

HOW DO MILLENNIAL AND Z GENERATIONS MAKE INVESTMENT DECISIONS? A CASE STUDY FROM MAKASSAR CITY

Muhammad Ichwan Musa¹, Annisa Paramaswary Aslam^{2*}, Nurul Fadilah Aswar³, Khaidir Syahrul⁴, Rahmat Riwayat Abadi⁵

^{1,2,3}Department of Management, Faculty of Economics and Business, Universitas Negeri Makassar,

^{4,5}Department of Management, STIEM Bongaya, Makassar

E-mail: ¹⁾ m.ichwan.musa@unm.ac.id, ²⁾ annisa.paramaswary@unm.ac.id,
³⁾ nurul.fadilah.aswar@unm.ac.id, ⁴⁾ khaidir.syahrul@stiem-bongaya.ac.id,
⁵⁾ rahmat.riwat@stiem-bongaya.ac.id

Abstract

This study purpose to support the Indonesia's government program to become a developed and prosperous country. The sample for this study the millennial generation and Z generation who live Makassar City and have total wealth or investment around IDR 70 million. We use this generations because the next generation has an important role to build and develop the finance sector in Indonesia and will support to become a developed country. The results show that financial literacy, income and financial behavior significantly positive with investment decisions. It is mean that good financial literacy, higher income, and the well financial behaviour will improve the quality of investment decisions.

Keywords: *financial behavior, financial literacy, income, and investment decision*

1. INTRODUCTION

In line with Indonesia's goal to become a developed and prosperous country, every generation needs to work hard, including the younger generation of Indonesian business actors who are potential retail investors, so education and financial literacy should be provided as early as possible in investing (Bank Indonesia, 2023). The younger generation has an important role to fight for, build, strive for, and finance the development of the Indonesian state. For sustainable development, a stable and deep financial sector is also needed, which is shown, among other things, by a high level of financial inclusion and literacy. What's more, the millennial generation and generation Z, who are the main actors in various sectors today, must be prepared to face the very fast changing times.

HOW DO MILLENNIAL AND Z GENERATIONS MAKE INVESTMENT DECISIONS? A CASE STUDY FROM MAKASSAR CITY

Muhammad Ichwan Musa, Annisa Paramaswary Aslam, Nurul Fadilah Aswar, Khaidir Syahrul, Rahmat Riwayat Abadi

The development of digitalization in the financial sector, which has facilitated access to various investment products, needs to be balanced with increased financial literacy. The most important thing is to know the character of the product being invested. Being literate is useful as a provision in planning and maintaining work results to be invested in a good place.

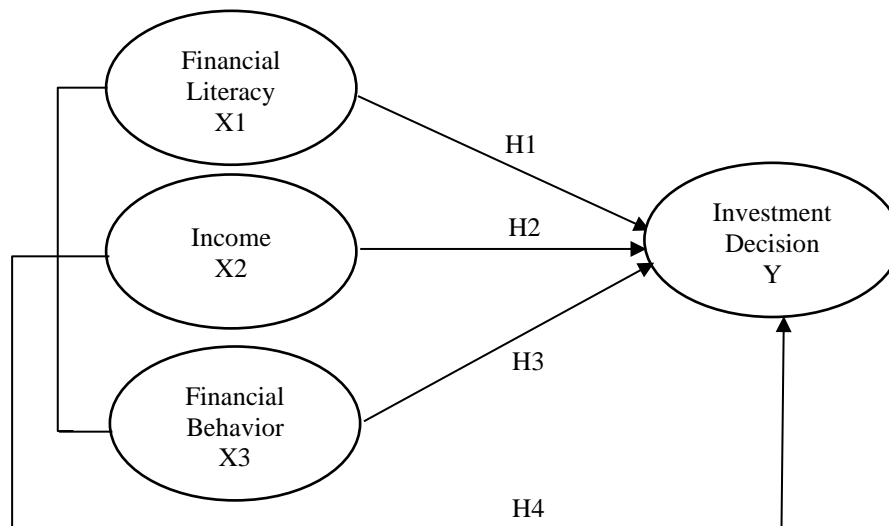
There are several ways to support Indonesia to become a developed country, namely, first, supporting development financing through investments that benefit domestic investors by providing investment/financial products at good prices through market infrastructure for wider market players. Second, the younger generation of business actors is very influential in increasing the number of investors, and will continue to be encouraged to invest through socialization collaborations with the four authorities in various regions. Third, financial literacy must be able to make investors become resilient by benefiting from investments, supporting the deepening of financial markets. On the basis of this goal, the research team wanted to conduct research on how financial literacy, income levels and financial behaviour of the millennial generation and generation Z are in the strategy of choosing investment decisions in the city of Makassar.

