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Inflation as a Trigger for Changes in Financial Behaviour People Shift from Saving to Investing

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ABSTRACT

Investment is a financial strategy chosen by individuals to preserve and grow wealth. In recent years, investment activity in Indonesia has increased amid a downward trend in inflation. This reflects a shift in financial behaviour, where inflation is no longer seen solely as a threat but also as a driver for moving from saving to investing. As people become aware of inflation's impact on purchasing power, they increasingly allocate funds to more profitable investment instruments. This study uses a behavioural finance approach and macroeconomic data from 2019 to 2024 to illustrate the pattern. The analysis shows that declining inflation, along with rising financial literacy, has significantly contributed to investment growth.

Keywords: Investment, Inflation, Savings, Financial Behaviour, Financial Literacy

INTRODUCTION

Investment is the activity of investing funds or assets with the expectation of obtaining profits in the future. In the world of economics, investment is not only carried out by large companies but also plays an important role in individual financial management. According to Tandelilin (2010), investment is a commitment of a certain amount of funds or other resources made at the present time, with the aim of obtaining profits in the future. A person's decision to invest usually involves various considerations, including risk, expected returns, and economic conditions that affect the future value of assets.

A person's interest in investing can be influenced by various factors such as income level, understanding of financial instruments, long-term financial goals, and macroeconomic conditions, including inflation and interest rates. Inflation itself is defined as a tendency for prices of goods and services to rise generally and continuously over a certain period of time (Nopirin, 2008). The price increase causes the value of money to decline, thereby impacting people's purchasing power. In this context, people who realize that saving wealth in the form of savings can be eroded by inflation may seek other alternatives, such as investing. From a financial behaviour perspective, individual financial decisions are also influenced by perceptions, emotions, and past economic experiences (Shefrin, 2002), including how they respond to the threat of inflation to their wealth.

Inflation has a dual effect on investment decisions. On the one hand, high inflation tends to cause economic uncertainty, which can reduce people's interest in investing. When inflation rates rise, concerns about declining returns on capital also increase, causing investors and creditors to be more cautious. Siregar (2016) shows that this condition can trigger uncertainty between creditors and debtors, which ultimately suppresses investment activity in various sectors. On the other hand, inflation can also encourage changes in individual financial behaviour, especially for those who are financially aware. People who understand that inflation can erode the purchasing power of money in savings begin to look for more adaptive financial management alternatives, one of which is through investment. This view is in line with the behavioural finance approach, which emphasizes that individual financial decisions are not solely based on economic rationality, but are also influenced by perceptions, experiences, and psychological reactions to changing economic conditions.

The change in people's mindset in dealing with inflationary pressures has been reinforced by increased financial literacy. The improvement in financial literacy among Indonesians in recent years also shows a shift in understanding and attitudes towards financial management.

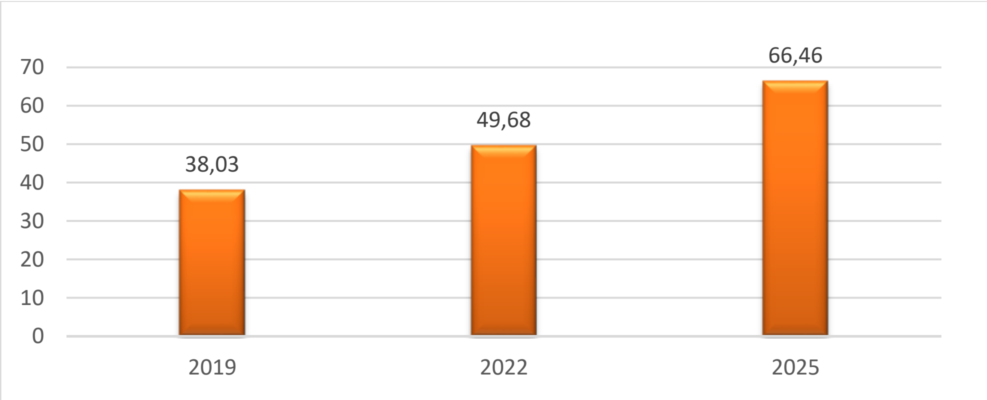

Fig. 1. National Financial Literacy Index Data
Source: Financial Services Authority

Based on data from the Financial Services Authority, the national financial literacy index increased from 38.03 percent in 2019 to 49.68 percent in 2022 and is projected to reach 66.46 percent in 2025. This trend indicates that more people understand the importance of choosing financial instruments that can protect the value of money, including in the face of inflation.

