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Does Financial Literacy Affect Decisions Regarding Gold Investments? Risk Perception, Income, and Financial Behavior of the Surakarta Community

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Abstract

The objective of this study is to examine the impact of financial literacy on individuals' decision-making about investments in gold. The significance of financial literacy, financial behavior, income, and risk perception is crucial in the process of making investment decisions. The ongoing investment endeavors serve to raise individuals' awareness regarding future interests and wants. The present study used the partial least squares (PLS) method, with the assistance of the Smart PLS 3.0 software. The study's sample consisted of 100 participants who engaged in gold investments. The findings derived from the conducted research indicate that individuals' decisions to invest in gold are influenced by factors such as financial literacy, financial behavior, income, and risk perception. This research incorporates the Strategic Knowledge Management (SKM) theory, which posits that businesses, from a business standpoint, should allocate resources towards the acquisition and utilization of knowledge. In addition to this, it is imperative to disseminate educational resources to the general public regarding the significance of allocating funds towards gold investments, as gold is widely regarded as a secure and prudent option for long-term financial endeavors.

Keywords: Financial literacy, Financial Behavior, Income, Perceived Risk, and Investment Decisions

1. Introduction

1.1 Introduce the Problem

The gross national product (GNP) and gross domestic product (GDP) serve as indicators of a nation's economic expansion, encompassing the current year as well as the preceding year. The rate of economic growth differs among countries. The World Bank and the International Monetary Fund (IMF) provide projections on data, indicating that Indonesia is expected to rank

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fifth globally by 2024. This prediction is based on the analysis of gross domestic growth, with particular emphasis on expenditure flows within the economy, specifically in the household consumption and investment sectors (Sudirman & Alhudori, 2018).

Table 1. Proportion of Capital Market Investors by Age Group

No	Age	Percentage
1	<=30 years old	60,18
2	31-40 years old	21,61
3	41-50 years old	10,39
4	51-60 years old	5,04
5	>60 years old	2,79

The ongoing investment endeavors serve to raise individuals' awareness regarding future interests and wants. The demographic group that exhibits a predominant presence in the realm of investment, as indicated by data pertaining to the growth of investors in Indonesia, consists primarily of individuals aged 30 years and below. As of March 2022, there was an observed increase in the quantity of investors participating in the capital market of Indonesia, with the figure reaching 8.39 million. The observed increase was documented by PT. According to available data, a significant proportion of the Indonesian Central Securities Depository (KSEI), specifically 60.1%, is comprised of individuals belonging to the younger demographic. The statistics on capital market investors by age group is presented in Table 1. The data source utilized in this analysis is derived from the website https://databoks.katadata.co.id/datapublish/2022/04/18/6-dari-10-investor-saham-indonesia-hadap-an

Seay et al., (2016) elucidated that the utilization of financial literacy among financial planners is employed in the context of retirement planning. Financial literacy is conceptualized through three key dimensions: objective financial knowledge, subjective self-assessed financial knowledge, and self-confidence in managing financial problems. Additionally, financial competence is determined by an individual's cognitive talents. According to Jappelli & Padula (2013), the authors put up the proposition that financial literacy is not affected by external forces, but rather stems from the manner in which individuals manage their personal finances. They argue that consumers' decisions regarding savings and investments are integral to their level of financial literacy, particularly within the framework of their future consumption patterns. The upward trend of the financial literacy index is substantiated by the available financial literacy index data in Indonesia spanning the years 2013 to 2019. There was a steady increase in the percentage level from 2013 to 2019. Specifically, the percentage level rose by 21.8 percent in 2013, 29.7 percent in 2016, and reached 38.03 percent in 2019 (Kusnandar, 2022).

1.2 Explore Importance of the Problem

Financial literacy refers to the comprehensive understanding, proficiencies, and competencies required for effectively managing personal and/or organizational finances. Financial literacy, as defined by the Financial Services Authority (2017), encompasses a comprehensive understanding, self-assurance, and adeptness in effectively managing financial matters by attentively considering economic factors and employing strategies for short-term, medium-term, and long-term financial planning. The instrument in question serves as a means of quantifying data to inform decision-making processes pertaining to several aspects, such as enhancing financial resources, effectively managing retirement funds, safeguarding monetary assets for future purposes, and formulating individualized plans. The facilitation of financial management can be attributed to the augmentation of individuals' knowledge, comprehension, and competencies in the realm of finance.

