The Effect of Financial Literacy, Income, and Financial Behaviour on Gen-Z Investment Decisions in Bekasi Regency

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A R T I C L E I N F O	A B S T R A C T

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Investment is now a hot topic among young people, especially among Gen-Z, the youth born in 1997-2012. This research focuses on the interest of Generation Z in Bekasi Regency towards investment and their choice of investment instruments. Through a qualitative approach using questionnaires and literature studies, it was found that Gen-Z's interest in investment is very high. The research conducted on 209 Gen-Z in Bekasi Regency aims to examine the impact of financial literacy, income, and financial behaviour on their interest in investing, as well as the investment instruments they choose. The results of this study show that gold is the first choice of investment for Gen-Z at 36.8%. This is followed by land at 19.1%, mutual funds at 12%, bank deposits at 8.1%, property at 3.8%, cryptocurrencies at 3.3%, bonds and francises at 2.9%, and forex onlne trading at 1.4%. This shows that the majority of Gen-Z in Bekasi Regency prefer investments that have a low risk of loss, even if they have a small percentage of profit and take a long time. This finding shows the great potential of Gen-Z in managing finance and investment in Bekasi Regency.

A B S T R A K

Investasi kini menjadi topik hangat di kalangan muda, terutama di kalangan Gen-Z, yaitu pemuda yang lahir pada 1997-2012. Penelitian ini berfokus pada minat Generasi Z di Kabupaten Bekasi terhadap investasi dan pilihan instrumen investasi mereka. Melalui pendekatan kualitatif dengan menggunakan kuesioner dan studi pustaka, ditemukan bahwa minat Gen-Z terhadap investasi sangat tinggi. Penelitian yang dilakukan terhadap 209 Gen-Z di Kabupaten Bekasi ini bertujuan untuk menguji dampak literasi keuangan, pendapatan, dan perilaku keuangan terhadap minat mereka dalam berinvestasi, serta instrumen investasi yang mereka pilih. Hasil penelitian ini menunjukan bahwa emas menjadi pilihan pertama investasi Gen-Z sebesar 36,8%. Kemudian disusul dengan tanah sebesar 19,1%, reksadana 12%, deposito bank 8,1%, property 3,8%, mata uang digital (cryptocurrency) 3,3%, obligasi dan francise 2,9%, dan forex onlne trading 1,4%. Hal tersebut menunjukan bahwa mayoritas Gen-Z di Kabupaten Bekasi lebih memilih investasi yang memiliki risiko kerugian yang rendah, sekalipun memiliki persentase keuntungan yang kecil dan perlu waktu lama. Temuan ini menunjukkan potensi besar Gen-Z dalam mengelola keuangan dan investasi di Kabupaten Bekasi.

INTRODUCTION

In the modern era like today, there are various investment platforms that can be used as a means to invest, both in short and long periods of time, with varying levels of risk from minimal to high (Rahadi & Stevanus, 2020). Many people do not realize the significance of having financial management in their personal lives. This is due to the perception that personal financial investment planning is only relevant for individuals with high incomes.

However, there are also individuals with high incomes who do not carry out investment planning for their personal finances. Planning personal financial investments plays an important role, because it is an independent step in learning to manage finances, both for the present and the future (Pritazahara & Sriwidodo, 2015). Before starting an investment, it is important for someone to have a good financial understanding (financial literacy) so that financial decisions can be directed more clearly (Rasuma Putri & Rahyuda, 2017).

By developing an investment plan from an early age, Generation Z has the ability to reduce potential financial risks in the future, such as facing a financial crisis, an urgent need for large funds in a short time, health problems, and so on. With increasingly rapid technological advances, there are various investment methods that can be carried out both conventionally and modernly, with a range of risks ranging from low to highest (Rahadi & Stevanus, 2020). Different types or investment products offer different combinations of risk and return, such as gold, deposits, shares, mutual funds, bonds, property, business, and so on.

According to (Rasuma Putri & Rahyuda, 2017) A person chooses investment instruments based on various considerations, including knowledge, income, profit potential, and risk level. Individuals who have good financial understanding generally have more confidence in choosing from various types of investment instruments (Herawati & Dewi, 2020). In addition, with an income that exceeds the cost of living, one of which is influenced by the type of work, a person can freely choose investment instruments without worrying about lack of capital.

Increasing investment activity can be a significant driver of economic growth, as long as investments are made wisely and produce economic benefits. The benefits of investment not only have an impact at the national level, but also provide benefits to society. Someone who has made an investment can be considered an individual who has good financial understanding or is referred to as an individual with a stable income. This shows that the individual has carried out careful financial planning, enabling them to face financial uncertainty in the future and has prepared to overcome financial challenges (Herawati & Dewi, 2020).

