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The Effect of Financial Literacy on Investment Interest with Financial Awareness as a Mediating Variable Among Students at Padang State University

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Abstract: *This study examines the role of financial awareness as a mediating variable in the relationship between financial literacy and investment interest among students of the Faculty of Economics, Padang State University. A quantitative approach was used with path analysis techniques to test the direct and indirect effects between variables. A sample of 344 students was selected using proportional random sampling from a total population of 31,425 students. Data collection was conducted using a Likert scale questionnaire and analyzed using SPSS version 25. The results showed that financial literacy had a positive and significant direct effect on investment interest. Financial awareness also significantly influenced students' investment interest. In addition, financial awareness was proven to play a role as a mediating variable in the relationship between financial literacy and investment interest, as indicated by the Sobel test with a significance value below 0.05. The total contribution of financial literacy and financial awareness in explaining variations in investment interest reached 90.71%. However, this figure needs to be understood carefully so as not to give an exaggerated impression of the model's strength. More than just statistical results, these findings reveal that students with high levels of financial literacy tend to have stronger financial awareness, which simultaneously shapes positive mindsets and attitudes toward investment. This shows that financial understanding not only plays a role as technical knowledge, but also as a psychological and behavioral foundation for wise financial decision-making. The practical implications of these findings emphasize the importance of strengthening financial literacy education programs and increasing financial awareness from an early age, both through academic curricula and external training. These efforts are expected to encourage students to become smart, rational young investors who are prepared to face risks in an informed manner.*

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INTRODUCTION

Investment interest among students is an important behavioral aspect that reflects their readiness to manage personal finances and face future economic challenges. In the modern financial era, the increasing availability of digital investment platforms requires individuals to not only have financial knowledge, but also financial awareness to make rational and responsible investment decisions. According to Lusardi and Mitchell (2011), financial literacy is the ability to understand and apply basic financial concepts such as saving, budgeting, and investing for better financial decision-making. However, various surveys in Indonesia, including those conducted by OJK (2023), show that even though access to financial information is increasing, student participation in investment activities remains relatively low.

Ghimire & Dahal (2024) and Jain (2024) emphasize that psychological factors such as financial awareness are increasingly recognized as key elements in bridging literacy with actual investment behavior. Research by Pahlevi & Nashrullah (2021) also shows that financially aware individuals are better able to develop long-term plans and manage investment risks more effectively. These findings confirm that cognitive ability (financial literacy) alone is not enough—financial awareness is needed as a driver of healthy financial behavior.

Several previous studies, such as Marbun (2019) and Wulandari (2021), show that financial literacy has a positive impact on investment interest. However, knowledge alone does not always guarantee behavioral change. Many students with high financial literacy still show low interest in investing due to limited financial awareness, fear of loss, and lack of long-term financial planning (Sina, 2018). Financial awareness, as described by Chen and Volpe (1998), refers to an individual's awareness of the importance of managing finances wisely to achieve financial stability and investment goals. This awareness serves as a psychological bridge between knowledge and actual financial behavior.

The research gap found is that most previous studies only explored the direct relationship between financial literacy and investment interest, without considering the internal mechanisms that enable knowledge to translate into intentions and actual actions. This is where the theoretical contribution of this study lies: by introducing financial awareness as a mediating variable, this study delves deeper into how students' financial understanding translates into investment behavior through cognitive and self-regulatory aspects.

This study aims to: (1) analyze the effect of financial literacy on financial awareness, (2) analyze the effect of financial awareness on investment interest, (3) analyze the effect of financial literacy on investment interest, and (4) analyze the mediating role of financial awareness in the relationship between financial literacy and investment interest among students of the Faculty of Economics, Padang State University.

The main uniqueness of this study lies in its focus on financial awareness as a link between financial literacy and investment interest. By placing awareness as a mediating variable, this study not only offers a more holistic approach to understanding student financial behavior but also provides new empirical contributions to the behavioral finance literature in Indonesia, particularly in the context of the younger generation as future investors.

REVIEW OF RELATED LITERATURE

Interest in investing is a psychological drive within individuals to invest funds to obtain future profits. Based on the Theory of Planned Behavior (TPB) proposed by Ajzen (1991), a person's interest in investing is influenced by their attitude towards behavior, subjective norms, and perceived behavioral control. Individuals who have a positive attitude toward investment, receive social support, and feel capable of controlling their financial decisions tend to have a high interest in investing. According to Marbun (2019), interest in investing is reflected in the desire to understand various types of investments, the willingness to spend time learning about investments, and the desire to try investing directly. This is reinforced by Malik's (2017) findings, which state that risk, income level, motivation, and financial knowledge are important factors that influence a person's interest in investing.

