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Financial Literacy and Investment Motivation as Key Drivers Shaping Investment Behavior

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Abstract

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Investment plays a crucial role in enhancing financial well-being and economic stability at the individual level. This study aims to analyze the relationship between investment knowledge, investment motivation, and investment interest toward the investment behavior of Indonesian society. The shift from traditional financial instruments to digital investment platforms serves as the primary background of this research. A literature review approach was employed by examining studies from the past five years that explored psychological and cognitive factors influencing investment decision-making. The findings indicate that investment knowledge significantly enhances the confidence of beginner investors by providing a rational understanding of risks and expected returns. Furthermore, financial and social motivation strengthen the intention to invest, acting as a psychological driver that stimulates proactive financial behavior. Meanwhile, investment interest emerges through the interaction of financial literacy awareness, intrinsic motivation, and individual perceptions of investment opportunities. These elements collectively shape rational investment behavior in the digital era. The study concludes that promoting financial education and expanding digital investment access are essential strategies to increase public participation in Indonesia's capital market.

1. Introduction

Investment is one of the strategic instruments for achieving long-term financial goals while simultaneously enhancing the economic well-being of individuals. Through investment, individuals can manage their financial resources more effectively so that asset value is not eroded by inflation, and gain passive income that supports future financial stability (Dewi et al., 2020). The development of Financial Technology (fintech) and the increasing financial literacy in Indonesia have encouraged a shift in public behavior, moving from a passive savings approach towards active participation in investment activities. Despite the increasingly easy access to investment instruments through digital platforms, the participation of the Indonesian public in investment remains relatively low compared to other countries in Southeast Asia. Firmansyah et al. (2022) state that the low interest in investing is often caused by limited capital, lack of understanding regarding financial instruments, and low motivation to take risks. This condition indicates that psychological and cognitive factors play a crucial role in shaping an individual's decision to invest.

Investment interest reflects an individual's tendency to engage in investment activities and is influenced by various factors, including motivation, knowledge, and self-confidence. Hassan et al. (2019) asserts that individuals with a deep understanding of investment are more inclined to place their funds in various instruments, such as stocks, mutual funds, or bonds. Investment knowledge not only includes a basic introduction to financial products but also the ability to assess risk and the potential profit that may be obtained. This understanding becomes an essential prerequisite for individuals to make rational and informed investment decisions. In addition to knowledge, motivation is a primary driving factor for someone to invest. Motivation can stem from financial needs, aspirations to achieve economic independence, or social encouragement to engage in productive economic activity (Widyawati, 2020). Intrinsic motivation, such as curiosity, interest in learning, and the drive to enhance financial capacity, plays a vital role in building long-term interest in investment. Individuals with strong motivation tend to be more consistent in developing investment strategies and more prepared to face the risks inherent in various instruments.

In the Indonesian context, financial literacy remains a major challenge. Many people do not yet understand the mechanisms of the capital market, including the risks associated with investing, leading them to choose conventional instruments, such as savings, over more productive investments. Research by Singh et al. (2021) found that low understanding of risk and the perception of potential loss are the main inhibitors to the participation of young people in stock investment. This underscores the need for financial education intervention to increase the knowledge capacity and self-confidence of potential investors. Based on this condition, this study aims to conduct a literature analysis regarding the relationship between knowledge, motivation, and investment interest among the Indonesian public. The research focus is directed at understanding how these three factors interact in shaping individual investment behavior, and how financial education policies can be effectively implemented to increase public participation in the national capital market. With a better understanding of the interaction between knowledge, motivation, and interest, it is hoped that efforts to enhance financial literacy can be more focused and contribute significantly to the development of an inclusive investment ecosystem in Indonesia.