Based on the above description, the research question examined in this study is how the relationship between inflation and community investment growth is influenced by changes in financial behaviour. This study aims to examine the relationship between inflation and investment growth as a response to economic pressures, particularly in terms of shifts in financial behaviour from saving to investing. Through a behavioural finance approach, this study is expected to broaden the understanding of how individuals adjust their wealth management strategies in the face of inflation dynamics, as well as contribute to the development of literature on the relationship between macroeconomic factors and financial decision-making. An economic model like this would be one model of the economy that characterized the economy of the islands so in the hope that it is able to improve the mobility of factors of production and become a mainstay of the economy to spur the development of the region (Esther Kembauw, et al. 2018).

LITERATURE REVIEW

Studies on the impact of inflation on investment decisions have been the focus of many researchers from various backgrounds. Turdialiyev and Khujamurotov (2025) state that inflation can encourage investors to change their investment strategies in anticipation of economic uncertainty. This strategy is generally carried out by diversifying assets to protect against currency depreciation. Tiwari and Rehman (2025) also reveal that in India, inflation plays a role in encouraging individuals to choose investment instruments that can provide higher returns than the inflation rate, such as stocks and property, as an alternative to conventional money saving.

Meanwhile, Gajdzik et al. (2024) expand on this discussion by showing how the global energy crisis can drive efficiency and shifts in investment direction, indicating that external pressures can change capital allocation behaviour in the long term. In Indonesia, Syaikhu and Haryati (2017) found that although statistically the effect of inflation on investment is not significant, the correlation remains positive. This finding signals that people continue to show interest in investing even when inflation fluctuates. From a financial behaviour perspective, Shefrin (2000) emphasizes that individual investment decisions are often influenced by psychological factors such as risk perception and personal experience. Therefore, individuals who are financially aware tend to recognize the risk of inflation on the value of money and prefer to invest to maintain their purchasing power.

Based on these five studies, it can be concluded that there are still limitations in explaining in detail the changes in people's financial behaviour due to inflation, especially in the Indonesian context. Most studies focus on investment strategies or macro statistical correlations without directly linking them to the dynamics of individual behaviour. This study attempts to fill this gap by combining a macro data approach through analysis of inflation trends and national investment with a perspective on public financial behaviour. This approach allows for a more comprehensive understanding of how inflationary pressures can encourage people to shift from saving to investing, especially amid increasing financial literacy. Therefore, this study occupies a strategic position by expanding the approach to the individual level and enriching the understanding of the dynamics of financial decision-making amid inflationary pressures. The development of the agricultural sector is one of the key strategies in driving economic growth in the future (Esther et al., 2015).

RESEARCH METHODOLOGY

This study uses a descriptive quantitative approach to explain the relationship between inflation rates and community investment growth in the context of changing financial behaviour. This design allows researchers to systematically analyze numerical data to identify patterns of relationships and shifts in financial behaviour in response to inflationary pressures.

Type of Research and Research Subjects/Objects

This research is descriptive quantitative in nature. The object of this study is national macroeconomic data in the form of inflation rates and growth in Indonesian public investment during the 2019–2024 period. This study does not use human subjects as respondents but relies on publicly available secondary data from official state institutions. The purpose of the study is to examine how changes in these two indicators reflect the dynamics of Indonesian public financial behaviour.

Data Collection Techniques and Instruments

The data collection technique used is documentation, which involves compiling secondary data from various official sources. The main instruments are annual reports, statistical publications, and financial literacy survey results. Inflation rate data is obtained from the Central Statistics Agency (BPS) and Bank Indonesia (BI). Meanwhile, investment realization data is compiled from reports from the Ministry of Investment and BPS. National financial literacy index data was obtained from official publications of the Financial Services Authority (OJK).

