

CHAPTER I

INTRODUCTION

1.1 Object Overview

Balikpapan City is one of the few cities that is located in East Kalimantan and has a total area of 503.3 km². Astronomically, Balikpapan City is located between 1.0 LS - 1.5 LS and 116.5BT - 117.0 and the area of marine management reaches 160.10 km² (Tribun Kaltim, 2019). Balikpapan City is well known for its gas and oil products alongside with mining-product but it is rare to hear people talking about tourism attractions in this city. To be precise, Balikpapan city focused more on petroleum yield rather than tourism attractions. In the economic field. Balikpapan city is the gateway to East Kalimantan since all economic activities must get through this city with airports and international ports that located in Balikpapan City. The functions of the port and international airport will become the entrance and the exit of all economic activities which is conducted in East Kalimantan (Get Borneo, 2015).

The city of Balikpapan has six subdistricts distributed across the city. The sub-districts include Balikpapan Eastern sub-district, Balikpapan Southern sub-district, Balikpapan Central sub-district, Balikpapan Northern sub-district, Balikpapan Western sub-district and Balikpapan City sub-district (Tribun Kaltim, 2019). As for the population of Balikpapan City in year 2019 based on the district is delivered as follows:

Table 1.1 The Population of Balikpapan City Divided by District in 2019

No.	District	Population
1.	Balikpapan Eastern sub-district	71.067
2.	Balikpapan Western sub-district	116.121
3.	Balikpapan Northern sub-district	98.335
4.	Balikpapan Central sub-district	144.352
5.	Balikpapan Southern sub-district	131.743
6.	Balikpapan City sub-district	93.380
	Total	655.178

Source: <https://balikpapankota.bps.go.id/> (2020)

The total population of Balikpapan City is 667,188 people. Based on the population in each District of Balikpapan City, the most populated District is North Balikpapan District with 158,625 people.

1.2 Research Background

The development of an increasingly rapid era followed by economic growth that began to move in a more modern way, encourage people to have better understanding in financial instruments. However, Indonesia is still quite behind in this matter. Although, the percentage of financial literacy and financial inclusion has increased from the year of 2016 to 2019. In the year of 2016, the financial literacy level of Indonesia is 29.7% which then increase to 38.03% in 2019 (Siaran Pers OJK, 2019). Contrary with the statement of increase in financial literacy of Indonesia citizens, Joko Widodo, the President of Indonesia, stated that it is indeed still considered as low compared to other Southeast Asia countries such as Malaysia, Singapore and Thailand (Tempo, 2020). Following on the previous statement, President Joko Widodo also asked for equitable distribution of microfinance institutions so that they can be reached from various social levels. The ease in of using financial instruments is also requested by Joko Widodo. This implied that there are still many people that has trouble in accessing or using financial instruments.

According to a survey conducted by OJK (2017), in terms of financial literacy, the index of financial literacy and financial inclusion in East Kalimantan are 30.55% and 74.97%. The percentage level made East Kalimantan ranked 13 out of 34 province in Indonesia in order from highest to lowest financial literacy level. Tongam Luban Tobing as Director of Policy and Investigation Support at the Financial Services Authority said that a low financial literacy index is a sign of danger. This means that the respective communities do not understand financial services and vulnerable to be affected by illegal practices (Mayulinda & Bobby, 2018). The head of the East Kalimantan OJK (Financial Services Authority), Made Yoga Sudharma, said that the East Kalimantan OJK is currently on a mission to increase the understanding of the East Kalimantan people about the understanding of the financial services industry to avoid fraud in the financial sector (Maulana, 2020). This implies that the level of public understanding of financial literacy and financial inclusion is very important to avoid the crime mode.

In July, 2019, Indonesia Stock Exchange in Balikpapan targeting the growth of new investors in Balikpapan for around 5000 investors after seeing the potential of the stock market in East Kalimantan is increasing. Dinda Ayu Amallia, as the Chief Representative of the Indonesia Stock Exchange in Balikpapan claim that the target is very much likely to be achieved since in July alone, the new investors are add up to 1.856 in the stock market. The optimism of the target is due to the increase of investors that happen in 2017. IDX Balikpapan stated that in the end of 2017, the number of investors based on single investor identification (SID) was 8.553 investors which a year later (2018) increase to 12,369 investors. According to Dinda Ayu, this reflects the high interest in investing but the public still in doubt about doing the investment itself (Cahyanti, 2019). This supports the previous statement that East Kalimantan people are less literate in utilizing financial instruments such as capital market investments.