2. Literature Review

2.1. Concept of Investment Knowledge

Investment knowledge refers to an individual's understanding of various aspects related to investment activities, including the types of instruments, risk levels, and potential returns that may be obtained. Individuals with a high level of investment knowledge tend to show greater confidence in making financial decisions, as they can assess risks and opportunities rationally and formulate appropriate investment strategies (Dewi et al., 2020). Furthermore, investment knowledge also includes the ability to analyze the performance of financial instruments and understand the influence of macroeconomic factors on capital market movements, enabling investors to make more informed decisions. Hassan et al. (2019) asserts that an adequate level of investment knowledge significantly influences the interest in investing in the Indonesian capital market.

The study shows that individuals with good financial literacy are more active in allocating funds to various investment instruments, such as stocks, mutual funds, and bonds. This understanding also facilitates the investor's ability to apply risk diversification strategies, so that the potential for long-term investment returns can be optimally increased. Furthermore, Singh et al. (2021) found that investment knowledge plays an important role in reducing negative perceptions of the risks inherent in investment activities. The younger generation who receive education through digital platforms tend to have a better understanding of potential profits and risks compared to individuals who do not have access to financial information. Therefore, increasing financial literacy in the community is one of the key factors in building a healthy, inclusive, and sustainable investment ecosystem in Indonesia, and encouraging broader public participation in the national capital market.

2.2. Role of Investment Motivation in Decision Making

Investment motivation is the psychological impulse that drives individuals to participate in investment activities for specific purposes, which can be financial or non-financial. Factors that shape this motivation include the desire to achieve financial freedom, increase social status, or prepare for future needs (Widyawati, 2020). This drive is not only purely economic but also reflects the individual's effort to plan and manage their financial life in a more structured and strategic manner. Maharani and Saputra (2021) emphasize that financial motivation has a significant role in shaping investment intention, especially among novice investors. Individuals who are driven to earn additional income or improve economic well-being tend to maintain their investment decisions even when facing certain risks. This study also highlights that the influence of motivation on investment decisions can be moderated by factors such as income level, available initial capital, and support from the social environment, making the complexity of the individual context highly relevant in understanding investment behavior.

In addition to extrinsic motivation, intrinsic motivation also makes an important contribution. Wisener and Eva (2018) found that internal drives, such as curiosity and the desire to learn, strongly influence long-term investment interest. This intrinsic motivation reflects self-actualization in personal financial management, where individuals invest not only to gain economic returns but also to improve their financial abilities and understanding.mFurthermore, Hu et al. (2018) state that investment motivation can increase in line with the individual's increased understanding of the benefits of investment. People who realize the role of investment in achieving future financial security show a higher tendency to actively participate in the capital market. Therefore, educational strategies and financial literacy campaigns are important instruments for fostering sustainable investment motivation among the wider community.

2.3. Relationship between Investment Interest, Literacy, and Digital Technology

Investment interest is a psychological indicator that describes the level of readiness and desire of an individual to engage in investment activities. Dewi et al. (2020) assert that investment interest is highly influenced by the combination of knowledge and motivation possessed by a person. When individuals have a sufficient understanding of financial products and are motivated by economic benefits, their investment interest tends to increase. The development of financial technology has also contributed to the increase in public investment interest. Access to capital market information through online trading applications and social media makes it easier for individuals to gain insights into investment, thereby increasing public participation in the capital market. This is consistent with the findings of Singh et al.

(2021), who state that the ease of technology has a positive influence on the investment interest of the younger generation.

Research by Hassan et al. (2019) shows that despite wider digital access, financial literacy remains a major inhibitor for some parts of the community. Therefore, financial education programs integrated with digital technology are a strategic solution for increasing investment interest and participation. In addition, support from the government and financial institutions in providing interactive educational platforms can accelerate the public's adaptation to the modern financial system. Thus, the link between knowledge, motivation, and investment interest indicates that efforts to increase financial literacy must be accompanied by strategies that can foster intrinsic motivation and provide easy and inclusive technological access for all layers of Indonesian society.

3. Method

This study applies a literature review approach to analyze the relationship between investment knowledge, investment motivation, and investment interest among the Indonesian public based on the findings of previous research. This approach was chosen because it allows for the integration of findings from various relevant academic sources, resulting in a more comprehensive understanding of the phenomenon under study. By utilizing existing literature, this study aims not only to present empirical findings but also to build a conceptual framework that can be used in the context of developing financial literacy and public investment participation.