2. RESEARCH METHOD

The research was conducted in the city of Makassar and the type of sample used in this study was purposive sampling. Our respondents are Millennials and Z Generations that Makassar city residents had a total wealth around IDR 72.7 million as the median wealth of the Indonesian population (Credit Suisse, 2022). The financial literacy index variable is determined by the answers to questions regarding general financial knowledge of individuals and the level of individual financial literacy. Income indicator variable is money received by a person in the form of salary, wages, interest, profit, and pocket money in a certain period (Bourova et al., 2018; Goyal & Kumar, 2021). Income is a person's main factor in allocating expenses as a consideration in making investment decisions (Tanaya, 2021). For the indicator variable, financial behavior is a series of processes of how a person regulates and manages his financial resources properly (Uttari, 2023). In addition, for investment decisions this study uses financial knowledge to evaluate investment decisions. The current study on financial literacy and investment decision-making mainly focuses on the relationship

between financial literacy and investment performance. However, there are still gaps in understanding the underlying processes and tools that influence financial literacy in investment decision making.

Figure 1 Research Framework



The hypothesis proposed in this study is:

H₁: Financial literacy has a positive and significant effect to investment decision.

H₂: Income has a positive and significant effect to investment decision.

H₃: Financial behavior has a positive and significant effect to investment decision.

H₄: Financial literacy, income, dan financial behavior has a positive and significant effect to investment decision.

3. RESULTS AND DISCUSSION

3.1 Validity and Reliability Test

Variable	Construct	r-table	Cronbach's Alpha	Information
Financial Literation (X1)	X1.1	0.702	0.798	Valid and Reliable
	X1.2	0.632		
	X1.3	0.577		
Income (X2)	X2.1	0.606	0.833	Valid and Reliable
	X2.2	0.749		
	X2.3	0.574		
	X2.4	0.741		
Financial Behavior (X3)	X3.1	0.606	0.775	Valid and Reliable
	X3.2	0.635		
	X3.3	0.589		
Investment Decision (Y)	Y1	0.677	0.782	Valid and Reliable
	Y2	0.624		
	Y3	0.565		

HOW DO MILLENNIAL AND Z GENERATIONS MAKE INVESTMENT DECISIONS? A CASE STUDY FROM MAKASSAR CITY*Muhammad Ichwan Musa, Annisa Paramaswary Aslam, Nurul Fadilah Aswar, Khaidir Syahrul, Rahmat Riwayat Abadi*

Source: Primary data process in 2023 by SPSS version 25

Based on the table 1, it is known that the variable financial literacy (X1.1-X1.3), income (X2.1-X2.4), financial behavior (X3.1-X3.3), and investment decisions (Y1-Y3) have a value of r-count greater than r-table ($r\text{-count} > 0.196$). So, that it can be concluded that all the question items in the study are valid. The reliability test was carried out with the Cronbach's Alpha test. An instrument is said to be reliable if the Cronbach's Alpha value is > 0.60 (Ghozali, 2018). The result of the Cronbach's Alpha test for each statement contained in the table > 0.6 , it can be concluded that each statement can be said to be reliable.