Before deciding to invest, findings from the survey showed that respondents had taken into account various factors, including personal financial conditions, clarity of information, and the risk profile of each investment instrument. Survey data confirms that currently respondents have increased their financial awareness and literacy before engaging in investment activities. As many as 64% of respondents, who came from various age groups, had the main goal of investing to form an emergency fund. Further analysis of generational investment behavior shows that, apart from focusing on the emergency fund aspect, Gen Z

and millennials are more inclined to invest to gain additional income, while Gen (Malik, 2022).

Based on the Central Statistics Agency (BPS), generations can be grouped into six categories, namely Post Generation Z (Post Gen Z), Generation Z (Gen Z), Millennials, Generation X (Gen X), Baby Boomers, and Pre-Boomers. Post Gen Z refers to individuals born in 2013 and above. Generation Z, on the other hand, involves individuals born in the 1997-2012 range, who are currently aged between 8 and 23 years. Millennials refer to the generation born in 1981-1996, with ages currently ranging from 24 to 39 years. The next generation, Generation X, involves individuals born in the period 1965-1980, and currently in the age range of 40-55 years. As for Baby Boomers, they include the generation currently aged 56-74 years and born in 1946-1964. Lastly, Pre-Boomer refers to the generation born before 1945.

Based on survey data from Zigi.id in collaboration with Katadata Insight Center (KIC), as many as 66.7% of respondents consider it important to invest (Dihni, 2022).This survey details the dominant investment preferences among respondents. It was found that 58.5% of respondents chose gold as the main investment option. Apart from that, land also ranks high as the favorite type of investment, with 56.7% of respondents choosing to invest in land. Furthermore, as many as 41.7% of respondents showed their interest in property investment, such as houses, apartments or shophouses. Furthermore, around 31.3% of respondents showed interest in investing in the business or frencise sector. And also more and more people are starting to pay attention to investing in the capital and stock markets. As many as 14.5% of respondents expressed their interest in this form of investment. Furthermore, investment in bank deposits attracted the interest of 11.2% of respondents. Meanwhile, cryptocurrencies such as bitcoin are only interested in 7.8% of respondents. Katadata Insight Center (KIC) conducted a survey of more than 5,204 individuals aged over 15 years and using the internet in Indonesia. This survey was conducted between 6 and 12 September 2021 using the online survey method.

With the information explained above, the author is interested in exploring the level of understanding of financial literacy, financial behavior and adequate income among Generation Z in the Bekasi Regency area. This district is known as one of the largest industrial areas in Southeast Asia, with the majority of its population working as factory workers, farmers and some as entrepreneurs. The aim of this research is to assess whether Generation Z in the region has adequate knowledge about financial literacy, financial behavior, and whether they have sufficient income, these factors become their reference in making investment decisions, especially related to future investment instruments.

RESEARCH METHODS

In this research the author uses quantitative methods by analyzing numerical data using statistical formulas (Ghozali, 2021a). The focus of the research is the influence of Financial Literacy, Income, and Financial Behavior on Generation Z Investment Decisions through Future Investment Instruments in Bekasi Regency. The research objective is to evaluate the positive impact of financial literacy, income, and financial behavior on Gen-Z investment decisions through future investment instruments.

Population of this study are individuals aged 11-26 years in Bekasi Regency or often known as Gen-Z. Sampling was conducted using a non-probability sampling method with a purposive approach, with a sample size of 209 investment instrument users (Ghozali, 2021b). Then this data collection was carried out through a questionnaire with a five-point Likert scale, where respondents rated their level of agreement which included the level of response preferences: Strongly Agree (5), Agree (4), Quite Agree (3), Disagree (2), and Strongly Disagree (1) (Ghozali, 2021a).The analysis was carried out using the Structural Equation Model (SEM), which was chosen because of its ability to test complex relationships between variables. Partial Least Square (PLS) analysis was carried out using Smart PLS software version 3.0.
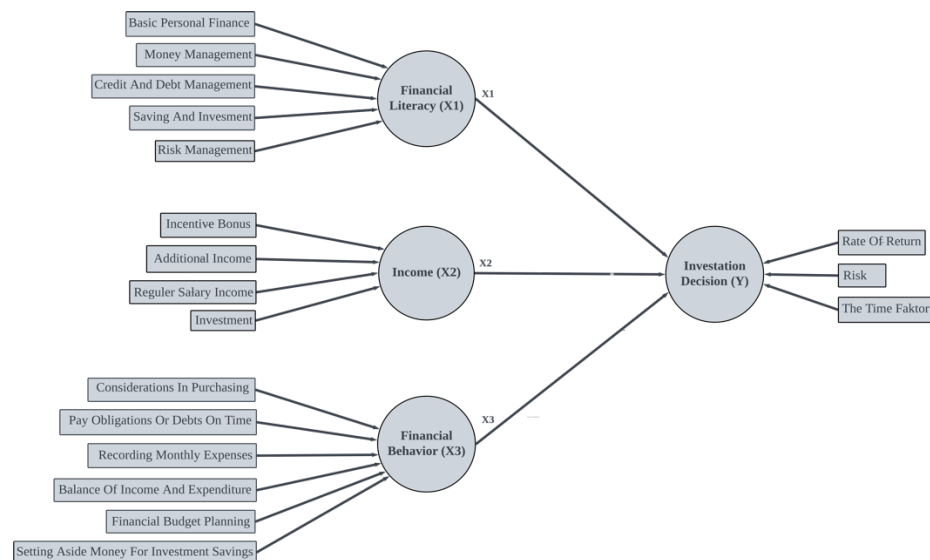

