

# The investment decision on generation Z in Capital Market

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**ABSTRACT**

Technological developments are felt in all fields, one of which is the economic sector. Technology is currently a necessity, especially for Gen Z. Starting from waking up until going to sleep, Gen Z always needs technology. Increasingly sophisticated technology provides many conveniences for Gen Z in activities, one of which is investing. Investment policies made by investors are supported by the ease of information they obtain from current technological developments. This research was conducted to determine the factors that influence investment interest in Gen Z. The methodology in this research is quantitative descriptive, in collecting data the author distributed questionnaires to all respondents. The results obtained from this research prove that financial literacy, risk perception and return expectations have a positive influence on Gen Z investment interest in the capital market.

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**1. Introduction**

Investment is an activity to manage current finances to gain profits or returns in the future (Subaida & Hakiki, 2021). Current technological developments have also changed the way people invest. This can be seen by choosing a digital platform for investment activities, such as using Bibit, Ajaib, Poems and other platforms registered and supervised by the OJK. This investment platform offers various conveniences that investors can obtain, including features that display various complete information regarding instruments that are bought and sold in the capital market. Just using a mobile device, an investor can make transactions in the capital market. (Hikmah & Rustam, 2020). A person's goal in carrying out investment activities is to obtain dividends and capital gains.

It is important to make investment decisions considering the various risks that will be faced. There are various things that must be considered before investing (Bai et al., 2020). The number of investors in Indonesia from January 2022 to July 2023 will experience a significant increase. The total number of investors in the Capital Market was 11.58 million investors as of August 2023. This number has increased by 21.38% from the previous year, this data was explained by the Indonesian Central Securities Depository (KSEI).

Millennials and Gen Z dominate the number of investors in Indonesia. These two generations dominate the use of social media, electronics and gadgets, which are factors that make investing activities easier (Toto & Kartika, 2022). Gen Z has a willingness to invest through digital platforms. However, they are still considering various things that could pose risks in their investment activities (Nur Ismail et al., 2021). This is proven by data shown by the Indonesian Central Securities Depository (KSEI) which states that 58.39% are

aged 30 years and under. This explains that the millennial generation and Gen Z dominate investors in the capital market.

This trend of the younger generation investing is good news, because it shows awareness of the importance of investing from an early age. However, many novice investors still do not properly understand the flow and SOPs for investment activities in the capital market and the risks they will accept.(Hikmah & Rustam, 2020)Therefore, knowledge related to investment is the foundation that prospective investors must know, so that the actions taken when investing can produce profits in accordance with their expectations.(Pangestika & Rusliati, 2019). What is done so that investors are not deceived by unreasonable investments or what is called gambling, is that investors must have basic knowledge about the investment they are going to make.(S & Aisyah, 2023).

Another factor that influences investment interest among potential investors is the perception of risk that will be accepted. Not all investors are people who can face the risks they accept. Some people don't like investing because of the risks they receive from these activities. Apart from bringing in profits, investment activities certainly have risks that must be borne by the investor(Hikmah & Rustam, 2020).

In addition, the level of profit expected by investors is what investors consider when making investment decisions, because from these activities, investors expect profits commensurate with what they sacrifice when investing.(Tanuwijaya & Setyawan, 2021). The greater the profit obtained by the investor, the more motivated the investor is to invest(Tandio, 2016).

In order to conduct investigation The analysis conducted by GAP centers on the comprehension of generation Z's financial literacy with regard to investment making. It does so by considering the level of risk tolerance that can be tolerated in light of the potential repercussions of investing, as opposed to solely emphasizing the optimal return during the capital market investment process. Theoretical research implications include understanding the evolution of mathematical or conceptual frameworks that incorporate the determinants that impact Generation Z's capital market investment decisions. In addition to its practical implications for research, financial education and literacy hold significant importance for Generation Z. This may inspire the creation of programs promoting financial literacy. This may stimulate the creation of financial education initiatives that are more pertinent and efficacious for Generation Z as it pertains to capital market investing.