The concept of behavioral finance emerged within the realm of finance as a valuable framework for economic and financial theory, incorporating the influence of behavioral factors on decision-making processes. According to scholarly research, the presence of price discrepancies in relation to the available information renders the attainment of an efficient market unattainable. Consequently, investors consistently exhibit hesitancy towards making investments. Investment decisions are often formulated on the basis of the information that is accessible. Investors typically base their selections on considerations such as fear and risk. According to psychological data, there exists variability among investors in terms of their decision-making processes. Behavioral finance is a field of study that centers on the examination of individuals' behavior, specifically in relation to decision-making processes that may be deemed inappropriate or unreasonable. When making investment decisions, conservative investors take into consideration numerous factors in order to comprehend the notion of behavioral finance. Inappropriate behavior exhibited by investors often acts as an impediment to their ability to maximize earnings within the realm of business (Iram et al., 2020).

The relationship between financial behavior and financial literacy is explored by Anderson et al., (2017), who primarily examine the presence of literacy and community perception. Their study investigates the perceived effects of literacy, specifically in terms of saving and retirement planning through investment. According to Allgood & Walstad (2016), their analysis of data from the National Financial Capability Study done by FINRA led them to assert that the perceived importance of financial literacy is on par with its actual manifestation. This study examines various aspects of financial literacy, including the assessment of financial behavior and attitudes towards investment, speculation, asset ownership, excessive borrowing, and unplanned retirement.

The subsequent factor to be taken into account when making judgments regarding gold investments pertains to revenue. Amidst the COVID-19 pandemic, certain individuals encountered a reduction in their income. During that period, individuals persisted in recognizing the significance of making investments in order to attain supplementary earnings and improve their quality of life in the forthcoming years (Prabowo, 2021). The indeterminacy around the conclusion of the epidemic prompts individuals to proactively plan for financial stability. The existence of a reserve fund can be a source of financial support in times of necessity. The rationale behind the allocation of gold investment is in its potential to be distributed in many forms, such as gold bullion, precious metals, or monetary assets.

One potential strategy for asset ownership in the future is the management of finances through investment in gold. The selection of a corporation for investment purposes necessitates careful consideration of its accuracy. Companies that fall under the regulatory oversight of the OJK

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(2017) serve as a yardstick for assessing the safety and legitimacy of these companies. The OJK oversees a range of entities, encompassing both financial and non-financial institutions.

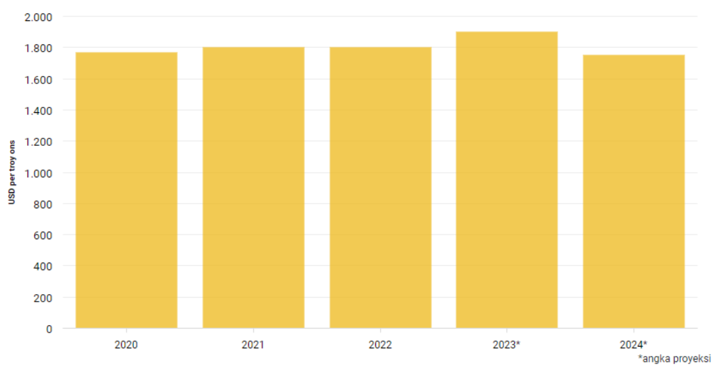

Figure 1. Average Projection of Gold Prices according to the World Bank (2020-2024)
Sources:https://databoks.katadata.co.id/datapublish/2023/05/02/bank-dunia-prediksi-harga-emas-naik-pada-2023-turun-pada-2024

Average gold price projection according to the World Bank (2020-2024): in 2023 the projection will increase because it is influenced by the gold price in March 2023, which has reached 51% higher than the average price in 2015-2019. There is a rapid development, and inflation is high, but in 2024 it will decrease. But this assumption will still encourage investors to continue buying gold. Gold investment instruments are still an option because of the high inflation rate and are a low-risk or safe haven. The objective of this study is to examine the impact of financial literacy on individuals' decision-making about investments in gold.

1.3 Describe Relevant Scholarship

Strategic knowledge management (SKM)

From a business standpoint, the concept of strategic knowledge management (SKM) entails examining the reasons, locations, and degree to which a company should allocate resources or pursue knowledge (Dalkir, 2005). According to Dalkir (2005), it is also asserted that investment should be grounded in knowledge. The primary objective of formulating a strategic plan is to attain a state of competitive advantage and long-term viability (Ferreira et al., 2020). Zack (2002) posits that the concept of SKM pertains to the methodologies and systems employed by organizations in order to accomplish objectives, foster knowledge creation and dissemination for the purpose of devising strategies, and facilitate future strategic decision-making. Ruggles & Holtshouse (1999) identified eight primary attributes in the field of knowledge management. These attributes are as follows: The process of generating novel information or insights. Acquiring relevant information from external sources, Utilizing readily available information in the process of making informed decisions, The act of incorporating information within various processes, products, and/or services. The representation of knowledge in various forms such as documents, databases, and software. Promoting knowledge expansion through cultural factors and incentivization. The process of disseminating existing information to other areas within the company. The quantification of the worth of knowledge assets and/or the evaluation of the influence of knowledge management