Figure 1 *Research Conceptual Framework*

RESULTS and DISCUSSION
Validity and Reliability Test

Based on the findings from Table 2, it can be concluded that of the total of 18 indicators analyzed, all research indicators were declared valid. This validity is determined from the significance between constructs, P-Value, and Cross Loading. The rule applied is that cross loading must be greater than 0.70 with a P-Value significance level of 0.05 (5%).

In addition, all variables show Composite Reliability and Cronbach's Alpha values bigger than exceeding 0.70. This shows that the indicators used in the research have an adequate level of reliability, in accordance with the reliability test results obtained when measuring the sample.

Table 1 *Validity and Reliability Test Results*

Construct	Indicator	*Cross Loading*	P-Value	Composite Reability (CR)	Cronbach's Alpha	N of Items
Investment Decision (Y)	KI1	0.753	<0.001	0.934	0.921	6
	KI2	0.753	<0.001			
	KI3	0.764	<0.001			
	KI4	0.832	<0.001			
	KI5	0.780	<0.001			
	KI6	0.750	<0.001			
Financial Literacy (X1)	FL1	0.788	<0.001	0.905	0.880	10
	FL2	0.769	<0.001			
	FL3	0.792	<0.001			
	FL4	0.771	<0.001			
	FL5	0.706	<0.001			
	FL6	0.715	<0.001			
	FL7	0.741	<0.001			
	FL8	0.799	<0.001			
	FL9	0.776	<0.001			
	FL10	0.785	<0.001			
Income (X2)	INC1	0.735	<0.001	0.945	0.936	8
	INC2	0.789	<0.001			
	INC3	0.790	<0.001			
	INC4	0.735	<0.001			
	INC5	0.703	<0.001			
	INC6	0.724	<0.001			
	INC7	0.723	<0.001			
	INC8	0.701	<0.001			
Financial Behavior (x3)	FB1	0.765	<0.001	0.899	0.865	12
	FB2	0.715	<0.001			
	FB3	0.778	<0.001			
	FB4	0.767	<0.001			
	FB5	0.813	<0.001			
	FB6	0.764	<0.001			
	FB7	0.793	<0.001			
	FB8	0.792	<0.001			
	FB9	0.823	<0.001			
	FB10	0.768	<0.001			
	FB11	0.705	<0.001			
	FB12	0.708	<0.001			

Source: Results of Primary Data Management (2024)

Hypothesis testing

The results of hypothesis testing shown in Table 3 show that the independent variable has a direct influence on the dependent variable. This can be explained as follows:

1. The t-statistical value of financial literacy on investment decisions is 2.161, while the t-table is 0.138 (2.161 is bigger than 0.138), this shows that the hypothesis which says financial literacy will influence the level of investment decisions on future investment instruments, is declared accepted.

2. The t-statistic value of income on investment decisions is 2.496, while the t-table is 0.138 (2.496 is bigger than 0.138), this shows that the hypothesis which says income will influence the level of investment decisions on future investment instruments, is declared accepted.

3. The t-statistic value of financial behavior on investment decisions is 4.282, while the t-table is 0.138 (4.282 is bigger than 0.138), this shows that the hypothesis which says financial behavior will influence the level of investment decisions on future investment instruments, is declared accepted.