Research Variables

This study consists of three variables, namely:

- Independent variable (X): Annual inflation rate, measured in percent (%), which reflects economic pressure due to increases in the prices of goods and services.
- Dependent variable (Y): Growth in public investment, measured in billions of rupiah based on annual investment realization data.
- Contextual variable: Community financial literacy level, used as an additional explanation in understanding changes in financial behaviour patterns from saving to investing.

Data Analysis Techniques

Data analysis was conducted using quantitative descriptive methods. The first step was to describe trends in inflation and investment from year to year using graphs and tables. Then, a relationship analysis was conducted to see the extent to which inflation affects fluctuations in public investment. If necessary, simple regression analysis can also be used to determine the direction and strength of the relationship between inflation and investment.

Research Design

The following is a research flowchart that explains the research stages systematically:

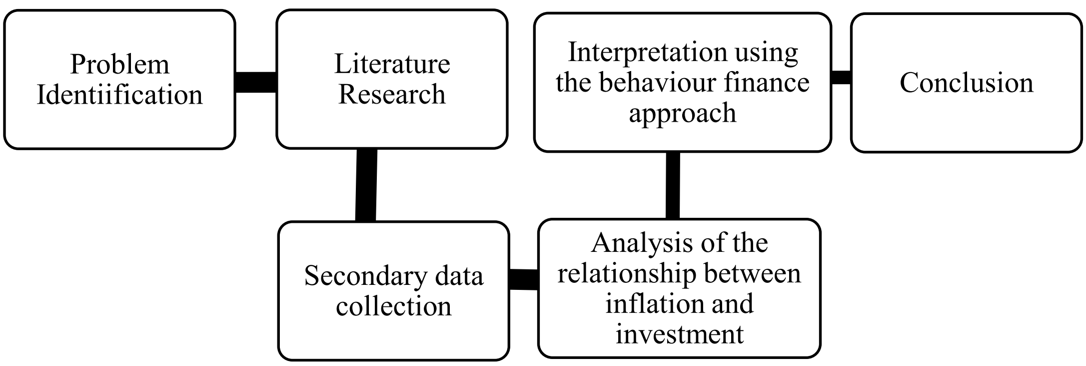

Fig. 2. Research stages

Through this method, it is hoped that the study can fully explain how inflation affects the financial behaviour of Indonesians and identify the potential shift from saving to investing.

RESULT

This study provides a comprehensive overview of inflation growth, savings and investment growth, and the increase in the number of investors in Indonesia during the period from 2019 to 2024. Data collected from various official sources such as Bank Indonesia, BPS, and KSEI was used to identify patterns that emerged in people's financial behavior. The data presented includes:

Table 1. National inflation growth from 2019 to 2024 (Bank Indonesia)

Year	Inflation (%)	Growth (%)
2019	1,96	-
2020	1,33	-32,14%
2021	4,35	227,06%
2022	3,52	-23,57%
2023	2,51	-40,23%
2024	1,87	-34,22%

From the table above, it can be seen that the inflation rate has fluctuated, with a significant spike in 2021 and a downward trend in the last three years. This indicates relatively stable economic conditions after the pandemic, which has had an impact on the public's perception of the value of money.

Table 2. Savings and investment amounts for 2019-2024 (Bank Indonesia and BPS)

Year	Total Saving (Billions of Rupiah)	Growth (%)	Investment (Billions of Rupiah)	Growth (%)
2019	1.968.854,6	-	831.073,2	-
2020	2.196.025,4	11,55	845.601,3	1,75
2021	2.454.070	11,76	907.613,2	7,34
2022	2.637.473,9	7,47	1.253.745,4	38,11
2023	2.691.260,9	2,04	1.466.890,3	17,0
2024	2.793.723	3,80	1.765.064,8	20,32

Based on the data above, savings growth tends to be stable but slows down from year to year. Meanwhile, investment shows a significant surge, especially in 2022 and 2024, indicating public interest in more aggressive fund management alternatives.