Financial Literacy

Kanagasabai dan Aggarwal (2020) found a strong correlation between financial literacy and risk tolerance in Pakistan. In addition, a study conducted by Korkmaz et al. (2021) elucidates that financial literacy promotes a propensity for risk-taking behavior among Chinese households. The study conducted by Noviarini et al. (2021) reveals that the correlation between financial literacy and risk propensity can be attributed to several factors, specifically the heterogeneity of cultural and socioeconomic contexts. The measurement of financial literacy indicators sometimes lacks completeness as it primarily focuses on financial knowledge while neglecting other crucial elements such as financial attitudes and behavior (Atkinson & Messy, 2012; Douissa, 2020; Johan et al., 2021).

According to the study conducted by Sekita (2011), those with a significant level of financial literacy exhibited a higher propensity to possess a retirement savings plan. According to Bianchi (2018), households with a higher level of financial literacy tend to experience greater financial advantages compared to those with lower levels of financial literacy. The study conducted by Van Rooij et al., (2012) demonstrates a robust and affirmative correlation between individuals' financial awareness and their engagement in retirement planning. The findings of this study generally support the notion that financial literacy has a positive impact on the financial behavior of households. Assessing various levels of intervention in experimental research typically presents a challenging endeavor. According to Beshears et al., (2018), the inconsistent findings shown in experimental investigations may be attributed to the lack of consistency in defining the term "financial education" across different studies. One aspect of variability that might be considered is the degree of intervention. Skimmyhorn (2016) conducted an evaluation on the effects of an eight-hour financial literacy course, while Brown et al., (2016) conducted a study to assess the effects of high school curriculum reform.

Income

The decisions regarding household investment are informed by the research conducted by Zhou and He (2020). Therefore, the control variables considered are factors that have the potential to impact household financial behavior. These factors include total income, total assets, household size, as well as personal characteristics such as demographics, age, marital status, gender, education level, health status, and employment status.

The measurement of community welfare serves as an indicator of income, which in turn serves as a standard for assessing and promoting community economic advancement. Prabowo, (2021) posits that income encompasses several sources such as salary, pension funds, rent, wages, and profits derived from activities conducted during a specific timeframe. The augmentation of welfare, within the framework of augmenting an individual's input income, is a significant factor that exerts effect on an individual's overall income. In addition to the aforementioned, indications of income encompass revenue derived from business operations, remuneration received in the form of salaries and wages, as well as other sources of money. The indicators utilized in this study encompass revenue derived from salaries and earnings, money generated from company activities, income received through household transfers including gifts, inheritances,

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contributions, or help, as well as income obtained from other sources such as scholarships, rent, and pension funds, among others.

The family's investing selections regarding risky assets are directly impacted by an increase in their income. In their study, Cardak & Wilkins (2009) utilize survey data pertaining to family income and labor dynamics. Their findings indicate that there exists a noteworthy adverse effect of uncertainty in household labor income on the allocation of risky assets by households. According to the findings of Xingqiang et al., (2009), it is observed that households with lower incomes have a tendency to refrain from making investments. According to the findings of Guangsu et al., (2018), there is evidence to suggest that the expanding wealth disparity within the region serves as a motivating factor for individuals to actively seek ways to augment their income. The inclination towards risk and the allocation of investments in assets such as stocks and funds are characterized by a high level of risk and potential for substantial returns, since they amplify individuals' susceptibility to materialistic aspirations. According to the study conducted by Jianping et al., (2021), there is evidence to suggest that an increase in household income, namely through a greater per capita income, can serve as a motivating factor for household investment.

Financial Behavior

A higher level of financial literacy will discourage inappropriate financial behavior and attitudes. In line with research by Duflo & Saez, (2003), Sekita (2011), and Watanapongvanich et al., (2020), Low financial literacy makes financial behavior in terms of investment decisions more careful. Meanwhile, financially literate people are not too careful when making decisions. Behavioral gaps in financial literacy have a positive impact on making speculative investments, understanding risky assets, financial upside, and the impact of inadequate retirement planning. The effects of financial literacy show that individual behavior can be determined not only by actual literacy but also by the financial literacy that a person has practiced. Anderson et al., (2017) found that the influence of financial literacy on retirement planning was largely driven by perceived literacy, not actual literacy.

