

Astuti, Desi; Ginting, Paham; Sadalia, Isfenti et al.

## Article

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## Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics  
Düsternbrooker Weg 120  
24105 Kiel (Germany)  
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)  
<https://www.zbw.eu/econis-archiv/>

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# The Influence of Financial Education and Promotion towards Risk Perception of Students as Investors at University Investment Gallery

Desi Astuti<sup>1</sup>, Paham Ginting<sup>2</sup>, Isfenti Sadalia<sup>3</sup>, Amllys Syahputra Silalahi<sup>4</sup>

<sup>1</sup>Doctoral Program School of Economic and Business, Universitas Sumatera Utara, Medan, Indonesia,

<sup>1</sup>E-mail: [desiastuti1996@gmail.com](mailto:desiastuti1996@gmail.com) (Corresponding author)

<sup>2,3,4</sup>Faculty of Economics and Business, Universitas Sumatera Utara, Medan, Indonesia

**Abstract** This research aims to: (1) identify the influence of financial education and promotion towards risk perception of students as stock investors at university investment galleries and (2) analyze the difference of promotion and student's risk perception in each university investment gallery in Medan and Aceh. The primary data of this research is collected through questionnaires. The population of the research is students registered as investors at investment galleries at universities in Medan and Aceh, while the samples are 384 respondents taken using purposive sampling. However, there are only 300 respondents meet the research qualification. Technique used to analyze the data is multiple regression and ANOVA test using SPSS. The result shows that there is difference in promotion level at investment gallery at universities in Medan and Aceh. Promotion carried out by investment galleries at universities in Medan is higher than that in Aceh. Meanwhile, the students' risk perception on investment in stock at investment galleries in Aceh is better than that in Medan. Moreover, it is seen that financial education and promotion influence each other and are significant to the risk perception on investment in stock for students at investment gallery at universities in Medan and Aceh. Promotion affects students' risk perception significantly with the p value (0.000) and the estimation of the effect is 0.228.

**Key words** Financial education, promotion, risk perception, investment gallery

**JEL Codes:** A23, G11, H52, H54, H75, M51

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## 1. Introduction

Investment is a means to reach financial independence. However, many people fail to arrange an investment due to lack of clear financial goals, knowledge, and experience on investment. Therefore, it may lead to failure and low interest on investment (Pajar and Pustikaningsih, 2017). The low public interest on investment at capital market is also caused by a stereotype that investment at stock market is a kind of gambling and investment in stock is considered to involve much money; people commonly invest money, and they will take the physical goods directly in return. Meanwhile, stocks are only in the form of written data. Moreover, Indonesia, as a developing country, still applies short-term financial goal, that is, in the form of passbook savings. In financial sector, investment in the form of capital investment is still something new, especially for Indonesian people compared to those in other countries. It causes the low interest and motivation for Indonesian people to save money in the form of stock or to play a role as investors. Tito Sulistio, the director of PT. Bursa Efek Indonesia, states that the low interest and motivation of Indonesian people to become investors are caused by their lack of knowledge about the fact that applying investment in stock market may give the highest return than other forms of investments. The lack of this knowledge is influenced by a perception on high risk possibility in capital market due to the fact that the investor may take high profit in return. Therefore, knowledge about investment, especially about capital market, is important for both investor candidate and investor in order to obtain profitable investment (Pajar and Pustikaningsih, 2017; Sadalia *et al.*, 2017; Muda *et al.*, 2017; Marhayanie *et al.*, 2018; Lubis *et al.*, 2018; Syahyunan *et al.*, 2017; Muda *et al.*, 2018). Additionally, Merawati (2015) in her research states that the low interest in being investor is caused by the lack of understanding and knowledge about investment at capital market.

The increased number of investor at capital market in Indonesia has been good enough, yet it is still left behind other neighbor countries; the investors of retail market in Indonesia is still 0.39% of Indonesian people, while investors of other countries such as Malaysia and Singapura have reached 30% of their total population (bisnis.tempo.com, 2018). Moreover, Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) states that the total number of stock account in Indonesia tends to be small, that is, 600,000 accounts, compared to Thai's, namely 25 million accounts. Bursa Efek Indonesia releases data on August 10, 2016, stating that the total number of Go-Public companies is 517, yet that increased number is not followed by significant number of investors at capital market (Patar and Pustikaningsih, 2017). Additionally, the data survey of OJK in 2013 shows that understanding level or financial literacy of Indonesian people is still low, that is, 21.8% of 9.000 respondents in Indonesia. Although the data given by *Kustodian Sentral Efek Indonesia* or KSEI shows the increased

amount of investors as a result of the increase on the total of stock asset until July 29, 2016, this sector is still dominated by foreign investor (bisnis.keuangan.com. 2018).

