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FINANCIAL IMPACT AND RISKS ON STUDENT INVESTMENT DECISIONS

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Abstract
With the advancement of financial technology, university students now have access to a variety of investment instruments. However, investment decisions are influenced not only by potential returns but also by personal financial conditions and perceptions of risk. This study aims to analyze the influence of financial conditions and risk perception on students' investment decisions. A quantitative approach combining descriptive and associative methods was employed. The descriptive approach provides an overview of student investment behavior, while the associative approach examines the relationship between financial condition (X1), risk perception (X2), and investment decisions (Y). Data were collected through questionnaires distributed to student respondents, resulting in a total of 151 samples. These were analyzed using both descriptive and inferential statistics to explore inter-variable relationships. The respondents were drawn from several universities across Indonesia, including both public and private institutions. The majority of respondents—61 students (40.4%)—came from Yatsi Madani University, while the remaining 90 students (59.6%) were from other universities such as Pamulang University, Raharja University, Jakarta State University, Indonesia University, Padjadjaran University, and Bandung Institute of Technology. Based on the results, it can be concluded that in today's digital era, students' investment behaviors and decisions are significantly influenced by both independent variables: financial condition and risk perception

Keywords: Student Investment, Financial Condition, Financial Risk, Investment Decision, Risk Perception

1. Introduction

In recent years, interest in investment has increased significantly, including among students. Many students have started to try to invest through various digital platforms such as stocks, mutual funds, and crypto assets.

However, not a few students still feel hesitant or even reluctant to start investing. One of the main factors causing this is the concern about the risk of loss. This fear can be influenced by a lack of understanding of investment instruments, personal financial conditions, and different risk perceptions in each individual.

According to data from the Financial Services Authority (2025), as of February 13, 2025, the number of investors in the Indonesian capital market was recorded at 15.35 million, an increase of 3.20% compared to the end of 2024. Among them, 54.8% are under 30 years old, which includes students and the younger generation.

This shows that the high interest of the younger generation and also students in investment with various factors that influence so that they can decide to invest in youth. According to Wang (2011), the young generation is a group that has great potential in investment activities, especially because they are in the early phase of the financial life cycle and have long-term opportunities to build wealth.

Global and local data show a strong trend of investment activity among the younger generation. According to the WEF (2025), 30% of Gen Z have started investing since college, while the Jakpat (2024) survey noted that 59% of Indonesians invest before the age of 29. This development is supported by data from KSEI (2024) and IDX (2025) which states that the majority of investors in the capital market are millennials and Gen Z, with the level of student financial literacy—for example 56% according to KSEI—which continues to increase.

The purpose of an investment is to invest a certain amount of funds or assets into a particular financial instrument in the hope of earning profits or rewards from future results. According to Halim (2005), investments are made to obtain fixed income and/or increase the value of assets. Meanwhile, Gitman and Zutter (2015) explain that investment aims to allocate current funds to get more value in the future by considering risk and time. According to Tandelilin (2010), investment is a commitment to a number of funds or other resources that are carried out at this time, with the aim of obtaining profits in the future.

Although the investment trend among students continues to increase, there are still various challenges that hinder them in making investment decisions. One of these challenges is the limited financial condition of most students, as well as the lack of experience in managing personal finances. On the other hand, the perception of risk also plays an important role in shaping their attitudes and decisions regarding investments. Students who have a fear of potential losses tend to be reluctant to start investing, even though the profit opportunities are quite open.

Based on this, this study aims to examine more deeply how financial conditions and risk perceptions affect students' investment decisions. In addition, this study also wants to find out whether these two factors simultaneously have an impact on student investment behavior in the context of today's digital financial world.

2. Theoretical Background

2.1 Student Investment

Student investment refers to the financial engagement of university students in allocating funds toward various investment instruments with the aim of generating returns over time. With increasing exposure to financial technology and digital platforms, students today have unprecedented access to investment options such as mutual funds, stocks, cryptocurrencies, and peer-to-peer lending. However, due to limited financial literacy, income, and investment experience, student investment behavior often reflects psychological biases, social influence, and risk aversion (Lusardi & Mitchell, 2014). The involvement of students in investment is closely tied to behavioral finance, which posits that investor decisions are not always rational but are often influenced by cognitive and emotional factors (Thaler, 2005). As a result, analyzing student investment behavior requires consideration of internal (e.g., personal finances) and external (e.g., perceived market conditions) variables.