Adhering to correct financial behavior entails executing meticulous financial planning, ensuring timely bill payments, maintaining complete spending tracking, practicing efficient credit management, and prioritizing saving or maintaining accurate budget control. Consistently practicing responsible financial habits leads to the acquisition of expertise in financial concerns and their potential outcomes, thereby enhancing an individual's self-assurance in effectively managing such matters. Individuals with extensive financial experience possess a higher level of skill and expertise in financial concerns, rendering them more inclined to make daring decisions. We administered a questionnaire consisting of four inquiries to undergraduate students in order to obtain a deeper understanding of individuals' behaviors pertaining to their financial affairs, as suggested by Atkinson and Messy (2012) and Douissa (2020).

Perceived Risk

The research conducted by Razen et al. (2021) and Sutter et al. (2020) demonstrates that younger individuals with a strong understanding of financial matters tend to exhibit greater aversion to

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risk compared to their peers with limited financial knowledge. It is worth noting, however, that the risks examined in this study were not deemed substantial. Utilizing risk behavior in engaging in risk-taking activities has a beneficial impact on an individual's level of contentment in attaining financial literacy. This study aligns with the research conducted by Sutter et al. (2020), which suggests that financial literacy also influences the younger generation's propensity for patience in decision-making and their inclination to avoid potential risks.

The study conducted by Kawamura et al., (2021) examined the influence of financial literacy on household behavior and attitudes, specifically focusing on its relationship with speculative investment risk, allocation of hazardous assets, excessive borrowing, and financial well-being. The findings revealed a positive association between high levels of financial literacy and the aforementioned outcomes. This implies that those with a higher level of financial literacy exhibit a greater propensity to engage in financial risk-taking. Furthermore, a definitive threshold that significantly affects financial literacy remains elusive. The findings of this study also indicate that an elevated degree of financial literacy does not exert an impact on the propensity for excessive borrowing or financial gains. There remains a significant portion of the population that continues to exhibit financial behavior characterized by a propensity for engaging in high-risk activities.

Pradikasari & Isbanah, (2018) conducted a study that examines the assessment of risk within specific situations, while also describing the individual's features and circumstances. Furthermore, as posited by Suhir et al., (2015), an individual's risk perception can be seen as a cognitive construct that encompasses notions of impropriety and ambiguity, hence implying the anticipation of unfavorable outcomes in a given endeavor.

Investment Decision

The findings of the study conducted by Upadana & Herawati (2020) indicate that financial behavior has a favorable impact on investing choices. This contradicts the findings of Safryani et al. (2021), which indicate that financial conduct does not exert a substantial impact on investment choices. Proficiency in financial behavior directly correlates with the ease of decision-making. Nevertheless, this aligns with the findings of Prabowo (2021) and Landang, et al. (2021), which indicate that financial behavior exerts a favorable and substantial impact on investment choices.

In order to mitigate the influence of other variables on community investment, it is important to consider various factors that can impact household financial behavior. According to the research conducted by (Yuqing & Guangwen, 2020), these factors include total income, total assets, household size, as well as personal and demographic characteristics such as house type, household composition, age, marital status, gender (male), education level, and health status.

Meeting future demands involves making investments in one or more assets with the overarching objective of attaining long-term financial gains. The process of making an investment choice entails the evaluation and selection of different investment options through the identification of challenges, prospects, and the underlying rationale for the decision. Additionally, it requires the effective management of the investment in terms of the allocated cash. Prabowo (2021) and

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Budiman & Jasika (2019) are cited references in this context. The primary objective of investment decisions is to allocate funds to investment instruments over a specific time frame, with the intention of generating profits and meeting future financial requirements (Dewi & Purbawangsa, 2018).

1.4 State Hypotheses and Their Correspondence to Research Design

Financial Literacy and Investment Decisions

Remund (2010) posits that financial literacy encompasses an individual's comprehension of financial principles, their capacity to effectively manage their financial affairs by making prudent short-term choices and formulating robust long-term financial strategies, all while taking into account external circumstances and fluctuations in the economic landscape. Based on the findings of Robb & Woodyard (2011) study, it can be inferred that the presence of enough financial resources exerts a favorable influence on an individual's financial conduct, encompassing their ability to effectively manage and deploy their funds. Moreover, the findings of Amanda et al., (2023) indicate that financial literacy significantly impacts investing choices pertaining to gold installments.

Financial Behavior and Investment Decisions

The findings of Upadana & Herawati (2020) study indicate a positive relationship between financial conduct and investment decision-making. Consistent with the findings of a study conducted by Landang et al., (2021), it can be observed that financial behavior exerts a favorable and statistically significant impact on individuals' investment choices. In contrast to the findings reported by Safriyani et al., (2020), it can be argued that there is no significant impact of financial behavior on investment decisions. The higher an individual's proficiency in financial behavior, the greater their ability to make informed decisions.