Therefore, OJK plans a means to gain financial literacy through educational program and promotion called campaign or socialization. OJK, having authority to handle financial industry sector and capital market through National Strategy for Financial Literacy (Strategi Nasional Literasi Keuangan), releases what so-called *MOLEK*, that is, educational means for financial literacy, on February 4, 2014. *MOLEK* is expected to increase the financial literacy and the use of financial products by Indonesian people. This educational program and promotion is also undertaken through capital market school, mutual funds seminar, choosing either Indonesian Stock Exchange (*Bursa Efek Indonesia* or *BEI*) office or some universities in Indonesia. Furthermore, this activity can reach a lot of investors, that is, 88,397 (idx.co.id, 2018). Finally, *BEI* starts to introduce and spreads the habits of saving stock to academic practitioners considered to be potential investors. Therefore, there come many investment galleries at some universities in Indonesia, especially in Medan and Aceh as big cities in Sumatra. Investment gallery of *BEI* applies 3-in-1 concept, involving *BEI*, colleges, and security companies. It is expected that the investment galleries introduce the capital market not only theoretically but also practically. It can also be a media for university students who want to conduct research or to practice capital market activity in the field. Through those investment galleries, *BEI* will provide information for learning purpose on analyzing stock trading onward, and it can be a way to gain knowledge about investment as well as the practice in capital market. However, according to Pintor, the condition of investment in stock in North Sumatra is on the third position of all provinces, except Jakarta, after Bandung and Surabaya with the total number of retail investors is only 0.37% compared to the total population of North Sumatra, that is, 14.102 people, in 2016. Meanwhile, the increased number of investment gallery in Aceh, of which the total population is 5 million, reaches 4 thousand investors (finance.detik.com, 2018 and beritasore.com, 2018). Therefore, it is seen that the development of investment galleries at universities have not been able to increase the number of investor yet, especially in Medan and Aceh.

Students are brought to get involved more, yet the interest to become investor is ceased due to financial problem or having not enough money, especially those who still rely on their parents. Moreover, the low understanding about the investment in stock causes assumption of high risk on it because the stock products are not concrete goods. Therefore, students need supervision with communicative and sustainable socialization about investment at capital market or financial products, and then they know that the purposes of investment are to make them less consumptive and more prepared for their future (Muda *et al.*, 2017). According to Tandio (2016) in his research states that education about capital market is important to increase the people interest to invest in capital market. Accordingly, their mind-set is changed for having understanding that the investment is beneficial for preparing their future, and then they may improve their knowledge on identifying either transaction or market condition, as well as get involved being active investors.

## 2. Literature review

### 2.1. Financial Education

Education is a learning process to improve self-potency and to make the study process better. Its purpose is to gain self-improvement, self-education, self-control, as well as skills (OJK, 2018). According to OECD (2005), financial education is a process to improve the investors' knowledge about financial products, risk concept, and return by giving information, instruction, and suggestion. That way, they will be more competent and confident, as well as able to make financial decision well. Xu and Zia (2012), in their research, say that financial education is expected to improve financial literacy, where people embrace the knowledge and competency at managing personal finance wisely. OECD (2012) also states that financial education give benefits towards people in various level of age and income.

### 2.2. Promotion

Sistaningrum (2002) explains that promotion is a company activity to persuade 'actual consumers' and 'potential consumers' to buy products offered, either in the present or in the future. Actual consumers are those buying products offered, either on the spot or right after the promotion carried out by the company. Potential consumers are those who are interested in buying products in the future. Kotler (2012) clarifies that effective promotion needs multiple promotion, that is, optimal combination between various types of activity or effective promotion methods chosen to increase sales. Marketing on service sector is influenced by uncontrolled variable, that is, mixed service marketing and environment. Those two variables affect the decision making on service marketing. Some other variables influencing the development of service industry are consumer, competitor, innovative technology, and globalization/internationalization, government economy, and social culture (Lupiyadi, 2006).