The focus of this literature study is on the identification, evaluation, and synthesis of empirical findings from scientific journals published within the last five years. The data collection process was carried out through the Google Scholar database with search keywords such as "investment knowledge," "investment motivation," "investment interest," and "Indonesia." From this search, twelve scientific articles were obtained that met the inclusion criteria, namely research that emphasizes the variables of knowledge, motivation, and investment interest in the Indonesian context, and were published within the determined time frame.

Data analysis was performed using a thematic approach, where research results were classified into three main themes. First, investment knowledge and its influence on individual financial behavior; second, motivation as a psychological factor affecting investment decisions; and third, investment interest in the context of financial digitalization. Each article was analyzed in depth based on the research design, sample population, variables used, and findings that showed the relationship between variables. Exclusion criteria were applied to minimize bias, including rejecting non-peer-reviewed articles, publications outside the last five-year period, and studies focusing on the context of countries other than Indonesia.

To ensure the validity and reliability of the literature used, each source was verified in terms of both methodology and the validity of its empirical data. The synthesis results were then compiled narratively, highlighting consistent patterns, differences in results, and the direction of research findings. This approach allows for the development of a conceptual model illustrating the link between knowledge, motivation, and investment interest in Indonesian society undergoing digital financial transformation. Thus, this literature study not only provides a deep theoretical understanding but also offers practical recommendations for policymakers and financial institutions to increase literacy, motivation, and public investment participation more effectively.

4. Results

The results of this literature review indicate that the investment interest of the Indonesian public is influenced by several main factors: investment knowledge, investment motivation, and support from the social environment and digital technology. Based on the synthesis of a number of studies published in the last five years, a consistent pattern is visible: the higher the level of an individual's literacy and motivation, the greater their tendency to participate in various investment instruments. This confirms that the combination of cognitive and psychological aspects forms an important foundation in shaping public investment behavior.

Investment knowledge is the cognitive component that forms the basis of financial decision-making. Research by Dewi et al. (2020) shows that students who have a better understanding of basic investment concepts, including risk, returns, and diversification, tend to have a higher interest in starting to invest compared to those who lack an understanding of these concepts. Adequate knowledge increases an individual's self-efficacy in managing risk and predicting potential returns, making them more prepared to make rational financial decisions. In this context, understanding investment instruments is not just theoretical information but also psychological capital capable of forming an analytical mindset in the face of market uncertainty.

In addition, Amagir et al. (2018) asserts that investment knowledge has a significant positive influence on investment decisions in the capital market. Respondents who have a strong understanding of market mechanisms and financial products are able to assess investment opportunities more realistically and avoid excessive risk. Thus, knowledge acts as a rational foundation that forms an analysis-based mindset rather than mere speculation. These findings suggest that strengthening investment literacy should not only focus on disseminating information but also on developing individuals' critical abilities to understand market dynamics comprehensively.

Other findings from Maharani and Saputra (2021) show that initial capital is not the main obstacle for individuals who have sufficient investment knowledge and motivation. The advancement of technology, especially digital investment applications, allows the public to invest with relatively small capital. Knowledge about the accessibility, security, and ease of use of digital platforms also contributes to increasing public participation. This underscores the importance of technological literacy as an integral part of modern financial literacy, as digital skills are a prerequisite for optimizing investment opportunities in the fintech era.

From a psychological perspective, investment motivation is a significant driver in determining individual financial behavior. Wisener and Eva (2018) emphasize that intrinsic motivation, such as the desire to achieve financial independence, as well as extrinsic motivation, such as gaining short-term returns, contribute to the intensity of investment. The study found that lecturers who had an internal drive to develop economic well-being showed a higher interest in investing compared to those who were only influenced by external factors. This confirms that motivation not only triggers action but also directs individuals to apply their knowledge effectively in financial decision-making.