2.2 Financial Condition

Financial condition refers to the economic capability of an individual to meet both current and future financial obligations, including saving and investing. For university students, this includes income from part-time work, parental support, scholarships, and financial aid. According to the Theory of Planned Behavior (Ajzen, 1991), perceived behavioral control—such as having adequate financial resources—plays a significant role in determining whether an individual intends to engage in an action like investing.

Students with a favorable financial condition are more likely to engage in investment activities due to reduced financial stress and increased disposable income (Chen & Volpe, 1998). Conversely, poor financial condition may lead to limited participation in investment markets, regardless of students' knowledge or interest.

2.3 Financial Risk

Financial risk represents the objective uncertainty associated with the potential loss of capital in an investment. It is an external factor determined by market volatility, asset liquidity, inflation, interest rate fluctuations, and economic conditions. While financial risk is universally present in investment activities, individuals differ in how they interpret and react to it. Modern Portfolio Theory (Markowitz, 1952) emphasizes the trade-off between risk and return, suggesting that rational investors seek to maximize returns for a given level of risk. However, in real-world settings, particularly among novice investors such as students, this rational behavior may be constrained by limited knowledge or overconfidence.

2.4 Investment Decision

Investment decision is defined as the process of choosing among alternative investment opportunities based on expected returns, risk levels, time horizon, and personal goals. It is a core aspect of personal financial management. According to Rational Choice Theory, individuals aim to make decisions that maximize utility, which in financial terms translates to maximizing returns while minimizing risk. However, empirical evidence suggests that investment decisions, particularly among young or inexperienced individuals, are also influenced by behavioral factors such as heuristics, framing effects, and emotional responses (Kahneman & Tversky, 1979). In the student context, investment decisions are typically shaped by financial awareness, perceived financial security, and socio-cultural factors such as peer influence and media exposure.

2.5. Risk Perception

Risk perception refers to an individual's subjective evaluation of the potential negative outcomes of an investment. It differs from objective financial risk in that it is shaped by psychological, social, and experiential factors. According to Prospect Theory (Kahneman & Tversky, 1979), individuals are more sensitive to potential losses than to gains of equivalent value, which often leads to risk-averse behavior. Among university students, risk perception is influenced by limited exposure to financial markets, media coverage, and peer opinions. Students who perceive investment instruments as highly risky may choose to avoid them altogether, regardless of the actual level of risk involved (Grable, 2000). As such, understanding risk perception is crucial to explaining variations in student investment behavior.

2.6 Hypothesis Development

Investment decisions, particularly among university students, are complex behavioral processes that are influenced by both financial capabilities and psychological perceptions of risk. In the context of the growing availability of financial instruments and fintech platforms, it becomes increasingly important to understand how these two dimensions—financial impact and risk perception—shape students' investment behavior.

2.6.1 Financial Impact on Investment Decisions

Financial impact refers to the extent to which an individual's financial situation supports or constrains investment behavior. This includes factors such as income, savings, access to financial resources, and financial literacy. According to the Theory of Planned Behavior (Ajzen, 1991), perceived behavioral control—represented here by financial stability—plays a key role in determining whether individuals feel capable of performing specific financial actions, such as investing. Students who possess adequate financial resources are more likely to feel empowered to participate in investment activities, as they perceive themselves to be financially secure enough to bear potential risks and allocate surplus income into investment vehicles.

Prior empirical studies support the notion that a strong financial position positively influences investment intentions and decisions (Chen & Volpe, 1998; Lusardi & Mitchell, 2014). Financial readiness not only enables students to invest, but also enhances their motivation to actively seek out investment opportunities.

H1: Financial impact has a positive and significant effect on students' investment decisions.

2.6.2 Investment Risk Perception on Students' Investment Decisions

Risk perception refers to an individual's subjective assessment of the uncertainty and potential loss associated with investment activities. Drawing from Prospect Theory (Kahneman & Tversky, 1979), people often display loss aversion, meaning they are more sensitive to potential losses than to equivalent gains. For students, who may lack financial security or investment experience, risk perception plays a critical role in shaping their attitudes toward investment.

When students perceive investment options as risky or unstable—whether due to market volatility, lack of knowledge, or negative peer experiences—they may hesitate or entirely avoid engaging in such activities. This aversion to risk often overrides potential gains, especially among novice investors with limited financial buffers. Several studies have shown that higher perceived risk is negatively associated with investment intention and behavior (Grable, 2000; Weber et al., 2002).