Income and Investment Decisions

According to the findings of Safriyani et al., (2020) and Landang et al., (2021), it has been observed that income exerts a positive and statistically significant impact on individuals' investment choices. The research findings presented by Safriyani et al., (2020) demonstrate a noteworthy correlation between income and investing decisions. According to Amanda et al., (2023), individuals may initiate their decision to engage in gold by purchasing gold with a weight of 0.01 grams. This approach can potentially facilitate gold investment for interested parties. Individuals with limited financial resources might nonetheless engage in gold investment.

Risk Perception and Investment Decisions

According to Pradikasari & Isbanah (2018), the impact of risk perception on investment decisions is found to be insignificant. In contrast to the findings of Akbar (2021) research, it can be observed that risk perception has a significant role in shaping individuals' investing decisions. Risk perception refers to the subjective evaluation of potential risks associated with investment decisions, which introduces a level of uncertainty. Consequently, individuals exhibit variations in their decision-making processes when it comes to investments. According to a study conducted by Aren & Zengin (2016), the investing preferences of individual investors are indicative of the significance of financial literacy and risk perception. In addition to this, it is worth noting that risk perception can be influenced by an individual's level of financial literacy.

2. Method

Type of Research

The present study employs a quantitative research design. Sugiyono (2018) defines the descriptive method as a research approach that aims to provide a comprehensive description or overview of the subject of investigation. This method involves the collection of data or samples without doing analysis or drawing definitive conclusions.

Table 2. Operational Definition of Variables

No.	Variabel	Indikator
1.	Financial Literacy (X1)	1. Basic financial knowledge 2. Loans 3. Savings 4. Investment 5. Emergency fund
3	Income (X2)	1. Income from salaries and wages 2. Income from business 3. Income from transfers to other households 4. Passive Income Income 5. Income from others
4	Risk Perception (X3)	1. Performance risk 2. Financial risk 3. Social risk 4. Psychological risks 5. Time risk
5	Investment Decision (Y)	1. Rate of return or yield 2. Risk level 3. The relationship between returns and risk levels 4. Level of understanding 5. Level of knowledge

Table 2 provides an Operational Definition of Variables, which outlines the variables and their corresponding indicators. The financial literacy variable comprises indices of fundamental financial knowledge, loans, savings, investments, and emergency funds. The Income variable comprises the variables of Income from salary and wages, Income from business, Income from transfers to other households, Passive Income, and Income from others. Additionally, the Risk Perception variable comprises variables such as Performance risk, Financial risk, Social risk, Psychological risks, and Time risk. The investment choice variables include the rate of return or yield, risk level, the link between returns and risk levels, level of understanding, and level of knowledge.

The population refers to the entirety of persons or things that possess specific qualifications and features, which are selected for study and used to form conclusions (Sugiyono, 2017). The study's target demographic comprises individuals who engage in gold investment. The provided sample is a representative subset or constituent of the larger population. The sample selection approach employed in this study is non-probability sampling, wherein individuals within the population are not equally likely to be included in the sample. The sampling technique employed in this study was purposive sampling, as indicated by (Sugiyono, 2018). The inclusion criteria for the sample encompass the possession of investments in gold. The sample size employed in this study, which encompasses the perspectives of 30-500 respondents, is considered to be adequate. The sample size for this study consisted of 100 respondents.

This study utilizes the partial least squares (PLS) method, which is implemented through the SmartPLS 3.0 software. Partial least squares (PLS) is a statistical method that serves as an alternative to ordinary least squares regression, correlation analysis, and structural equation modeling (SEM) in the field of economics. The Partial Least Squares (PLS) technique is deemed more appropriate for prediction purposes. The task at hand involves the development of a structural model, specifically focusing on the inner model. The Inner Model refers to a construct that represents the underlying structure of a statistical model. It elucidates the connections between latent variables, specifically the relationship between exogenous (independent) variables and endogenous (dependent) variables. In order to maintain generality, latent and indicator variables are typically standardized by scaling them with zero means and unit variances equal to one. This standardization allows for the removal of location parameters from the model (Gendro, 2011).

The research will employ structural equation modeling (SEM) as the chosen method for data analysis. Structural equation modeling (SEM) provides the capacity to conduct path analysis (Ghozali, 2011). The research will employ partial least squares (PLS) path analysis, utilizing Smart PLS 3.0 software.