### 2.3. Risk Perception

Risk is defined as uncertain condition. Rosa (2003) says that risk happens when valuable thing is bet with uncertain thing. Hillson and Murray-Webster (2005), in their research, mention that risk has two sides, that is, uncertainty seen as probability, and its consequence. Those two dimensions must be understood before making the right decision. Different decision making by individual or group will generate different probability and consequence as well. Risk perception is one's idea, trust, and construction on negative events that may occur in an event (Olteal, *et al.*, 2004; Muda and Windari, 2018; Muda and Hasibuan, 2018). Risk perception can also be defined as something that creates protective behavior towards someone (Brewer, 2004). Wulandari and Iramani (2014) in their research state that risk perception is a situation when someone identifies the information of generated risk.

### 2.4. Conceptual Framework

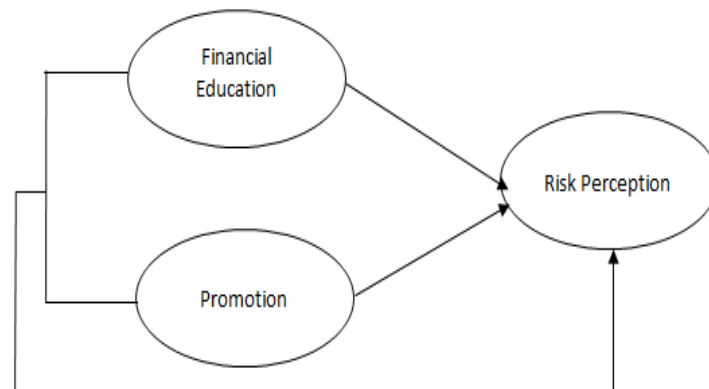


Figure 1. Research Conceptual Framework

## 3. Methodology or research

### 3.1. Type of Research

This research is explanatory research. Explanatory research is a study aimed to test a theory or hypothesis to strengthen or even reject the theory or hypothesis of existing research results. Exploratory research is fundamental and aims to obtain information, information, data about things that have not been known (Mahdaleta *et al.*, 2016; Hutagalung *et al.*, 2017; Situmorang *et al.*, 2017; Muda *et al.*, 2018; Agustina *et al.*, 2018). Because it is fundamental, this research is called exploration. Exploratory research is done if the researcher has not obtained the initial data so that has not had a picture at all about things to be studied. Exploratory research does not require a certain hypothesis or theory. Researchers only prepare some questions as a guide to obtain primary data in the form of information, information, as necessary preliminary data. Being undertaken by explaining phenomenon generated by research object and describing causal relationship, that is, to examine the relation between financial education and promotion towards risk perception of students as stock investors at investment galleries at universities in Medan and Aceh. Data of this research is collected from sources by using some techniques, namely:

1. Interview with all students registered as investors at university investment galleries. Additionally, it is held an interview with the management of the university investment galleries.
2. Documentation to obtain secondary data of active university investment galleries in Medan and Aceh. After that, data of the number of students registered as investors at the university investment galleries is derived.
3. Questionnaires, as primary data, are given to respondents to gain information about financial education, promotion, and risk perception towards investments in stock. It is held in university investment galleries.

Population is all students registered as stock investors at university investment galleries in Medan and Aceh. In Medan, there are investment galleries of University of North Sumatra (*Universitas Sumatra Utara or USU*) and State Islamic University of North Sumatra (*Universitas Islam Negeri Sumatra or UINSU*). Meanwhile, investment galleries in Aceh are those of Al-Islam Bireun Islamic College (*Insitut Agama Islam or IAI Al-Islam Bireun*) and Cot kalau Langsa State Islamic College (*Institut Agama Islam Negeri or IAIN Cot Kalau Langsa*). Those selected investment galleries are listed in BEI as those which actively conduct socialization and education to students. The number of sample is determined based on the requirement with uncertain number of population. Therefore, the following Lemeshow formula is applied (the number of population is unknown) (Suharsimi (2005):

$$N = Z^2 P(1-P)/d^2.$$

Solution:  $z = 1.96$ ;  $p = \text{maximal estimation} = 0.5$ ;  $d = \text{alpha} (0.05)$

Total samples needed are:

$$1.962 \times 0.5 (1-0.5)/0.052 = 384 \text{ respondents}$$

The samples collected using purposive sampling are students who have met these criteria, namely, (1) students who have been registered as investors for more than a year, (2) students who earn money on their own, except receiving money from their parents, and (3) students who have taken financial management subject, capital market, or portfolio. This research uses multiple linear regression and Anova test using SPSS.