3.2 Multiple Linear Regression Analysis

Multiple linear regression testing was approved with three independent variables and one dependent variable with the linear regression equation being:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e$$

Table 2 Result t-Test (Partial)

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,726	,699		1,038	,302
Financial Literacy	,410	,085	,390	4,812	,000
Income	,231	,071	,306	3,248	,002
Financial Behavior	,223	,080	,246	2,769	,007

a. Dependent Variable: Investment Decisions

Source: Primary data process in 2023 by SPSS version 25

The Table 2 shows that the results of multiple linear analysis of the independent variables that affect the dependent variable, namely the investment decision which is formulated as follows: $Y = 0,726 + 0,410X_1 + 0,231X_2 + 0,223X_3 + e$. The value of the constant (a) itself is 0.726, which means that if the variables X_1 , X_2 , and X_3 have a constant value, then the value of the investment decision will change by 0.726. The b_1 value is 0.410, meaning that if financial literacy variable increase, the investment decision will increase by 0.410. The b_2 value is 0.231, meaning that if there is an increase in the income variable by one unit, the investment decision will increase by 0.231. Meanwhile, the b_3 value is 0.223, meaning that if there is an increase in the financial behavior variable by one unit, then investment decision will increase by 0.223.

The study show that the results of the financial literacy test have a t-value of 4.812 in a positive direction and have a significance value of $0.000 < 0.05$ which indicates that the

financial literacy variable has a positive and significant effect on investment decisions. It is mean that the first hypothesis **(H1) is accepted**.

From the results of the analysis that has been done, it is found that the results of the income test have a t-value of 3.248 in a positive direction and have a significance value of $0.002 < 0.05$ which indicates that the income variable has a positive and significant effect on investment decisions. It is mean that the second hypothesis **(H2) is accepted**.

From the results of the analysis that has been done, it is found that the results of the financial behavior test have a t-value of 2.769 in a positive direction and have a significance value of $0.007 < 0.05$ which indicates that the financial behavior variable has a positive and significant effect on investment decisions. It is mean that the third hypothesis **(H3) is accepted**.

Table 3 Result F-Test (Simultaneous)

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	278,601	3	92,867	87,268	,000 ^b
	Residual	102,159	96	1,064		
	Total	380,760	99			

a. Dependent Variable: Investment Decisions

b. Predictors: (Constant), Financial Literacy, Income, Financial Behavior

Source: Primary data process in 2023 by SPSS version 25

Based on table 3, the F-count value is 87.268 and a significance value of $0.000 < 0.05$. These results indicate that simultaneously the independent variables (financial literacy, income, and financial behavior) have a positive and significant effect on the dependent variable (investment decisions). It is mean that the fourth hypothesis **(H4) is accepted**.

Table 4 Result of Coefficient Determination Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,855 ^a	,732	,723	1,032

a. Predictors: (Constant), Financial Literacy, Income, Financial Behavior

Source: Primary data process in 2023 by SPSS version 25

Based on table 4, the value of the coefficient of determination (R^2) is located in the Adjusted R Square column. The value of the coefficient of determination is known to be 0.723. This means that all independent variables, namely financial literacy, income, and

HOW DO MILLENNIAL AND Z GENERATIONS MAKE INVESTMENT DECISIONS? A CASE STUDY FROM MAKASSAR CITY

Muhammad Ichwan Musa, Annisa Paramaswary Aslam, Nurul Fadilah Aswar, Khaidir Syahrul, Rahmat Riwayat Abadi

financial behavior on the dependent variable, namely investment decisions, have an influence of 72.3%, the remaining 27.7% are influenced by other variables not examined in this study.

3.1 Financial Literacy Index to Investment Decisions

If individuals have good financial literacy, this can support these individuals to achieve financial well-being because they are able to make financial decisions and manage their finances well. Financial literacy is an important factor in determining investment decisions where knowledge is the basis for determining investment decisions (Wang et al., 2021). This result is consistent by previous literature Maldini (2020) and Uttari (2023) which states that financial literacy influences investment decisions, meaning that good financial literacy will improve the quality of investment decisions.

3.2 Income to Investment Decision

Income is money received by a person in the form of salary, wages, interest, profit and pocket money in a certain period (Uttari, 2023). Someone who has a high revenue tends to be more responsible in using his income, income is a factor for someone as a source of investment funds. The income owned by a person can encourage that person to manage his income to make better investment decisions (Adetunji and David-West, 2019; Allen et al., 2016).