Table 3. Investor Growth by Instrument Type (SID) 2019–2024 (KSEI)

Single Investor Identification (SID)	**Investor growth**					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**
Stock Market	53,41	56,21	92,99	37,68	18,01	22,22
Mutual Fund	78,25	78,95	115,41	40,41	18,87	22,92
Share & other security	29,61	53,47	103,6	28,64	18,37	21,42
Government Securities	61,96	45,57	32,75	36,05	20,60	19,56

This table indicates that public interest in becoming an investor is increasing, even though the growth rate has declined year on year. A sharp spike occurred during the pandemic (2020–2021), which marked a turning point in public awareness to seek alternatives to saving

DISCUSSION

Based on the data presented in Chapter IV, national inflation shows a downward trend from 2019 to 2024. In 2019, inflation stood at 1.96% and fluctuated downward to reach 1.87% in 2024. Meanwhile, investment values showed a significant increase during the same period, from IDR 831,073.2 billion in 2019 to IDR 1,765,064.8 billion in 2024, with a total growth of 112.37%. This condition shows a pattern that when inflation is low or declining, investment activity experiences strong growth. In the context of classical macroeconomic theory, low inflation tends to create price stability and increase investor confidence because the risk of a decline in the real value of investments becomes smaller. However, from a behavioural finance perspective, this phenomenon can also be explained by an increase in public awareness of the impact of inflation on the value of money saved in the form of savings.

The data also shows that although household savings continue to grow year on year, the growth rate tends to be lower than that of investment. From 2019 to 2024, total national savings growth only reached 41.89%, far below investment growth, which reached 112.37% in the same period. This indicates a shift in people's financial behaviour from simply saving money in banks to allocating it in the form of investment instruments. This shift is in line with the increase in public financial literacy. Data from the Financial Services Authority shows an increase in the financial literacy index from 38.03% in 2019 to 49.68% in 2022 and is projected to reach 66.46% in 2025. With a growing understanding of financial products and the risks of inflation, people have become more aware that long-term savings can lead to a decline in the real value of their wealth. Therefore, investment is now being chosen as a strategy to protect and increase the value of assets.

The growth in the number of investors also supports indications of changes in people's financial behaviour. Based on KSEI data, the number of capital market investors has increased every year, whether in the form of mutual funds, stocks, or government securities. The highest increase occurred in 2021, indicating that people are becoming more active in accessing financial instruments that are more complex than conventional savings. This growth in investors can be used as an indicator that more individuals are not only aware of the risks of inflation but are also beginning to respond to it in a more strategic way, namely by investing. From a behavioural finance perspective, this phenomenon reflects a change in risk perception and profit expectations, where individuals dare to make financial decisions that were previously considered risky because they have better information and understanding.

The phenomenon found in this data enriches the existing literature on the relationship between inflation and investment. Although most previous studies assume that high inflation will reduce investment, this study shows that low inflation encourages people to shift funds from savings to investment. This shows that not all people are passive towards inflation; on the contrary, most adapt through more effective financial allocation strategies. Thus, the behavioural finance approach is relevant in explaining this pattern. People do not merely follow classical rational economic principles, but also consider perceptions, information, and fears of inflation in making investment decisions. This study shows that economic pressures such as inflation are not only obstacles but also triggers for progressive financial behaviour adaptation.

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CONCLUSION

This study shows that between 2019 and 2024, there will be a decline in national inflation accompanied by a significant increase in public investment, while savings growth is likely to slow down. This data indicates a shift in people's financial behaviour from a habit of saving to a preference for investing. This phenomenon can be explained through a behavioural finance approach, whereby people who are increasingly aware of the impact of inflation on the real value of money tend to seek more profitable financial management alternatives. Improvements in financial literacy and growth in the number of investors reinforce this finding, showing that economic pressures such as inflation are not only seen as a threat but also as a trigger for more strategic financial behaviour adaptation. Thus, inflation in certain contexts can encourage increased investment through changes in people's attitudes toward wealth management.

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