#### 4. Results and discussions

##### 4.1. Results

###### 4.1.1. Characteristics of Respondents

The survey shows that the majority of the respondents are females, that is, 65%, while the rest, 35%, are males. The data also concludes that most of the investors at the university investment galleries in North Sumatra and Aceh are females. It is indicated that financial education and financial literacy of females are better than those of males. Therefore, females are more interested in becoming investors. Based on the data, it is seen that investors at investment galleries at university are students whose background is from Economic Faculty, that is, 78%. Meanwhile, 22% of the investors are from other faculties such as Faculty of Law, Faculty of Social and Political Sciences, Faculty of Islamic Study (only at universities in Aceh), Faculty of Technical Science, and Faculty of Medicine. There are few respondents from Faculty of Islamic Study due to the assumption that stock investment is a kind of usury (*riba'*) and opposes Islamic rules (Muda *et al.*, 2014; Muda *et al.*, 2018). Meanwhile, the low number of investment from other faculties is caused by the low education about investment products, especially investment in stock.

Based on the reasons of the investors joining the investment galleries at universities, 45% of the investors with sufficient financial education and literacy think that stock investment is a perfect means for future investment. Meanwhile, 55% of the investors decide to join the investment after getting information from and being persuaded by their friends or lecturers to join the investment in university investment gallery. According to the survey data on perception of investment risk, 60% of the respondents state that investment in stock has high risk, yet there is possibility of getting safer and higher return compared to other forms of investment. Meanwhile, 40% of the respondents see it the same as other forms of investment; having the same risk and taking a lot of funds to invest. Additionally, it is also seen that from all of the research respondents, 60% students are active investors, while 40% are passive investors at the investment galleries. It is also shown that 45% of the respondents with good knowledge about investment, there are only 40% of them playing a role as active respondents, and 5% of them just follow the activity passively. Meanwhile, 50% of the respondents are active just in the beginning of the activity as well as follow the suggestion from their lecturers or friends who have joint it before.

###### 4.1.2. Result of Data Processing

###### a. Correlation Test

The Analysis of Coefficient of Determination

The following table is the result of coefficient of determination test:

Table 1. Coefficient of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.279 <sup>a</sup>	.078	.073	1,933	.078	16,062	2	381	.000	1,594

a. Predictors: (Constant), promotion, financial education

b. Dependent Variable: risk perception

Source: SPSS Result (2018).

Based on the test result on table 1, it is shown that the two factors, that are financial education and promotion, carried out by both stock exchange and universities give little influence towards the risk perception of students as investors at university investment galleries in Medan and Aceh, that is, 27.90%. Meanwhile, 72.10% of risk perception is influenced by

other factors that the researcher doesn't analyze and exclude from this research. Based on the analysis, the risk perception of the students at investment galleries in Medan and Aceh is dominantly influenced by a negative assumption that investment in stock leads to high risk and uncertainty. The majority of students are afraid of investing in stock. They assume that stock price is unpredictable, changes every day, and not in the form of physical goods. Therefore, that assumption change the students min-set about investing in stock in investment gallery. Financial education and promotion are not enough to change the students' perception about the risk of investment in stock. Therefore, there may be other factors influencing or changing the students' perception about such risk.

#### b. Significance Test

The result of significance test of the relation among variables can be seen in the following Anova Table:

Table 2. Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	23,117	1,176		19,652	,000	20,804	25,430		
edukasi keuangan	,113	,047	,120	2,394	,017	,206	,020	,956	1,046
promosi	,270	,060	,228	4,525	,000	,388	,153	,956	1,046

a. Dependent Variable: risk perception

Source: Result of Data Porcessing (2018).

