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# Analysis of Financial Literacy, Experience Regret, and Risk Tolerance in Investment Decisions of Farming Communities (Study on the Farming Community of Sukonatar Village, Banyu-wangi)

**Nola Pramitasari [1], Yovita Vivianty Indriadewi Atmadjadja [2] and Ni Kadek Yuliandari 3**
1University of August 17, 1945 Banyuwangi1; nolapramirasari3637@gmail.com
[2] University of August 17, 1945 Banyuwangi [2]; yovitavia@untag-banyuwangi.ac.id
[3] University August 17, 1945 Banyuwangi [3] nk.yuliandari@untag-banyuwangi.ac.id

*Correspondence: Nola Pramitasari
Email Correspondence :
nolapramirasari3637@gmail.com

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**Abstract:** This study aims to test and analyze the Level of Financial Literacy, *Experience Regret, Risk Tolerance* towards Investment Decisions of Farming Communities (Study on Farming Communities in Sukonatar Village, Srono District). This sampling technique uses the *Clustering* and *Purposive Sampling methods* with 63 samples. This study uses a quantitative method by distributing questionnaires with age criteria of 20-30 years, 30-40 years. In this study, SPSS 25 was used. The data analysis methods used were instrument test, multiple linear regression analysis, hypothesis test, classical assumption test, determination coefficient ($R^2$). Based on the results of the analysis, it was obtained that the result of t calculation was greater than t table (5.101>2.00100), meaning that there was a partial influence between the variable of Financial Literacy (X1) on Investment Decision (Y) in the Farming Community. Meanwhile, the results of the t-test on the Experience *Regret* variable (X2) t calculated were smaller than the t table (-1,826<2.00100), meaning that there was no partial influence between *the Experience Regret* (X2) variable on Investment Decisions (Y) in the Farming Community. For the Risk *Tolerance* variable (X3), the calculation is smaller than the t table (2.439>2.00100), so the statistical decision is that there is a partial influence between *the Risk Tolerance* variable (X3) on the Investment Decision (Y) in the Peasant Community

**Keywords:** Financial Literacy, *Experience Regret, Risk Tolerance,* and Investment Decisions.

## INTRODUCTION

Indonesia is known as an agrarian country. Most of the population is still working in the agricultural sector. In fact, the agricultural sector is still the job that absorbs the most domestic workers. Agricultural investment is a type of investment that is worth considering, At this time there are a lot of young people with high school graduates who choose to work as farmers, because within a period of months they can enjoy the harvest. So farmers are not only among the elderly but at this time there are also many among the youth.

It has long been realized that investment or investment is very important in national development, including the agricultural sector, so it is one of the strategic activities to spur development and encourage a high rate of economic growth. There are several investment instruments in the agricultural sector such as farmers' crops, the harvest can be felt by farmers for approximately one year or

only a few months. Land appreciation, from year to year a lot of vacant land is processed into agricultural land so that the value of agricultural land increases, especially if the land is near the main road, of course for its high value. And if the owner does not want to cultivate the land, it can be rented because every year the land for rent will continue to increase in price.

Before investing, an investor certainly needs to make an investment decision. Investment decisions are individual and depend entirely on independent individuals, so in making investment decisions, investors need to consider everything that can affect the investment they will make in the future.

In investing, of course, farmers must manage their finances well, therefore it is necessary to have financial literacy. Financial literacy is considered very important, because financial literacy is the basic need of everyone to avoid financial problems. The phenomenon that the author found in the Sukonatar Village Farming Community is that some farmers choose to borrow capital to start planting, some save the previous harvest money for planting capital in the future. Farmers also estimate what expenses will be used during planting. So, farmers manage their finances well so that they can become capital for planting in the future

In addition to financial literacy, problems that often occur in farmers are *experience regret* or past experiences. *Experience regret* is a bad experience in the past. Surely as farmers are not always *profitable* in getting crops, of course they have experienced losses and bankruptcy. And this sometimes affects the decision of farmers to reinvest or grow the same crops. But sometimes farmers will continue to try and feel challenged by the failure. Especially if the farmer's land is a rental land where every year the rental price is increasing and the crop yield does not promise continuous profit, it will create a bad experience for the farmers. The phenomenon found by the author in the farming community in Sukonatar Village is that bad experiences such as crop failure do not make farmers reluctant to plant with the same crops. Rather, the farmers plant with the same crops by learning from previous experiences.