Other research confirms that motivation functions as a mediator between knowledge and investment interest. According to Hu et al. (2018), individuals who have a high level of knowledge but are not supported by strong motivation tend not to be active in investing. Conversely, individuals with high motivation, even if their knowledge is limited, will tend to seek additional information and learn independently through various online sources. This synergistic interaction between knowledge and motivation indicates that efforts to increase investment interest cannot only focus on conveying information but also need to develop the psychological drive that encourages individuals to actively participate in the market.

Social environment factors and the digital economy also play an important role in encouraging investment interest. Suryono et al. (2020) showed that the ease of access to digital investment technology has accelerated the growth in the number of young investors in Indonesia. The availability of investment applications, educational promotions through social media, and the ease of *online* transactions make investment more inclusive and attractive to millennials and Gen Z. However, low financial literacy remains an obstacle for some parts of the community to actively engage in the capital market. This emphasizes the need for financial education programs that can build a rational understanding of risk while facilitating adaptation to digital technology.

Furthermore, Adrianto (2021) assert that financial literacy acts as a moderating variable that strengthens the relationship between knowledge and investment interest. Individuals who understand basic financial concepts tend to be able to control impulsive behavior and consider long-term risks. These findings confirm that national financial education programs have a direct impact on increasing public investment participation. In this context, financial literacy not only functions as theoretical knowledge but also as a tool to shape responsible and strategic financial behavior.

On the other hand, Amagir et al. (2018) found that risk perception can be an inhibiting factor for investment interest if it is not balanced with adequate understanding. Respondents who consider investment a very risky activity tend to avoid it, despite having high financial motivation. Therefore, forming a balanced risk perception between potential loss and gain is crucial and can be achieved through experience-based education, simulations, and practical guidance. This suggests that the educational approach must be interactive, not only emphasizing theory but also practice that allows individuals to directly experience the consequences of investment decisions.

Based on the thematic analysis of all studies, three main patterns can be identified. First, investment knowledge increases positive perceptions of investment activities. The better an individual's understanding of market mechanisms, the higher their self-confidence, leading to an increase in investment interest. Second, motivation acts as the driving force for investment behavior. Intrinsic drives for financial independence and extrinsic drives for economic gain encourage individuals to implement their knowledge in real investment decisions. Third, digital access and financial literacy strengthen public involvement. Digital platforms accelerate information distribution and reduce capital barriers, while financial education increases the rational understanding of risks that may be faced.

These findings also highlight the social change in Indonesian society's investment patterns. The younger generation is more open to financial innovation and tends to take moderate risks because they are accustomed to digital technology. Maharani and Saputra (2021) confirm that the 18–30 age group dominates the growth of new investors in Indonesia, with a significant increase post-COVID-19 pandemic. Awareness of the importance of personal asset management is the main driver of this phenomenon. In addition, formal education also plays an important role. Adrianto (2021) show that economics and business students have a higher investment interest compared to students from other fields because they receive systematic learning related to the capital market and investment. This confirms that the higher education curriculum can be an effective means of instilling investment literacy early on.

In general, the results of this literature review support the behavioral finance theory, which states that investment decisions are influenced not only by rational factors such as information and economic analysis, but also by psychological factors such as motivation, risk perception, and self-confidence. Therefore, strategies to increase public participation in investment must involve educational, psychological, and technological aspects in an integrated manner. The integration of these three aspects will enable the public to make more careful investment decisions, while simultaneously encouraging inclusive national economic growth.

The findings from this review assert that the development of the investment ecosystem in Indonesia needs to be focused on three main aspects. First, strengthening financial literacy through digital-based educational programs that can reach various layers of society. Second, fostering investment motivation through incentives and public campaigns that emphasize the importance of long-term financial planning. Third, providing safe, easy-to-use, and transparent investment platforms for the entire community. The combination of these three elements is expected to not only increase investment interest but also expand public participation in sustainable and inclusive national economic development. With a comprehensive approach, the public will be better prepared to face market dynamics, utilize investment opportunities optimally, and manage risks rationally, thus creating a stable, secure, and sustainable investment ecosystem.