Data on Table 2 shows how the relation between financial education and promotion given to the students influences risk perception towards investment in stock. Regression equation of the relation between financial education and promotion towards students risk perception is calculated using the following formula:

$$Y = 23.117 + 0.113X_1 + 0.270X_2 + e$$

Significance value of financial education and promotion is below 0.05 ( $p < 0.05$ ), that is, the significance value of financial education is  $p (0.017) < 0.05$ , which means hypothesis  $H_0$  is rejected and  $H_1$  is accepted. It means that there is an influence of independent variable of financial education towards dependent variable of students' risk perception. It can be concluded that financial education strongly influences risk perception of the students as investors at university investment galleries. Meanwhile, significance value of promotion is also below 0.05, that is,  $(0.000) < 0.05$ , meaning that hypothesis  $H_0$  is rejected and  $H_1$  is accepted. It can be concluded that there is influence of independent variable of promotion towards dependent variable of students' risk perception. It means that promotion strongly influences risk perception of the students as investors at university investment gallery. The following table shows Anova test, describing how much financial education and promotion at the same time influence students' risk perception.

Table 3. ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	120,061	2	60,030	16,062	,000 <sup>b</sup>
Residual	1423,916	381	3,737		
Total	1543,977	383			

a. Dependent Variable: risk perception

b. Predictors: (Constant), promotion, financial education

Source: Result of Data Porcessing (2018)

Based on the table showing Anova test, it is seen how financial education and promotion at the same time influence risk perception of the students as investors at investment gallery in Medan and Aceh. The data describes that financial education and promotion gives positive and significant impact towards risk perception, with the significant value os  $p (0.000) < 0.05$  (Nasution *et al.*, 2018; Sihombing *et al.*, 2018; Muda *et al.*, 2018; Tripriyono *et al.*, 2018; Muda *et al.*, 2018; Sirojuzilam *et al.*, 2018)). It also gives strong effect with the test value of  $F 16.062$ .

#### c. Comparative Test

This test is conducted to see the promotion level or effectiveness of promotion carried out by university investment galleries in Medan and Aceh. Additionally, it also aims to examine the students' risk perception level about the risk of investment in

stock at investment galleries in Medan and Aceh. The number of respondents targeted in this research is 384 respondents, but those filling the questionnaires and meeting the qualification are only 300 respondents.

Table 4. Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
promosi	Equal variances assumed	6,581	,011	3,443	298	,001	1,753	,509	,751	2,755
	Equal variances not assumed			3,443	274,708	,001	1,753	,509	,751	2,756
persepsi	Equal variances assumed	18,219	,000	-14,357	298	,000	-3,413	,238	-3,881	-2,945
	Equal variances not assumed			-14,357	264,454	,000	-3,413	,238	-3,881	-2,945

Source: Result of Data Porcessing (2018).

Table 5.Group Statistics

Variable	GibeI Universitas	N	Mean	Std. Deviation	Std. Error Mean
promosi	1	150	33,09	3,713	,303
	2	150	31,33	5,011	,409
persepsi	1	150	16,91	1,652	,135
	2	150	20,32	2,398	,196

Source: Result of Data Processing (2018).

Additional information:

1 → students from investment galleries in Medan

2 → students from investment galleries in Aceh

Based on Table 5, it is shown that promotion level carried out by investment galleries in Medan is higher, where the mean value is 0.09, than that in Aceh, where the mean value is 31.33. But, the students' risk perception level towards investment in stock in Medan, of which the mean value is 16.9, is much lower, than that in Aceh, of which the mean value is 20.32. The data shows the condition of how the promotion level in investment galleries in Medan is higher than that in Aceh. However, the higher promotion level conducted in investment galleries in Medan does not come along with the level of understanding or risk perception towards investment in stock. Risk perception of students joining investment gallery in Medan is much lower than that in Aceh. In fact, the promotion level in Aceh is not really high. Therefore, it is indicated that risk perception of students in Aceh is better due to their sufficient knowledge and education. Universities perform more personal approach to the students, introducing and explaining investment in stock, as well as its possibility and method.