In addition, *the risk tolerance* factor is also inseparable in investment decisions. *Risk tolerance* is the level of ability that a person can accept in taking an investment risk. Everyone has a different character when it comes to making investment decisions in terms of risk tolerance. The phenomenon that the author found in the Sukonatar Village Farmer Community is that they can tolerate the risks that have been chosen, because it is indeed the choice of the farmers. By accepting well the consequences that will occur in the future.

## METHOD

Based on Figure 1, it can be concluded that the research is to determine the relationship between the variables X1 to Y, X2 to Y, X3 to Y

Population, Sample, Sampling

In this study, the population of the farming community of Sukonatar Srono Village, Banyuwangi was used with the farmers of Tani Majo and Tani Makmur. To be used as a sample, the author uses clustering and purposive sampling methods to determine samples that meet the criteria. The author uses criteria. The criteria for this study are farmers who are 20-40 years old. In accordance with the criteria that have been determined, the author received a sample of 70 people.

Intervention Procedure

| | ACTIVITIES | APRIL | | | |
|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 |
| 1 | Questionnaire creation | ■ | | | |
| 2 | Questionnaire distribution | | ■ | | |
| 3 | Respondent data collection | | | ■ | |
| 4 | SPSS calculation work | | | ■ | ■ |

Instruments

The instrument used in this study is using a questionnaire whose statements are taken from indicators put forward by experts such as ar Rachman (2018), Harahap et al., (2021), Wulandari and Iramani (2014), which are measured using a likert scale and then inserted into the tabulation and worked on using the SPSS application.

## RESULTS AND DISCUSSION

a. Validity Test

**Table 2 Validity Test Results**

| Variable | Items | R Table | R Calculate | Sig | Ket |
|---|---|---|---|---|---|
| Decision Investment | Y11 | 0,2352 | 0,794 | 0,000 | Valid |
| | Y12 | 0,2352 | 0,808 | 0,000 | Valid |
| | Y13 | 0,2352 | 0,642 | 0,000 | Valid |
| | Y14 | 0,2352 | 0,632 | 0,000 | Valid |
| | Y15 | 0,2352 | 0,595 | 0,000 | Valid |
| Literacy Finance | X11 | 0,2352 | 0,773 | 0,000 | Valid |
| | X12 | 0,2352 | 0,7830 | 0,000 | Valid |
| | X13 | 0,2352 | 0,764 | 0,000 | Valid |
| *Experience Regret* | X21 | 0,2352 | 0,734 | 0,000 | Valid |
| | X22 | 0,2352 | 0,663 | 0,000 | Valid |
| | X23 | 0,2352 | 0,536 | 0,000 | Valid |
| | X24 | 0,2352 | 0,803 | 0,000 | Valid |
| *Risk Tolerance* | X31 | 0,2352 | 0,789 | 0,000 | Valid |
| | X32 | 0,2352 | 0,847 | 0,000 | Valid |
| | X33 | 0,2352 | 0,696 | 0,000 | Valid |

Based on the results in the table above the variables Investment Decision (Y), Financial Literacy (X1), *Experience Regret* (X2), Risk *Tolerance* (X3), all questionnaire statements get a correlation coefficient value r calculate>r table means that the questionnaire item statement is said to be valid.

b. Reliability Test

**Table 3 Reliability Test Results**

| Variable | Cronbach's Alpha | Information |
|---|---|---|
| Investment Decision (Y) | 0,741 | Reliable |

| | | |
|---|---|---|
| Financial Literacy (X1) | 0,693 | Reliable |
| *Experinced Regret* (x2) | 0,625 | Reliable |
| *Risk Tolerance* (X3) | 0,676 | Reliable |

Based on the table above, Cronbach's Alpha value of >0.60 means that the variables Investment Decision (Y), Financial Literacy (X1), *Experience Regret* (X2), Risk *Tolerance* (X3) are declared reliable.

c. Heteroscedasticity Test

**Table 4 Heteroscedasticity Test Results**

| Variable | Sig. | Information |
|---|---|---|
| Financial Literacy | 0,883 | Non Heteroscedasticity |
| *Experience Regret* | 0,063 | Non Heteroscedasticity |
| *Risk Tolerance* | 0,939 | Non Heteroscedasticity |

Based on the table above, the sig value of each variable is greater than 0.05 so that there is no element of heteroscedasticity.

d. Multicollinearity Test

**Table 5 Multicollinearity Test Results**

| Variable | *Tolerance* | *VIF* | Information |
|---|---|---|---|
| Financial Literacy | 0,991 | 1,009 | Non Multicollinearity |
| *Experience Regret* | 0,851 | 1,175 | Non Multicollinearity |
| *Risk Tolerance* | 0,844 | 1,185 | Non Multicollinearity |