3.3 Financial Behavior to Investment Decision

Everyone will have a different way of organizing, transforming and acting on information in different ways, because one's views and perceptions about finance are different, including investment (Morgan, 2020; Uttari, 2023). Someone with good financial behavior tends to be responsible and more effective in managing their finances. The well the person's financial attitudes, the well the person's financial behavior for better the investment decisions (Raut, 2020).

4. CONCLUSION

This study helps the financial institutions such as OJK, Bank Indonesia and Makassar Government to rise the financial literacy in society and help the financial stakeholder to get

the Indonesia goals to be the developed country. In addition, this study aims to measure the financial literacy at Millenial and Z Generations in Makassar City. Finally, this result show that financial literacy, income and financial behavior significantly positive with investment decisions. It is mean that the better the level of financial literacy, higher income and the well financial behavior significantly positive with the better investment decisions. We realize that this study needs the improvements for the future research. We suggest the next research will add the another variable social-demographic such as gender, level of education, marital status and many more to affect the investment decisions.

5. ACKNOWLEDGMENTS

We are grateful for the support from BIMA Research by The Ministry of Education, Culture, Research, and Technology, Republic of Indonesia with the number of contract Decree Number 0536/E5/PG.02.00/2023 and Agreement / Contract Number 139/ES/PG.02.00.PL/2023:2783/UN36.11/LP2M/2023.

6. REFERENCES

- Adetunji, O. M., & David-West, O. (2019). The relative impact of income and financial literacy on financial inclusion in Nigeria. *Journal of International Development*, 31(4), 312-335.
- Bank Indonesia, 2023. Like it encourages literacy and financial investment of the young generation of business players. Accessed on 27 August 2023 20.34 WITA https://www.bi.go.id/id/publikasi/ruang-media/news-release/Pages/sp_2522023.aspx
- Bourova, E., Anderson, M. E., Ramsay, I., & Ali, P. (2018). Impacts of financial literacy and confidence on the severity of financial hardship in Australia. *Australasian Accounting, Business and Finance Journal*, 12(4), 4-23.
- Credit Suisse. 2022. Annual Report 2022.
- Ghozali, I. 2018. *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25, Edisi 9*. Semarang: Badan Penerbit Universitas Diponegoro.
- Goyal, K., & Kumar, S. (2021). Financial literacy: A systematic review and bibliometric analysis. *International Journal of Consumer Studies*, 45(1), 80-105.

HOW DO MILLENNIAL AND Z GENERATIONS MAKE INVESTMENT DECISIONS? A CASE STUDY FROM MAKASSAR CITY

Muhammad Ichwan Musa, Annisa Paramaswary Aslam, Nurul Fadilah Aswar, Khaidir Syahrul, Rahmat Riwayat Abadi

- Kadoya, Y., & Khan, M. S. R. (2020). What determines financial literacy in Japan?. *Journal of Pension Economics & Finance*, 19(3), 353-371.
- Maldini, R. (2020). *Pengaruh Literasi Keuangan dan Pendapatan Terhadap Keputusan Investasi (Studi Kasus Karyawan PT. Pertamina (Persero) MOR I Medan* (Doctoral dissertation, Universitas Muhammadiyah Sumatera Utara).
- Raut, R. K. (2020). Past behaviour, financial literacy and investment decision-making process of individual investors. *International Journal of Emerging Markets*, 15(6), 1243-1263.
- Tanaya, N. (2021). *PENGARUH PEMAHAMAN INVESTASI, MOTIVASI INVESTASI, MODAL MINIMAL INVESTASI, DAN PENDAPATAN TERHADAP KEPUTUSAN INVESTASI EMAS DI PT. PEGADAIAN CABANG SINGARAJA* (Doctoral dissertation, Universitas Pendidikan Ganesha).
- Uttari, L. P. J. A. (2023). *Pengaruh Literasi Keuangan, Pendapatan, dan Perilaku Keuangan Terhadap Keputusan Investasi Generasi Milenial Melalui Aplikasi BIBIT* (Doctoral dissertation, UNIVERSITAS PENDIDIKAN GANESHA).
- Wang, H., Zhang, D., Guariglia, A., & Fan, G. Z. (2021). ‘Growing out of the growing pain’: Financial literacy and life insurance demand in China. *Pacific-Basin Finance Journal*, 66, 101459.