedasticity test using Spearman correlation analysis, it can be concluded that there is no heteroscedasticity issue in this model. This is indicated by the correlation results between the independent variables (FL and FB) and the residuals, which are not statistically significant. The Sig. (2-tailed) value for the relationship between FL and the residuals is 0.765, while for FB and the residuals, it is 0.379. Both values are greater than 0.05, indicating no significant relationship between the independent variables and the residuals.

Therefore, it can be concluded that the residual distribution is homogeneous (homoscedasticity), which satisfies the assumptions of linear regression. Additionally, the correlation values between the independent variables and the residuals are very small, at 0.015 for FL and 0.044 for FB, further supporting the conclusion that there is no relationship pattern between the independent variables and the residuals.

Based on the calculations in Table 8, the regression coefficient findings are as follows:

1. In the regression equation above, it can be observed that the constant value (a) is 20.948. This means that the constant value is positive if the variables Financial Literacy and Financial Behavior are assumed to be 0 (zero).

Thus, the Investment Decision among private employees in Tasikmalaya City is estimated to be 20.948.

2. The unstandardized coefficient B for Financial Literacy in the table shows a value of 0.610. This indicates that the Financial Literacy variable has a positive influence on Investment Decision. Therefore, any increase in the Financial Literacy variable will result in an increase in the Investment Decision, assuming no other variables are examined in this study.
3. The unstandardized coefficient B for Financial Behavior in the table shows a value of 0.504. This indicates that the Financial Behavior variable has a positive influence on Investment Decision. This means that any increase in the Financial Behavior variable will enhance the Investment Decision, assuming no other variables are examined in this study.

F Test

The F-Test is a model test/ANOVA test used to determine whether the independent variables simultaneously affect the dependent variable. The basis for decision-making is as follows: if the significance value (sig) < 0.05, the variable X has a simultaneous influence on variable Y. If the significance value (sig) > 0.05, the variable X does not have a simultaneous influence on variable Y. Based on the F-Test results above, it can be observed that the significance value (Sig.) is 0.000 < 0.05, and the F-value is greater than 3.018 (F-table). Therefore, it can be concluded that there is a simultaneous relationship between X1 and X2 and Y. This is evidenced by the calculated F-value of 62.683, which is significantly higher than the F-table value of 3.018. Additionally, the Sig. value of 0.000 is smaller than the 0.05 significance level, indicating that the regression model is statistically significant in explaining the dependent variable (ID).

The Sum of Squares for the regression is 2059.099, which indicates the amount of variation in the dependent variable that can be explained by the independent variables (FB and FL). Meanwhile, the Sum of Squares for the residuals is 6520.651, representing the variation that cannot be explained by the model.

These results lead to the conclusion that the independent variables in the model (FB and FL) make a significant contribution to explaining the variability in the dependent variable. The regression model used is suitable for further analysis as it meets the criteria for statistical significance.

Coefficient of Determination

The R^2 test, also known as the coefficient of determination, is a measure of the goodness of fit of a regression equation. It provides the proportion or percentage of the total variation in the dependent variable (Y) explained by the independent variables (X). Based on the results of the coefficient of determination test, the R Square value of 0.240 indicates that the independent variables FB and FL together can explain 24% of the variability in the dependent variable ID. The remaining 76% is explained by other variables not included in this model or by random factors. The Adjusted R Square value of 0.236 reflects the level of adjustment after accounting for the number of variables in the model, providing a more conservative estimate of the model's ability to explain the dependent variable.

The Standard Error of the Estimate value of 4.053 indicates the average prediction error in the regression model, while the Durbin-Watson value of 1.600, which is close to the ideal value (2.0), suggests that there are no serious issues related to autocorrelation in the residuals.

Overall, although the model only explains 24% of the variability in the dependent variable, it remains significant and can be used, with the note that additional variables could potentially be included to improve the model's explanatory power. If needed, the model can be refined by adding relevant variables or adopting more complex analytical approaches.

T-Test

To determine the partial effect of the independent variables on the dependent variable, a T-Test must be conducted. The dependent variable can be considered to have a significant influence on the independent variables if the significance value is less than 0.05. The following table presents the results of the T-Test for this study.

Based on the results of the regression coefficient test (T-Test), it can be concluded that both independent variables,

FL and FB, have a significant influence on the dependent variable ID. This is evident from the significance values (Sig.) for both variables, which are 0.000, smaller than the significance level of 0.05. Additionally, the t-values for FL (7.052) and FB (6.899) are both greater than the t-table value of 1.966, indicating that both independent variables individually have a significant effect on the dependent variable.