Financial awareness is an individual's ability to understand and manage their personal financial condition wisely, including planning, controlling, and making responsible financial decisions. According to Ghimire and Dahal (2024), financial awareness is an important foundation in helping individuals make rational and welfare-oriented financial decisions. Individuals with high financial awareness are able to distinguish between needs and wants, control their spending, and prepare emergency funds and long-term investments. Aji (2021) adds that factors such as financial education, personal experience, social environment, and consumptive lifestyle also influence a person's level of financial awareness. According to Ghimire and Dahal (2024), indicators of financial awareness include personal financial planning, income and expenditure management, risk preparedness, and confidence in making financial decisions.

Financial literacy plays an important role in helping individuals understand the concepts, products, and financial risks they face in their daily lives. Remund (2010) defines financial literacy as an individual's ability to manage their financial resources effectively through understanding, skills, and confidence in making economic decisions. The OECD (2020) emphasizes that financial literacy is not only related to theoretical knowledge but also involves practical skills in planning, managing, and monitoring the efficient use of money. According to Setiawan and Soetiono (2018), financial literacy indicators consist of financial knowledge, financial behavior, and financial attitudes. Meanwhile, Seroy (2025) found that factors such as gender, age, education, and financial experience influence a person's level of financial literacy. Individuals with high financial literacy tend to be better prepared to face economic challenges and make rational investment decisions.

The relationship between these three variables shows a strong and mutually influential correlation. Financial literacy has been proven to have a positive effect on investment interest because financial knowledge improves an individual's ability to assess investment risks and opportunities (Sidik, 2021). Gupta (2018) also explains that financial literacy affects financial awareness, whereby individuals who understand finance well will be more aware of their personal financial condition. Jain (2024) adds that financial awareness plays an important role in shaping wise investment behavior, because financially aware individuals will be more rational and planned in making investment decisions. In addition, Zarkasih's (2025) research found that financial awareness mediates the relationship between financial literacy and interest in investing. This means that the higher a person's financial literacy, the greater their financial awareness, which ultimately encourages an increased interest in investing.

Based on this description, it can be concluded that financial literacy plays an important role in increasing financial awareness, and ultimately encourages students to invest consciously, systematically, and responsibly. Thus, financial literacy and financial awareness are the main factors that shape wise investment behavior in the younger generation, especially students.

RESEARCH METHOD

This study uses an associative quantitative approach with the aim of examining the relationship between financial literacy and investment interest, as well as analyzing the mediating role of financial awareness in this relationship. This approach allows for the measurement of direct and indirect effects between variables through inferential statistical techniques, particularly path analysis, which is the core model in this study (Creswell, 2018).

The research was conducted on students at Padang State University with a population covering all undergraduate students from the 2021 to 2024 cohorts, totaling 31,425 people. The sampling technique used proportional random sampling to ensure proportional representation of each cohort. The sample size of 344 respondents was determined based on the sample size determination table from Isaac and Michael (1995).

The main instrument in this study was a closed-ended questionnaire based on a Likert scale (1–5) designed to measure three main variables: Financial Literacy (X): measured through aspects of financial knowledge, behavior, and attitudes. Financial Awareness (M): includes planning, expenditure management, risk preparedness, and decision-making confidence. Investment Interest (Y): includes the desire to understand investments, readiness to try, and active involvement. The validity and reliability of the instrument have been tested previously through content validity testing and Cronbach's Alpha reliability coefficient analysis.

The data were analyzed in three stages: (1) Descriptive statistics, to describe the characteristics of the respondents and the distribution of data. (2) Correlation analysis, to see the relationship between variables in general. (3) Path analysis, as the main method, was used to measure the direct and indirect effects between the independent variable (financial literacy), the mediating variable (financial awareness), and the dependent variable (investment interest). The analysis was conducted using SPSS software version 25. The use of path analysis allowed for the exploration of psychological mechanisms that link cognitive financial knowledge with investment interest, through the mediation process of financial awareness as a factor that regulates and directs student behavior.

RESULTS AND DISCUSSION

Classical Assumption Test Normality Test (Kolmogorov–Smirnov): Sig = 0.200 → Data is normally distributed. Multicollinearity Test: VIF values < 10 → No multicollinearity.