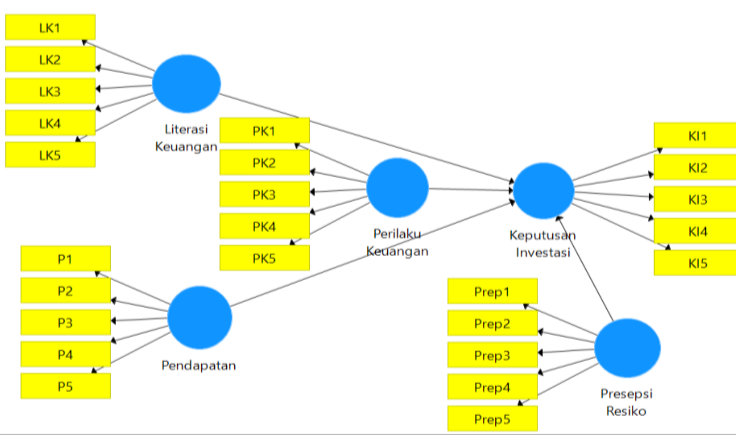

Figure 2. Research Model

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According to Figure 2, the purpose of this research was to investigate the relationship between the independent variable and the dependent variable. From a path analysis perspective, this relationship can be described as a functional relationship, where investment decisions (Y) are determined by the functional outcomes of financial literacy (X1), income (X2), risk perception (X3), and investment decision (Y).

3. Results

Respondent Profile

Age is a constituent element of the respondent's identification, with the purpose of ascertaining the chronological age of the participant in this particular research endeavor. The analysis of participants according to age reveals that the largest group of respondents, comprising 26 individuals, fell within the age range of 25-30 years. Conversely, the smallest cohort consisted of 12 individuals aged 36-40 years. Gender is a designated classification pertaining to the identify of participants that has been included in this study. The objective of this study is to distinguish between male and female participants who have a higher propensity for investment. The findings pertaining to the determination of respondents' gender identity indicate that there is a collective count of 80 female respondents and 20 male respondents. Therefore, it can be inferred that the predominant demographic group in this research cohort consisted of female participants, including a total sample size of 80 individuals.

The attributes of the participants, as determined by their employment status, are outlined below: The sample population consists of 12 students, 28 housewives, 14 self-employed individuals, and 39 private employees. Additionally, there are 4 Indonesian public servants/national troops, along with 2 individuals from various occupational backgrounds. There were 20 respondents who had a monthly income of <1,000,000, 14 people had a monthly income ranging from 1,000,001-2,000,000, a monthly income of 2,000,001-3,000,000 was 14 people, a monthly income of 3,000,001-4,000,000 There were 11 people, with a monthly income of 4,000,001-5,000,000, there were 16 people and 8 respondents had a monthly income of ≥5,000,001.

Measurement model

The loading requirement exceeds 0.70, however, the loading factor range of 0.40-0.70 still falls within the stipulated specifications that satisfy the criteria. Moreover, it is additionally elucidated that indications exhibiting loading

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Table 3. Outer Model or Measurement model

		Investment Decision	Financial Literacy	Income	Financial Behavior	Financial Perception
Investment Decision	KI1	0.869				
Financial Literacy	KI2	0.857				
KI3	KI3	0.846				
KI4	KI4	0.844				
KI5	KI5	0.822				
LK1	LK1		0.827			
LK2	LK2		0.905			
LK3	LK3		0.820			
LK4	LK4		0.882			
LK5	LK5		0.800			
P1	P1			0.890		
P2	P2			0.868		
P3	P3			0.918		
P4	P4			0.895		
P5	P5			0.871		
PK1	PK1				0.888	
PK2	PK2				0.749	
PK3	PK3				0.802	
PK4	PK4				0.730	
PK5	PK5				0.833	
Prep1	Prep1					0.949
Prep2	Prep2					0.818
Prep3	Prep3					0.899
Prep4	Prep4					0.806
Prep5	Prep5					0.949

According to the literature, the validity of testing data utilizing SmartPLS is established when the Loading Factor (LF) value is equal to or greater than 0.70. The outer loadings table indicates that the Factor Loading value for each item is greater than or equal to 0.70, therefore suggesting that the items can be considered genuine.

Table 5. *Average Variance Extracted* (AVE)

Keterangan	**AVE**
Keputusan Investasi (Y)	0.719
Literasi Keuangan (X1)	0.718
Pendapatan (X2)	0.790
Perilaku Keuangan (X3)	0.644
Presepsi Keuangan (X4)	0.786

Convergent validity is considered to be satisfactory when the average variance extracted (AVE) value is equal to or more than 0.50. Therefore, based on this criterion, it may be concluded that the research data in question possesses enough validity.