Based on the table above, the Tolerance value > 0.1 and the VIF value <10, it is stated that there is no multicollinearity problem.

e. Normality Test

**Table 6 Normality Test Results**

| | | | Unstandardized Residual |
|---|---|---|---|
| N | | | 63 |
| Normal Parameters[a,b] | Mean | | .0000000 |
| | Std. Deviation | | 0,4395404 |
| Most Extreme Differences | Absolute | | .080 |
| | Positive | | .080 |
| | Negative | | -.076 |
| Test Statistic | | | .080 |
| Asymp. Sig. (2-tailed) | | | .200c |
| Monte Carlo Sig. (2-tailed) | Sig. | | .734d |
| | 99% Confidence | Lower Bound | .723 |

| | | | |
|---|---|---|---|
| | | Upper Bound | .5745 |

Based on the table above, the results of *asymp.sig.* (2-tailed) 0.200 is greater than 0.05, then it can be said that the data is normally distributed.

f. Multiple Linear Regression Analysis

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + e$$

$$Y = 3.379 + 0.023X1 - 0.006\ X2 + 0.009\ X3 + e$$

From the above equation can be interpreted as follows:

1) Constant (α) = 3.379 means that the piece of the Y regression line is located at point 3.379
2) β1= 0,023

   The regression coefficient for the Financial Literacy variable is 0.023, meaning that for every addition or increase in Financial Literacy (X1) by 1 score, the Investment Decision (Y) will also increase by 0.023
3) β2= -0,006

   The regression coefficient for the *Experienced Regret* variable is -0.006, meaning that for every addition or increase *of Experienced Regret* (X2) by 1 score, the Investment Decision (Y) will decrease by 0.006
4) β3= 0,009

   The regression coefficient for the *Risk Tolerance* variable is 0.004, meaning that for every addition or increase *of Risk Tolerance* (X1) by 1 score, the Investment Decision (Y) will also increase by 0.009.

g. Test t

**Table 7 tTest Results**

| Coefficients[a] | | | | | | |
|---|---|---|---|---|---|---|
| Type | | Unstandardized Coefficients | | Standardized Coefficients | | |
| 1 | | B | Std. Error | Beta | t | Sig. |
| | (Constant) | 3.379 | 0,091 | | 36,961 | 0,000 |
| | Financial Literacy | 0,023 | 0,005 | 0,516 | 5.101 | 0,000 |
| | Experienced Regret | -0,006 | 0,003 | -0,196 | -1.826 | 0,072 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Risk Toler-ance | 0,009 | 0,004 | 0,261 | 2,439 | 0,017 |

Based on the results of the hypothesis test, the result of t table 2.00100 was obtained. Financial Literacy variables, *Risk Tolerance* t tables<t calculate so that they can be said to have a partial effect. Meanwhile, in the Experience *Regret* variable, the table > t calculated so that it can be said that it has no partial effect.

h. Test F

**Table 8 F Test Results**

| Type | | *Sum of Squares* | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 0,049 | 3 | 0,016 | 10,682 | 0,000B |
| | Residual | 0,101 | 59 | 0,002 | | |
| | Total | 0,150 | 62 | | | |

Based on the table above, the significance value is less than 0.05, the regression model is declared to have passed the model feasibility test.

i. Coefficient of Determination ($R^2$)

**Table 9 Validity Test Results**

| Type | R | R Square | Adjusted R Square | Std. Error of the Esimate |
|---|---|---|---|---|
| 1 | 0,572 | 0,327 | 0,596 | 0,03908 |

In the table above, it is known that the value of Adjusted R Square = 0.596 or 59.6% means that the independent variables used in the regression model, namely Financial Literacy (X1), *Experienced Regret* (X2) and *Risk Tolerance* (X3) are able to explain the dependent variable (Investment Decision) by 59.6%, while 40.4% is explained by other independent variables that are not included in the study

## CONCLUSION

Based on the results of the study, it can be concluded that financial literacy has an influence on investment decisions because without understanding financial literacy, it is impossible to choose the appropriate investment decision. *Experience Regret* has no influence on investment decisions because the community considers that bad experiences can be used as lessons for the future so that they do not recur. *Risk Tolerance* has an influence on investment decisions because people are able to tolerate the risks they will face when choosing investment decisions.

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