## 2. Research Method

This All students at the Telkom Purwokerto Institute of Technology are the population in this study. Random sampling was used to select samples in this research. Where every element of the population has the opportunity to be sampled in research (Hardani, et all, 2020). Using Cochran's formula:

$$n = \frac{Z^2 pq}{e^2}$$

$$n = \frac{1,96^2 (0,5)(0,5)}{0,1^2} = 96,04$$

Based on the sample calculations above, the sample obtained in this study was 96.04 or rounded up to 100 respondents.

### 2.1. Capital market

The capital market is a place that facilitates the buying and selling of financial instruments by issuers. The capital market is also referred to as a market used for long-term financial instruments that can be bought and sold (Husnan, 2010:1). The capital market is a market where long-term financial instruments are bought and sold (Harjito, 2010:359).

### 2.2. Generation Z

Today's Generation Z has easy access to various financial institutions. This generation is exposed to external factors such as globalization, foreign investment and technological developments. These factors have an influence on the character formation and behavior of Gen Z(Luntung et al., 2014). Generation Z grew up with existing technological developments so they are faster at learning technology, including

technology in the financial sector. In investment activities, this generation only needs to access all the information they need on the internet from the devices they own.

### 2.3. Financial Literacy

A person's skill in understanding financial information and their skills in implementing it are called financial literacy (Ramalho & Forte, 2019). Financial literacy is also defined as the knowledge and expertise a person has in making decisions related to that person's financial resources (Taufiqoh et al., 2019). The percentage of understanding of financial literacy that a person has will influence them in taking an attitude that has the idea that profits can be obtained from investment activities so that the more investors have a good level of financial literacy, the more investors will do so in making investments by considering various things that they will face.

Financial literacy is said to be knowledge that a person must have, because it can increase prosperity and financial behavior, therefore people who have good financial literacy will mature in their financial planning activities in the future (Hikmah & Rustam, 2020). The rational thinking possessed by investors can be reflected when they make investment decisions, financial literacy is used as the foundation for making investment decisions (Deviyanti et al, 2017).

**H1: Financial literacy has a positive effect on Gen Z's investment interest in the Capital Market.**

### 2.4. Risk Perception

The difference between the results obtained and what we sacrifice is an understanding of investment risk (Tandelilin, 2017). No investor likes risk. The only difference is how willing investors are to accept this risk. There are types of investors who can accept low risk, there are also those who accept medium risk, and there are also investors who dare to accept high risk. A person's behavior in acting is determined by an intention and perception of control, this is based on the theory of planned behavior proposed by Ajzen. So, before someone makes an investment decision, that person will first think carefully about what risks they might accept, whether low risk or high risk. Risk is an important thing to take into account in investing activities.

Risk perception has a positive impact on a person's investment interest, because the person who will make an investment will definitely consider or estimate the risks or things that can be detrimental and that will provide profits in the future (Hikmah & Rustam, 2020). The higher the risk accepted by investors in their investment activities, the higher the investor's interest in carrying out investment activities (Malik, 2017).

**H2: Risk Perception has a positive influence on Gen Z's investment interest in the Capital Market.**

### 2.5. Return Expectations

Optimal returns are expected by an investor when they invest in the capital market. Good knowledge about the returns and risks a person has when investing will result in the right decision (Malik, 2017). Each investor's preferences in investing are closely related to the investor's assessment of the risks and returns they will get (Trisnatio & Pustikaningsih, 2017). Risk and return must be considered and analyzed before starting an investment so that investors get the results they expect.

There are three foundations in investment that can be used as a basis for each investor's policy, namely: expected returns, level of investment risk and the relationship between returns and risk (Sukamulja, 2017). Therefore, expected returns have a positive impact on a person's investment interest (Trisnatio & Pustikaningsih, 2017).