A research that was conducted by Senda (2018) with the title *“Pengaruh Tingkat Literasi Keuangan dan Faktor Demografi Terhadap Keputusan Investasi”* shows that there is no significant effect of financial literacy to investment. Furthermore, in the research conducted by Budiarto & Susanti (2017) with the title *“Pengaruh Financial Literacy, Overconfidence, Regret Aversion Bias, dan Risk Tolerance Terhadap Keputusan Investasi (Studi pada investor PT. Sucorinvest Central Gani Galeri Investasi BEI Universitas Negeri Surabaya)”* shows that there is no significant effect between financial literacy and investment decision. However, in the research that was arranged by Elvara (2019) entitled by *“Pengaruh Literasi Keuangan Terhadap Keputusan Investasi Mahasiswa”* shows that financial literacy simultaneously affects investment decision on students.

From the previous statements, the potential for lack of financial literacy and also financial inclusion as well as differences in results from previous studies in Indonesian citizens, attract the author to examine more deeply about **“The Influence of Financial Literacy and Financial Inclusion on Investment Decisions of Balikpapan City residents”**

1.3 Problem Statement

The increasing index of financial literacy and financial inclusion in Indonesia that reached 38.03% and 76.19% according to the OJK is already a decent increase even though Indonesia is still lagging behind several other Asian countries that have almost equal levels of both financial literacy and financial inclusion. This implies that there is an imbalance of towards the function of financial instruments and its utilization by Indonesia citizens. The use of financial instruments has not been maximized due to lack of literacy in financial matters and also the inclusion of the financials.

The people in Balikpapan City has shown interest in investment because the investors in East Kalimantan, especially Balikpapan City has been increasing since 2017. But, according to Adinda Ayu, the people in Balikpapan City are still in doubt about doing investment in Balikpapan City as the knowledge of the financial instruments are still questionable. The tendency to invest based on knowledge that has relation with financial literacy and financial inclusion as the two aspects can help people to have the ability to do financial planning better attract the preparation of this mini thesis to find out about the influence of financial literacy and financial inclusion on investment decisions in Balikpapan City residents.

From the problem statement, it can conclude that the questions of this research covers:

1. How is the financial literacy of Balikpapan City residents?
2. How is the financial inclusion of Balikpapan City residents?
3. How is the investment decision of Balikpapan City residents?
4. Does financial literacy have significant influence on investment decision of Balikpapan City residents?
5. Does financial inclusion have significant influence on investment decision of Balikpapan City residents?
6. Do financial literacy and financial inclusion simultaneously have significant influence on investment decision of Balikpapan City residents?

1.4 Research Objectives

In connection with the questions in this study, the purpose of writing this research are:

1. To know the financial literacy of Balikpapan City Residents.
2. To know the financial inclusion of Balikpapan City residents.
3. To find out the investment decisions of Balikpapan City residents.
4. To find out whether financial literacy have significant influence on investment decision of Balikpapan City residents.
5. To find out whether financial inclusion have significant influence on investment decision of Balikpapan City residents.
6. To find out whether financial literacy and financial inclusion simultaneously have significant influence on investment decision of Balikpapan City residents.

1.5 Benefits of Research

This research is expected to be useful for several parties involved along with several parties in need. As for the benefits of this research, it can be described in the following two aspects:

1.5.1 Theoretical Benefits

The contents of this study are expected to be useful for knowledge of financial literacy, financial inclusion and investment decisions. As for this research, it is also expected to be useful for public knowledge and can be a reference for future related studies.

1.5.2 Practical Benefits

The results of this study are expected to be useful for the government, especially for Balikpapan City government in improving the ability of financial literacy and financial inclusion on investment decisions in Balikpapan City.

1.6 Systematic Writing of the Mini Thesis

The systematic writing aims to provide a systematical preliminaries and brief explanation of the research which consists of chapter I until chapter V.

a. **CHAPTER I INTRODUCTION**

Chapter I contains research object overview, research background, problem formulation, research questions, research objectives, benefits of research, scope of the study and systematic writing.

b. **CHAPTER II LITERATURE REVIEW**

This chapter provides the theories that are related from previous research that will be used to support this mini thesis research. Research framework also included and explained in this chapter.

c. **CHAPTER III RESEARCH METHODOLOGY**

This chapter includes the types of research used, the operational variables, the populations and the samples, the data collection, the validity and reliability tests, and the techniques that will be used.

d. **CHAPTER IV RESEARCH ANALYSIS AND DISCUSSION**

Chapter IV explain the respondent's characteristics, the research results, and the discussion of the findings.

e. **CHAPTER V CONCLUSION AND RECOMMENDATION**

This chapter discuss about the conclusion of the research and the recommendation for future research purposes.