Table 2 *Hypothesis Test Results*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
FL(X1) ➔ KI(Y)	0.183	0.189	0.085	2,161	**0.031**
INC(X2) ➔ KI(Y)	0.237	0.240	0.095	2,496	**0.013**
FB(X3) ➔ KI(Y)	0.464	0.457	0.108	4,282	**0,000**

Source: Results of Primary Data Management (2024)

Questionnaire Results of Investment Instruments Used

This research was conducted on investment instrument users. This research uses data obtained from the results of respondents' answers to questionnaires distributed, where the respondents are users of the investment instruments they use. It can be seen from the survey results in table 1 that the investment instrument that respondents are most interested in is gold with a total of 36.8%. .Then followed by land at 19.1%. then mutual funds 12%, bank deposits 8.1%, property 3.8%, digital currency (cryptocurrency) 3.3% and bonds occupying the same amount as francise, namely 2, 9%. And the lowest is forex online trading 1.4%. From the data above it can be concluded that gold and land are still the main interests that are most popular in investment because they are easy and have minimal risk. An overview of the characteristics of each respondent can be seen in Table 3 below:

Table 3 *Selected Investment Instrument Questionnaire Results*

Investment Instruments Used by Respondents	Gold	77	36.8%
	Land	40	19.1%
	Capital market	20	9.6%
	Bond	6	2.9%

	Property	8	3.8%
	Forex Online Trading	3	1.4%
	Digital Currency (Cryptocurrency)	7	3.3%
	Mutual funds	25	12.0%
	Bank Deposits	17	8.1%
	Francise (Franchise)	6	2.9%
	TOTAL	**209**	**100%**

Source: Results of Primary Data Management (2024)

Discussion

The presented table 2, displays the results of an analysis on the relationship between independent variables (Financial Literacy-FL, Income Factors-INC, and Financial Behavior-FB) and the dependent variable (Investment Decision-ID). In this analysis, we examine values including the original relationship between these variables (Original Sample), the sample mean of the relationship (Sample Mean), sample standard deviation (Standard Deviation), T statistics indicating the significance of the relationship, and p-values (P Values) testing the null hypothesis.

Specifically, the results indicate that each independent variable has a significant relationship with the dependent variable. For instance, Financial Behavior (FB) exhibits a high T value and a low p-value, indicating a strong relationship with Investment Decision. This suggests that Financial Behavior factors may have a significant influence on Investment Decision within the studied population. Other variables, such as Financial Literacy (FL) and Income Factors (INC), also show significant relationships with Investment Decision, albeit with slightly different levels of significance.

Furthermore, from the provided data, it is evident that gold is the most popular investment instrument among respondents, with 36.8% of the total respondents choosing gold as their investment option. Additionally, land emerges as a significant choice, utilized by 19.1% of the total respondents. On the other end of the spectrum, instruments such as online forex trading and franchise exhibit lower usage rates, with only 1.4% and 2.9% of total respondents, respectively.

Investments in the capital market, such as stocks and bonds, also appear to have a significant market share, although not as popular as gold or land. Mutual funds also seem to be quite popular, used by 12.0% of the total respondents. Insights into investment preferences like these can provide valuable insights for decision-makers in the financial sector, such as financial planners or financial institutions, to understand the investment behavior of the public and design products or services that align with their needs and preferences.

CONCLUSIONS

Based on the results of data analysis and discussion, the author concludes two things related to the influence of financial literacy, income, and financial behavior on Gen-Z investment decisions through future investment instruments in Bekasi Regency as follows:

First, the choice of Gen-Z in Bekasi Regency to choose an investment instrument. Gold is the most popular investment instrument for Gen-Z at 36.8%. They were then followed by land at 19.1%, mutual funds at 12%, bank deposits at 8.1%, property at 3.8%, digital currency (cryptocurrency) at 3.3%, bonds, and franchises at 2.9%, and forex online trading at 1.4%. This shows that most Gen-Z in Bekasi Regency prefer investments with a low risk of loss, even if they have a small percentage of profit and take a long time. In other words, Gen-Z prefers safe investment instruments without any risk of the investment value decreasing.

Another significant finding is the pivotal role of financial literacy in investment decisions. A strong understanding of financial concepts and practices is not just beneficial, but crucial for effective money management and, consequently, successful investments. Gen-Z with high financial literacy are more likely to make informed and profitable investment decisions. Third, Investment Instrument Preferences: Of the many investment instruments available, gold and land remain the top choices for young investors in Gen-Z. This is due to their perception that gold and land are minimal-risk investments and easy to manage. This preference shows Gen-Z's tendency to choose investment instruments that are considered effective and efficient in maintaining asset value and providing financial security.

Based on research on 'financial literacy, income, and financial behavior on Gen-Z investment decisions through future investment instruments in Bekasi Regency,' researchers suggest that Gen-Z improve financial literacy for better fund management so that they can make valuable investments in the future. Financial services and education institutions must be more active in socializing financial literacy. Gen-Z should also understand investment products in depth to be aware of misleading offers. Education from financial and educational institutions will help increase their interest in investments, especially mutual funds, stocks, and capital markets. Future research is suggested to develop theories on financial behavior by considering variables such as financial satisfaction, self-control, loss aversion, overconfidence, and risk tolerance.

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