**H3: Return expectations have a positive influence on Gen Z's investment interest in the capital market.**

### 2.6. Research Framework

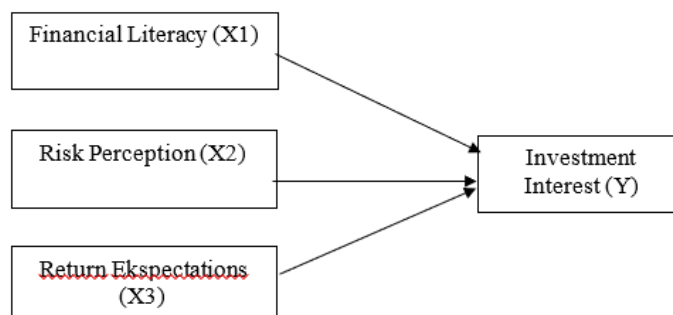


Figure 3. Framework

### 3. Results And Discussions

#### Outer Model Evaluation

Outer model evaluation is carried out to determine the validity or reliability value of a research model. This outer model uses reflective indicators evaluated through the convergent and discriminant validity of the indicators that form the latent construct and composite reliability as well as Cronbach Alpha for the indicator block (Ghozali, 2015: 73).

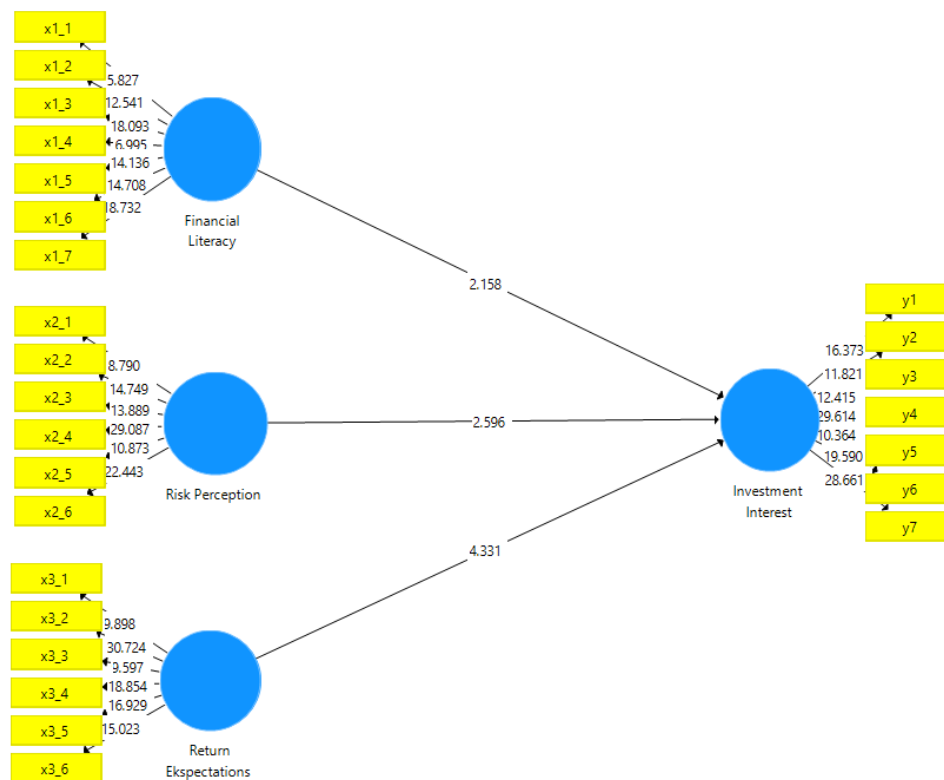


Figure 4. Outer Loading Value

#### Composite Reability and Cronbach's Alpha

This test was carried out to validate the accuracy, consistency and appropriate instrument for measuring the construct (Ghozali, 2015).