Table 1. CLASSICAL ASSUMPTIONS TEST RESULTS

Test	Value	Interpretation
Kolmogorov–Smirnov	0.200	Normal distribution
VIF (Financial Literacy)	4,853	No multicollinearity
VIF (Financial Awareness)	4,853	No multicollinearity

Regression Analysis

Model 1: Financial Literacy → Financial Awareness Interest

$\beta = 0.891$ p-value = 0.000 (Significant)

Model 2: Financial Literacy → Investment

$\beta = 0.524$ p-value = 0.000 (Significant)

: Financial Awareness → Investment

$\beta = 0.430$ p-value = 0.000 (Significant)

Mediation Test (Sobel)

Table 2. SOBEL TEST RESULT

Input:			Test statistic:	Std. Error:	*p*-value:
a	0.795	Sobel test:	9.45086236	0.03953607	0
b	0.470	Aroian test:	9.44749298	0.03955017	0
s_a	0.022	Goodman test:	9.45423535	0.03952197	0
s_b	0.048	Reset all	Calculate		

Based on the table above, the Sobel test value is recorded at 9.450 with a significance level of 0.039, which is less than 0.05. It can be concluded that the proposed mediating variable is proven to serve as a bridge in the relationship between the independent variable and the dependent variable. The results of the Sobel test indicate that the financial attitude variable has a significant effect in mediating the relationship between the dependent and independent variables.

1. The Effect of Financial Literacy on Investment Interest

The analysis results indicate that financial literacy has a positive and significant effect on students' investment interest (coefficient = 0.524; sig. 0.000 < 0.05). This means that approximately 52.4% of the variation in investment interest is influenced by the level of financial literacy. Students with better financial understanding tend to be more aware of the benefits of investing and are more capable of assessing risks wisely. These findings are consistent with Zulvikri and Amani (2022), who stated that financial knowledge encourages individuals to become more active investors.

2. The Effect of Financial Literacy on Financial Awareness

Path analysis shows that financial literacy has a very strong influence on financial awareness (coefficient = 0.891; sig. 0.000 < 0.05). This finding suggests that students with higher levels of financial literacy generally have better-developed financial awareness. Financial literacy not only provides knowledge but also enhances confidence and positive attitudes in managing personal finances (Gupta et al., 2018; Ghimire & Dahal, 2024). Thus, financial literacy serves as an essential foundation for fostering students' financial awareness.

3. The Effect of Financial Awareness on Investment Interest

Financial awareness has a positive and significant effect on students' investment interest (coefficient = 0.430; sig. 0.000 < 0.05). This implies that 43% of the variation in investment interest can be explained by the level of financial awareness. Students with high financial awareness are better able to assess investment risks and returns and are more likely to diversify their portfolios (Ghimire & Dahal, 2024). This result is supported by Jain et al. (2024), who highlighted that financial awareness strengthens confidence in making investment decisions, including those influenced by social media and online financial communities.

4. The Mediating Role of Financial Awareness in the Relationship between Financial Literacy and Investment Interest

The Sobel test results indicate that financial awareness significantly mediates the relationship between financial literacy and investment interest (value = 9.450; sig. 0.039 < 0.05). This suggests that financial literacy influences investment interest not only directly but also indirectly through increased financial awareness. Students with higher financial knowledge tend to be more financially conscious, confident, and prepared to make investment decisions (Suryanto, 2018; Zarkasih et al., 2025). Therefore, financial awareness acts as a psychological bridge that strengthens the link between financial knowledge and students' investment behavior.

However, this study is not without limitations. The sample was confined to students from a single public university, which may limit the generalizability of the results. In addition, self-reported data may be influenced by social desirability bias or misinterpretation of questions.

Practically, these findings highlight the importance of integrating financial literacy programs within academic curricula, not just as isolated courses but as holistic education that cultivates awareness, behavior, and motivation.

CONCLUSION

This study reveals that students' knowledge of financial matters plays a significant role in shaping their interest in investing. When individuals understand how to manage their finances, assess risks, and navigate various investment instruments, making investment decisions becomes less intimidating and more of a logical step toward securing their future.

However, financial knowledge alone is not enough. Students who are fully aware of the importance of managing their finances who recognize that every financial decision made today will impact tomorrow are more likely to take real action. They don't just save money; they begin to consider how to make that money grow and work for them. This is where financial awareness acts as a crucial bridge between knowing and doing.

Interestingly, the findings also show that financial awareness strengthens the relationship between financial literacy and investment interest. In other words, when students are both knowledgeable and financially conscious, their motivation to invest becomes significantly stronger than if they possessed only one of those traits.

These results highlight the importance of building both financial knowledge and awareness simultaneously. By doing so, we can help shape a generation that not only understands financial concepts but also takes proactive steps toward financial independence. Universities and educational institutions are encouraged to go beyond theory and offer learning experiences that enhance students' practical financial insight and decision-making skills.

Looking ahead, future research could explore other potential factors that influence investment interest, such as risk perception, peer influence, or exposure to financial information through digital platforms. These aspects may provide a more holistic view of how investment interest develops among today's youth.

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