Table 4. *Reliability Testing*

Variable	Composite Reliability	Cronbach's Alpha
Investment Decision	0.927	0.903
Financial Literacy	0.927	0.907
Income	0.949	0.934
Financial Behavior	0.900	0.868
Financial Perception	0.948	0.939

The results of the reliability tests indicate that the Composite Reliability value for each variable above the threshold of 0.70, hence establishing the reliability of each variable.

Structural Model

The process of assessing the structure of a model, specifically the inner model, through the utilization of model fit testing. The table displays the output findings for the Goodness of Fit analysis. Specifically, it presents the following information:

Table 6. R Square Output Results

	R Square	R Square Adjusted
Investment Decision (Y)	0,121	0,084

The R-Square (R2) value associated with investing decisions is determined to be 0.121. It may be inferred that financial literacy, financial behavior, income, and other characteristics collectively account for 12.1% of the variance in investment decisions, while the remaining portion suggests the presence of additional variables influencing investment choices.

Researchers employ the t-statistical test to ascertain the individual impact of the independent variable (X) on the dependent variable (Y).

Table 7. Path Coefficient

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Financial Literacy → Investment Decision	0,243	0,246	2,671	**0,008**
Income → Investment Decision	0,148	0,150	1,331	**0,184**
Financial Behavior → Investment Decision	-0,144	-0,161	1,121	**0,263**
Financial Perception → Investment Decision	-0,055	-0,037	0,380	**0,704**

According to the data shown in Table 7, it can be observed that the financial literacy variable (X1) exhibits a significant value (P Values) of 0.008, which is lower than the conventional threshold of 0.05. This finding suggests that financial literacy exerts a discernible impact on investment decisions. In the present study, it was observed that the variables of income, financial behavior, and financial perception exhibit a statistically significant p-value, indicating that they do not exert any discernible influence on investment decisions.

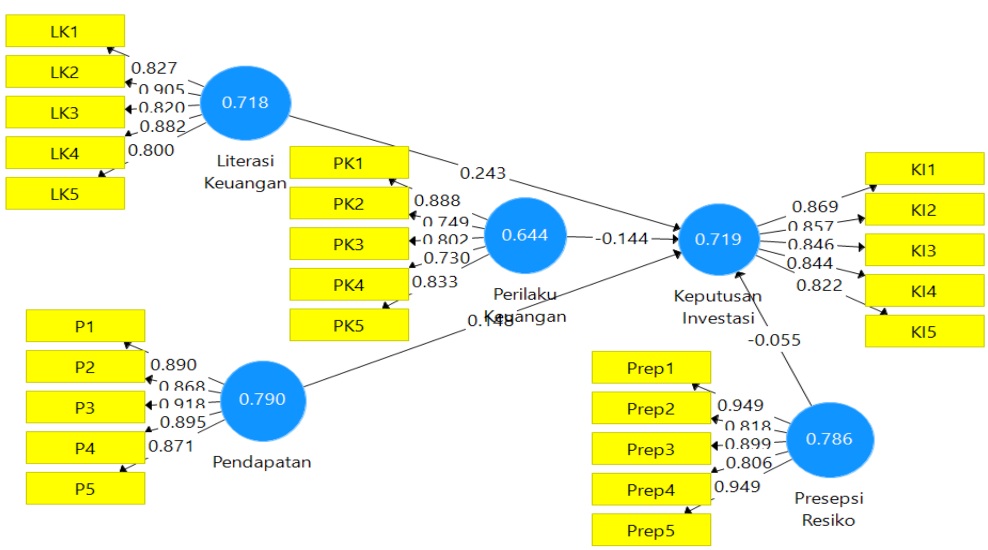

Figure 3. Results of research data processing

4. Discussion

The study finds a substantial relationship between financial literacy (X1) and investing decisions (Y), hence accepting hypothesis H1. This implies that those with a greater degree of financial literacy are more likely to make investment decisions. The findings of this study align with

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various prior research, including the findings of Jappelli and Padula (2013b), which indicate that a significant portion of the adult populace possesses limited knowledge regarding finance. This lack of understanding can be attributed to a lack of familiarity with fundamental economic principles, such as risk diversification, inflation, and interest rates. There exists a substantial body of evidence indicating a positive correlation between financial literacy and the decision-making process pertaining to one's investment portfolio. Nevertheless, the acquisition of financial literacy is a deliberate decision that underscores the notion that investment is a means of attaining advantageous outcomes. Behrman et al. (2020) conducted a study. The findings of conducted research indicate that there exists a correlation between financial literacy and the inclination to save. Moreover, it has been observed that enhancing financial literacy can impact the association between literacy and saves, as demonstrated by Willis (2009) and Lusardi & Olivia (2008). The study conducted by Gustman et al. (2012) examined the correlation between pension wealth and pension awareness in order to determine individuals' propensity to make early investment decisions. Financial literacy is considered a fundamental component of literacy skills that are essential for every individual to possess. Individuals who acquire fundamental financial information experience a boost in their self-assurance when it comes to making investments and providing recommendations to others. Knowledge can be acquired from various sources such as online platforms, social media networks, financial institutions, interpersonal relationships, and other similar avenues.