**Table 1. Composite Reability and Cronbach's Alpha**

Variables	Cronbach's Alpha	Composite Reliability	Information
Investment Interest (Y)	0.893	0.916	Reliable
Financial Literacy	0.818	0.865	Reliable
Risk Perception	0.838	0.881	Reliable
Return Expectations	0.856	0.892	Reliable

#### Inner Model Evaluation

This inner model analysis is also known as model structure analysis, which aims to estimate the relationship between latent variables (Ghozali, 2015: 73). Inner model testing is used to evaluate the overall

model using analysis tools on the R-Square ( $R^2$ ) = 0.629, R Square Adjusted ( $Q^2$ ) = 0.617, and Goodness of Fit (GoF) = 0.623, the GoF value is high and the model is considered very good overall.

Correlation test between constructs using the bootstrapping method, according to latent as through the resampling process is explained as follows:

**Table 2.** Hypothesis Testing

Inner Model	Original Sample	Sample Mean (M)	Standard Deviation	T Statistics	P Values	Note
Financial Literacy → Interest in Investment	0.238	0.258	0.114	2,083	0.038	Sig.
Risk Perception → Investment Interest	0.325	0.318	0.128	2,544	0.011	Sig.
Return Expectations → Investment Interest	0.324	0.324	0.084	3,850	0,000	Sig.

#### **The Influence of Financial Literacy on Investment Interest**

Financial literacy in this research has a positive impact on Gen Z's investment interest in investing in the capital market. This means that Gen Z who have good financial literacy will grow their interest and willingness to invest, this is because information related to finance is already known completely. Financial literacy has a positive impact on investment interest among beginners in the capital market (Apriyanti & Aulia, 2023). Financial literacy also has a positive impact on a person's investment interest in the capital market because that person has the ability to understand finances and is confident in applying investment-related knowledge (Faidah, 2019). The higher a person's level of financial literacy provides an explanation that will influence better investment decision making (Grohmann, 2018).

#### **The Influence of Risk Perception on Investment Interest**

The perception of risk in this research has a positive impact on Gen Z's investment interest in investing in the capital market. Someone who has a perception of risk will certainly make that person consider first the risks and profits they will receive from the investment activities they undertake (Hikmah & Rustam, 2020). If the risk accepted is higher, it will lead to increased interest in investing (Malik, 2017). Risk perception has a positive impact on investment interest in the capital market, because before investing the investor first weighs the risks and returns he will receive from the investment activities he undertakes (Halim et al., 2022). Each person has their own risk tolerance, namely their perception of the risks they will receive from the investment activities they undertake (Frans & Handoyo, 2020).

#### **The Influence of Return Expectations on Investment Interest**

Return expectations in this research have a positive impact on Gen Z's investment interest in investing in the capital market. When making an investment, there are three things that become the basis for a person to make a decision, namely returns, level of risk, and the relationship between risk and returns received (Sukamulja, 2017). Return and risk have a linear relationship, that is, when someone invests, they will receive a high risk, then they will also receive a high return, and vice versa (Wulandari et al., 2020). The preferences of each investor in investment activities are closely related to the investor's assessment of risk and return in investment (Trisnatio & Pustikaningsih, 2017). Return expectations have a positive impact on investment interest (Raditya et al., 2014).

## **4. Conclusion**

In This research produces findings that financial literacy, risk perception and return expectations have a positive impact on Gen Z's investment interest in the capital market. The implication of this research is that the results of the analysis show that financial literacy, risk perception, and return expectations have a positive

impact on Gen Z's investment interest in the capital market, so that in reality it can be a consideration for generation Z in determining decisions to invest in the capital market. When someone invests, they hope that this activity can provide returns in accordance with investor expectations. It requires good financial literacy and good risk perception. Gen Z in carrying out their investment activities has the hope of receiving high returns so they have an interest in doing this. It is hoped that future research can include other variables that researchers have not included in this research in order to add more concrete results to the determining factors of investment decisions made by Gen Z, such as income, age and benefits from investment. The researcher also suggests that future research add to the research sample used and not only collect data through questionnaires, but also by direct interviews with respondents.

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