H2: Risk perception has a negative and significant effect on students' investment decisions.

3. Methods

In this study, two approaches are used, namely quantitative descriptive and associative. The descriptive approach provides an overview of students' investment behavior, and the associative approach investigates the relationship between financial impact (X1) and risk perception (X2) on investment decisions (Y), Variable (Y) in this study is interpreted as the decision or tendency of students to make investments, both those who have invested and those who intend to invest.

Therefore, respondents are not limited to students who have invested, but also include those who have an interest or intention to invest in students. This study uses a data survey method collected through a questionnaire and made using Google Forms with the Likert scale method, then distributed to students in Indonesia.

This research was conducted online by distributing questionnaires to students in various regions in Indonesia. The research implementation time takes place in June from June 2, 2025 to June 20, 2025. The population in this study is students who have been or

are carrying out investment activities with student criteria. The total number of samples used in this study was 151 respondents.

This research instrument consists of 10 statements for each variable (X1, X2, and Y). Of the 10 statements, 5 are main items and 5 are supporting items with different wording but refer to the same indicators. For the purpose of analysis, only the 5 main statements that are most representative and valid are used, based on the results of the instrument validity test.

4. Results and Discussion

Based on data obtained by 151 respondents, the average student who has never made an investment was obtained, 85 students (56.29%) stated that they had never made an investment, and the remaining 66 students (43.71%) stated that they had made an investment.

The data involves several universities in Indonesia, both public and private universities. With the largest participation of respondents, namely Yatsi Madani University with a total of 61 students (40.4%) and the rest at 90 (59.60%) students from other universities such as Pamulang University, Raharja University, Jakarta State University, University of Indonesia, Padjadjaran University, to Bandung Institute of Technology. The number of respondents ranged from one to five people per university. This diversity increases the scope of research in understanding investment trends in various educational institutions.

Of the total 66 students who have invested, the majority are in the age range of 20-22 years as many as 46 students (30.46%). In the same age range, namely 20-22 years old, the majority of students who have never invested are 59 students (39.07%).

This shows that the level of investment in the student sector is still relatively low, although the level of financial literacy continues to increase among the younger generation, but this has not fully influenced students to participate in deciding investments. This is supported by several factors such as limited knowledge, access to investment products and also financial conditions that are still unstable.

In addition, based on demographics on the respondent data in this study. The majority of female student respondents were 113 (74.83%) students, while for male students as many as 38 (25.17%) students from the entire sample.

In this condition, female respondents are dominated, which reflects a higher representation of the number of female students. This situation shows a difference in proportion that can affect the results of the research. Especially in understanding preferences, risk perceptions and investment tendencies based on gender.

Based on the results of the calculation of the Validity Test on 15 question items consisting of variables X1 (Financial Impact), X2 (Investment Knowledge), and Y (Investment Interest), it was shown that each item had a calculated r-value greater than the r-value of the table of 0.159 (with the number of respondents N = 151 and the significance value of $\alpha = 0.05$). Therefore, all instrument items are declared valid and suitable for use for further analysis.

Meanwhile, the results of the reliability test conducted using the SPSS program obtained Cronbach's Alpha values as follows:

1) Financial Impact (X1) has a Cronbach's Alpha value of 0.771.
2) Risk Perception (X2) has a Cronbach's Alpha value of 0.776
3) Investment Decision (Y) has a Cronbach's Alpha value of 0.778

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The overall value is above the average of 0.70. It can be concluded that the research instruments used are declared reliable and have good consistency

4.1 Multiple Linear Regression Test

Before the Multiple Linear Analysis was carried out. First, the Classical Assumption test was carried out, namely Normality, Multicollinearity, and Heteroscedasticity. And the results show that the three assumptions have been met, so that the data can be declared valid and suitable for multiple linear regression analysis.

Table 1. Multiple Linear Analysis Output

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	14.859	2.039		7.288	.000		
	X1_TOTAL	.401	.083	.356	4.861	.000	1.000	1.000
	X2_TOTAL	-.281	.074	-.279	-3.808	.000	1.000	1.000

a. Dependent Variable: Y_TOTAL

Source: SPSS Data Processing, 2025

Based on the results of multiple linear regression analysis, the equation Y = 1.519 + 0.401X1 – 0.281X2 was obtained.