5. Discussion

The results of this study show that investment knowledge, investment motivation, and individual interest in investing are closely related and mutually reinforcing in shaping the investment behavior of the Indonesian public. Theoretically, these findings align with the Theory of Planned Behavior, where a person's behavior is influenced by intention based on knowledge, belief, and perceived control over an action. In the context of investment, knowledge functions to form a rational perception of risk and return, while motivation drives the emergence of investment intention which is then realized into actual action. Thus, the interaction between cognitive and psychological factors plays a crucial role in determining the level of public participation in investment activities.

Adequate investment knowledge is proven to be the main foundation in strengthening investment interest. Adrianto (2021) affirm that the level of investment literacy has a direct influence on the investment intention of students in Indonesia. This knowledge not only provides an understanding of risk, return, and capital market mechanisms but also forms the strategic mindset needed to manage a financial portfolio sustainably. This is consistent with the findings of Amagir et al. (2018), which show that individuals with a good understanding of the capital market have a higher level of self-confidence and a tendency to invest consistently in the long term. Knowledge acts as a perception control that reduces uncertainty and increases an individual's confidence in dealing with market dynamics.

In addition to knowledge, investment motivation also acts as a determinant factor that drives individuals to act. This motivation can stem from financial needs, the drive to achieve economic independence, or the desire to gain passive income. Firmansyah et al. (2022) found that financial and social motivation significantly contribute to the increase in investment interest, especially among the younger generation who are oriented towards future economic stability. Technological advances further strengthen the influence of this motivation, as digital platforms allow the investment process to be carried out more easily, transparently, and flexibly without geographical limitations or high initial capital.

In the context of digitalization, financial technology plays an important role as a facilitator that strengthens the relationship between motivation and investment behavior. Suryono et al. (2020) show that the presence of digital investment applications provides easy access to information and transactions, thereby accelerating the investment decision-making process. This ease encourages interest, especially for novice investors who were previously hesitant to participate in the capital market. Nevertheless, even though technological access is increasingly open, risk perception remains an inhibiting factor, especially for individuals who do not yet have a strategic understanding of investment risk mitigation.

Conceptually, the link between knowledge, motivation, and investment interest forms a sustainable cycle where knowledge creates awareness and self-confidence, motivation provides the psychological drive, and investment interest encourages the birth of actual investment behavior. Thus, increasing public participation in investment cannot be achieved solely through the provision of technological access but must be accompanied by education and the strengthening of internal motivation.

The findings of this study have practical implications for policymakers and financial institutions. The government and capital market authorities need to strengthen digital financial literacy programs that are adaptive to technological developments and the characteristics of the younger generation. Higher education institutions also play a strategic role by integrating investment literacy materials into economics and business curricula, in order to create a generation of investors who are not only analytically skilled but also possess financial ethics and responsibility.

With this integrative approach, the national investment ecosystem can develop inclusively, stably, and sustainably.

6. Conclusion

Based on the results of the literature review, it can be concluded that investment knowledge, investment motivation, and investment interest are the main factors that mutually interact in shaping the investment behavior of the Indonesian public. Investment knowledge provides the cognitive foundation for individuals to understand risks and potential returns, while motivation functions as the psychological drive that directs individuals to act. The combination of both results in an increase in investment interest, which ultimately encourages active involvement in investment activities across various financial instruments. Previous research shows that good financial literacy strengthens the influence of motivation on investment interest, especially among the younger generation who have wide access to digital technology.

This confirms the importance of financial education and inclusive policies that can increase public awareness and participation in investment. In addition, digital transformation in the financial sector is an important catalyst in expanding investment access, especially for groups with limited capital. With the presence of online investment applications, the public finds it easier to start investing gradually, thereby minimizing economic and psychological barriers. Thus, strategic efforts to increase investment interest in Indonesia need to be directed at three main things: enhancing financial literacy, strengthening motivation through education and incentives, and utilizing financial technology as a means of economic inclusion. The synergy of these three elements will accelerate the formation of a financially smart public oriented towards sustainable economic growth.

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