Once individuals possess a solid foundation of fundamental information, they are more likely to reduce their reliance on loans as a component of their investment strategy. Instead, they begin to allocate cash towards savings and opt to engage in investment activities as a means of preparing for future financial stability. For instance, they may choose to invest in gold savings as a viable option. Financial literacy promotes the practice of investing as a means to achieve financial preparedness for the future.

The findings of this study indicate that there is no statistically significant impact of financial behavior on investment decisions, leading to the rejection of hypothesis H2. This implies that there is no substantial impact of financial behavior on the inclination to engage in gold savings as an investment. This phenomenon is evident through observable markers in individuals' financial conduct, including the formulation of expenditure and income budgets, the judicious allocation of savings based on personal requirements, effective management of expenditures, and timely fulfillment of financial commitments. However, it is worth noting that the execution of these practices remains subpar and falls short of optimal levels. Therefore, the findings of this study indicate that financial behavior does not exert a statistically significant influence on investment decisions, thereby contradicting the initial hypothesis. In their study, Sabir et al. (2019) assert that investors consistently contemplate the potential risks associated with their investing selections. The study conducted by Yuwono et al. (2023) examines the influence of behavioral finance on investment decision-making pertaining to investment instruments. Investors' financial conduct is influenced by the consideration of losses incurred during market changes.

The findings of this study are derived from the analysis of t-test data, indicating that there is no statistically significant impact of income on investment choices. As a result, hypothesis H3 is refuted. This implies that the influence of income level on investment decisions is minimal, as a number of participants encountered financial instability, leading them to prioritize fulfilling their immediate necessities. This study examines the relationship between income and investment in gold, finding that income does not significantly influence individuals' decision to invest in gold. Despite having a low income, individuals still have a propensity to engage in long-term gold investment. According to the findings of Panjaitan and Listiadi (2021), their research demonstrates that there is no significant impact of income on investing choices. Contrarily, a study conducted by Shen et al. (2022) posits the utilization of individuals' present income as a benchmark for investment purposes. The findings of his study indicated that households characterized by higher earnings exhibited a discernible impact on investment behavior. The advent of digital finance has led to an increased propensity among individuals to allocate funds towards long-term investment objectives. Once individuals see a boost in income, they will be presented with enhanced prospects for engaging in investment activities.

The findings of this study indicate that risk perception does not exert a statistically significant influence on investment decisions, leading to the rejection of hypothesis H4. This implies that those who possess a higher level of risk awareness are more likely to make informed investment decisions. The findings of the conducted research indicate that financial literacy exerts a detrimental influence on investing interest due to the perceived level of risk involved. Moreover, as indicated by Mohta & Shunmugasundaram (2023), there exists a positive and substantial association between risk tolerance and intentions to engage in hazardous investments. Nevertheless, when considering financial literacy as a moderating variable in this association, it exerts a detrimental effect on intentions to engage in risky investments. The participants in this study had a rather high level of risk perception. This study examines the many perceptions associated with performance risk, financial risk, physical danger, social risk, psychological risk, and time risk. Individuals possess a comprehension of certain perceptions and subsequently employ them in the process of making investment judgments pertaining to gold savings.

Conclusion

The objective of this study was to determine the significance and potential impact of financial literacy, financial behavior, income, and risk perception on the decision to invest in gold in Surakarta. The hypothesis in this research suggests that financial literacy, financial behavior, income, and risk perceptions have an impact on the decision to invest in gold in Surakarta. The research concludes that the hypothesis stating the strong impact of financial literacy on investing decisions is accepted. Three hypotheses, specifically those related to financial behavior, income, and risk perception in investing decisions, were rejected.

This study is subject to restrictions, specifically that it was done exclusively inside the Surakarta region. The research sample has not yet been extended to many areas. This study is subject to constraints as it exclusively focuses on individuals who invest in gold, without considering those who invest in other assets. Moreover, the research is limited in that it only examines a small number of variables that are associated with financial literacy, financial behavior, income, and risk perception. Possible avenues for future research to address the current limitations include enlarging the research sample, broadening the scope of research locations, and investigating

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additional variables that were not considered in this study, such as overconfidence, representativeness, familiarity and herding, locus of control, risk tolerance, and illusion of control.

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