The value of the Financial Impact variable (X1) was obtained with a Regression Coefficient of 0.401 with a significance value of 0.000 and a Beta value of 0.356. Which means that it has a positive and significant effect on Investment decisions (Y). In addition, the Risk Perception variable (X2) has a coefficient of -0.281 with a significance value of 0.000 and has a Beta value of -0.279 which means that it has a negative and significant effect on the Investment Decision variable (Y).

4.2 Hypothesis

4.2.1 Partial Significance Test (T-Test)

Table 2. T Test Output

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	14.859	2.039		7.288	.000		
	X1_TOTAL	.401	.083	.356	4.861	.000	1.000	1.000
	X2_TOTAL	-.281	.074	-.279	-3.808	.000	1.000	1.000

a. Dependent Variable: Y_TOTAL

Source: SPSS Data Processing, 2025

Based on the results of the Partial Significance Test, it can be described that the Financial Impact Variable (X1) with a T-calculated value of 4.861 and a significant value of 0.000. And the Risk Perception variable (X2) with T – Count -3.808 has a significant value of 0.000. And a T-table value of 1.984 was obtained.

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4.2.2 Simultaneous Significance Test (F-Test)

Table 3. Test Output F

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	428.123	2	214.062	19.373	.000[b]
	Residual	1635.321	148	11.049		
	Total	2063.444	150			

a. Dependent Variable: Y_TOTAL

b. Predictors: (Constant), X2_TOTAL, X1_TOTAL

Source: SPSS Data Processing, 2025

Based on the table of the results of the Simultaneous Significance Test, it was obtained that F-count was 19,373 with a Significance value of 0.000 <0.05. And it has a T-table value of 1.984.

4.3 Discussion

4.3.1 Financial Impact on Investment Decisions

Based on the data table, the initial conjecture, namely (H0), was simultaneously found that no significant influence was found between the X1_Total l variable on the Y_Total variable. And the results of the Anova test were obtained with an F-count of 19.373 and a T-table value of 1.984 with a significant value of 0.000<0.05. So the decision (H0) was rejected and (H1) was accepted. Because there is a significant simultaneous influence between X1_Total variables on Y_Total variables.

Therefore, the conclusion is that the Financial Impact (X1) has a positive effect on Indonesian Student Investment Decisions. This can be seen if students have supportive finances such as additional income or sufficient savings, then the tendency to decide to invest is higher.

This is in line with the results of research conducted by Sari & Widodo (2020) stating that personal financial conditions have a significant effect on students' investment decisions. And Devina Kartika Sari (2018) emphasized that good financial literacy is the basis for student investment planning. This means that with sufficient financial conditions and a good financial understanding, the greater the potential and motivation of students to decide to invest.

4.3.2 Investment Risk Perception on Students' Investment Decisions

Based on the results of the data above, F-Count was obtained as 19,373 and the T-table value was 1-984 with a significant value of 0.000 <0.05. It can be concluded that (H0) is rejected and (H1) is accepted. However, there is a negative value in the partial significance test table, which is obtained with a Beta value of -0.279. Overall, the regression model is significant, but the direction of each variable's contribution to investment decisions is not the same.

These findings show that there is an influence between risk perception on student investment decisions. Where the higher the level of risk faced, the lower the motivation of students to decide to invest.

These findings are in line with the research of Astuti – Pamungkas & Hidayat (2022) stating that risk perception has a positive and significant effect on investment decision-

making. This finding is also in line with research by Research Resiahati & Maivalinda (2022) Students who have a perception of high risk (feeling that investment is dangerous or uncertain) tend to avoid investment. Conversely, if they assess the risk as low, they are more likely to decide to invest.

5. Conclusion

Based on the results of the research, the financial impact and risks affecting students' investment decisions can be concluded as follows:

The financial impact of X1 has a positive and significant effect on students' investment decisions, which means that if students have supportive finances such as additional income or sufficient savings, as well as good financial understanding, then the greater the potential and motivation of students to decide to invest.

Risk Perception X2, has a significant negative effect on investment decisions, namely a beta value of -0.279. Overall, the regression model is significant, but the direction of each variable's contribution to investment decisions is not the same. This means that the higher the level of risk faced, the lower the motivation of students to decide to invest.

Simultaneously, students' investment decisions are greatly influenced by two independent variables, namely financial impact and risk perception. The results of the ANOVA test show that the regression model built as a whole is feasible and can explain the problem being studied.

Therefore, it can be concluded that, in today's digital age, students' investment behavior and decisions are significantly influenced by two components: financial conditions and risk perception. Therefore, it is important for the younger generation to become smarter and wiser when it comes to finance and investment risk.

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