#### 4.2. Discussions

Financial education and promotion give positive and significant influence towards risk perception of the students as investors at investment galleries in Medan and Aceh. Financial education and promotion strongly trigger the change of the students' risk perception. Some change their risk perception into positive, while the others are stable, or even turn out to be negative, and therefore make their status as passive investors. It is also known that promotion gives meaningful and significant impact towards students' risk perception more than financial education given to change their risk perception. Good socialization and education mainly support the success of financial education and promotion performed by BEI cooperating with universities in introducing investment products, especially about stock, method of being a competent investor, mainly at identifying market and possibility, as well as understanding the risk level and return of the type of investment chosen. Some students stay focused on improving their knowledge, but there some others who are monotonous and stuck. Therefore, it is seen in the data that there is not more than 50% students being active as investors at investment galleries leading to the condition of having less activity in investment galleries, and the majority is students in Medan. Meanwhile, students joining investment galleries in Aceh is more active as investors or following activities at the investment

galleries in Aceh. Mainly, investment gallery in IAI Al Muslim Bireun performs the promotion using personal approach to the students, adapting the current student life style. The investment gallery is arranged to be like a café, where students mostly choose such place to spend their time with friends, so the situation will be more flexible and relaxing. It performs a simple promotion without detail-oriented or too much theory; leading the students to practice directly and to understand investment in stock at the investment gallery. Same as the previous method, investment gallery in IAIN Cot Kalau Langsa also conducts the promotion of financial education in a more relaxed way and approach following the current students' life style, so it will be more effective to persuade them to become investors, choosing investment stock as a future investment. Moreover, the students are encouraged to be more active and to get involved in any activities, making the investment gallery reaches many achievements in some national competitions in Indonesia.

The result of the research supported by the study performed by *Tim Analisa Efektivitas Penyebaran Informasi* as a way to promote Capital Market (2006), states that education, promotion, is an effective means to influence the investors' behavior. That way, the reference and information obtained will be used to help them make the decision on investment. Additionally, the decision will be influenced by return and risk (Tandellin, 2010; Muda, 2017; Kesuma *et al.*, 2018), where the risk is related to experience and education factor, as well as personal factor gained through financial education and promotion, giving impact to the financial literacy of an investor. Aren and Asitye (2016) states that risk perception of an investor is influenced by financial literacy and gender, and, therefore, financial literacy and risk perception are very important for an investor while taking investment risk. Financial literacy will be better if an investor gets sufficient financial education, information, as well as experience to help them make the right decision on investment. Awais, (2016); Yoshino Dan Wignaraja (2015) states that financial education and promotion are able to increase financial literacy, as well as changing people's risk perception to invest in stock at capital market. However, a research carried out by Purohit *et al.* (2015) gives different result. It is stated that some efforts conducted in India to promote financial literacy have not been effective yet, and this condition does not change people's perception and behavior on investment. Another research, which is performed by Berg and Zia (2013), states that emotional involvement—that likely may influence one's perception—will play a role to motivate people while running the marketing activity for selling products, including investment product considered as the difficult one; the risk and return are directly proportional, meaning that high return will come with high risk as well, and vice versa. Additionally, the result of research done by Cohen and Nelson (2011) supports Berg and Zia by stating that financial education can increase good behavior, value, and trust to help making the right decision on investment for long-term security.

## 5. Conclusions and suggestions

### 5.1. Conclusions

1. Financial education and promotion performed by investment galleries, along with universities, influence significantly towards risk perception of students as investors at investment galleries in Medan and Aceh.
2. Promotion gives much influence towards risk perception of students who play a role as investors at investment galleries in Medan and Aceh.
3. Promotion gives significant influence towards students' risk perception more than financial education.
4. Level of risk perception on investment in stock at capital market in Aceh is better than that in Medan despite the high level of promotion performed in Medan.
5. Investment galleries at universities in Aceh use personal approach by following the current style of the students. That way, the students will be more interested in understanding more about investment in stock, or even they can be more eager to learn to be a good investor. The students feel a good atmosphere of café, where they can meet and discuss with friends. As a result, they will be more relaxed while the promotion and education run.

### 5.2. Suggestions

Right and effective strategy and method will maximally change students' perception into a positive thought that investment in stock at capital market is not as scary as they think. Promotion and education must be attractive, imitating the current students' style and trend. That way, students will be interested in searching for information, improving financial knowledge, and making investment as their current trend. Additionally, such activity should be performed to keep the positive thought about risk perception, so they will stay being active investors at capital market. This will create positive behavior and habit in managing personal finance for a better future.



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