The regression coefficient for the FL variable is 0.610, indicating that each one-unit increase in FL will increase the ID variable by 0.610, assuming other variables remain constant. The regression coefficient for the FB variable is 0.504, meaning that each one-unit increase in FB will increase the ID variable by 0.504, assuming other variables remain constant.

The Tolerance value of 0.950 and VIF value of 1.053 for both variables indicate no multicollinearity issues within the model, making it suitable for further analysis.

Overall, these results show that FL and FB variables contribute significantly to explaining the ID variable, both simultaneously and partially.

DICUSSION

This study found that financial literacy has a positive and significant effect on investment decisions among private employees in Tasikmalaya City. The findings indicate that the higher an individual's level of financial literacy, the better their ability to make investment decisions. This aligns with the foundational theory of financial literacy, which emphasizes that understanding financial concepts, such as budgeting, investment, and risk, helps individuals evaluate and choose optimal investment decisions. These findings are also supported by various studies conducted in the past five years. For instance, research by Lusardi and Mitchell (2020) revealed that financial literacy plays a critical role in rational investment decision-making, especially among workers with fixed incomes. Similarly, a study by Abubakar et al. (2021) in Nigeria found that individuals with higher levels of financial literacy tend to have more diverse and growth-oriented investment portfolios. Furthermore, research by Yoong et al. (2022) in Malaysia identified that financial literacy significantly impacts wiser investment behavior, particularly among workers in the productive age group. Additionally, a study conducted by Setyowati and Kusuma (2021) in Indonesia demonstrated that good financial literacy encourages individuals to better understand investment instruments, such as stocks, mutual funds, and bonds, thereby reducing the risk of suboptimal decision-making. Overall, these results are consistent with the perspective that financial literacy provides a critical foundation for individuals to manage risks, understand potential returns, and make informed investment decisions. With the increasing need for long-term financial stability among private-sector employees, enhancing financial literacy can be a strategic solution to encourage better investment decision-making.

This study found that financial behavior has a positive and significant effect on investment decisions among private employees in Tasikmalaya City. The findings highlight that individuals who exhibit responsible financial behavior, such as budgeting, saving, and consistent investment practices, are more likely to make informed and effective investment decisions. This supports the view that financial behavior reflects how individuals apply their financial knowledge in real-life situations, leading to better decision-making processes in terms of investments. This result is consistent with several studies conducted over the past five years. For instance, a study by Ricciardi and Prast (2020) found that disciplined financial behavior, such as regular saving and diversification, significantly enhances the quality of investment decisions. Similarly, a study by Kusuma and Suryani (2021) in Indonesia revealed that positive financial habits, including goal setting and monitoring expenses, lead to more rational investment decisions among employees. In another study, Hassan et al. (2022) investigated employees in Pakistan and found that financial behavior, particularly related to risk management and planned spending, positively influenced their ability to invest wisely. Furthermore, a study by Alam and Rahman (2023) in Malaysia demonstrated that proactive financial behavior, such as maintaining financial discipline and avoiding impulsive spending, played a crucial role in guiding individuals toward long-term investment success. These findings underscore the importance of fostering healthy financial behavior to enhance investment decision-making. For private employees, cultivating habits such as

regular saving, prudent financial planning, and long-term goal orientation can improve financial well-being and lead to more favorable investment outcomes. Encouraging financial education programs that also address behavioral aspects can serve as a strategic approach to support better decision-making among this group.

CONCLUSION

Based on the results of the study, it can be concluded that financial literacy (FL) and financial behavior (FB) have a significant influence on investment decisions (ID) among private employees in Tasikmalaya. The findings highlight that both variables contribute to explaining the variability in ID, both simultaneously and partially. This indicates that improving financial literacy and financial behavior plays a crucial role in enhancing investment decision-making capabilities among private employees.

Given the results, the author aims to expand the understanding of financial literacy in the private employee category, as it has been noted that financial literacy levels remain relatively low in the MSME sector. This exploration seeks to provide valuable insights into the financial literacy levels among private employees, which can serve as a benchmark for further improvement efforts.

It is recommended that relevant stakeholders, including government institutions, financial organizations, and educational entities, take proactive steps to support financial literacy enhancement, not only among MSMEs and private employees but also across all societal sectors in Tasikmalaya. Strengthening financial literacy can lead to better financial management and decision-making, ultimately contributing to improved economic well-being and stability**.**

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