



**ANALYZING THE FACTORS THAT INFLUENCE GENERATION Z IN MAKING
DIGITAL INVESTMENTS IN THE ERA OF DIGITALIZATION
(Case Study: Universitas Terbuka Students)**

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Abstract:

In this digital era, the digital generation or what is often called generation Z (zoomer), those born from 1997 to 2012 will not know a world without smartphones or social media. The digital generation is proficient and very interested in information technology and various computer applications. They will access information needed for educational and personal purposes quickly and easily. The aim of this research is to analyze the factors that influence Generation Z's digital investment decisions during the digital era. Generation Z, who grew up in a highly digital environment, has a different way of investing. This research used quantitative methods by sending questionnaires to 50 people from Generation Z in the Universitas Terbuka environment. The research results show that financial literacy, the influence of social media, ease of access to technology, and security factors all have a significant influence on Generation Z's digital investment decisions. Individuals who have a better understanding of finances tend to be bolder and smarter when making investment decisions. Social media also plays an important role, as Gen Z often seeks information and recommendations from these platforms. Ease of access to technology such as easy-to-use investment applications, as well as security aspects, such as protecting personal data, are also key considerations when making investment decisions. This study increases our understanding of Gen Z investment behavior and offers suggestions to digital investment service providers to help customers better understand finances, better use social media platforms, and maintain security and ease of access to technology. It is hoped that this research will help the financial industry create more targeted marketing strategies and increase Generation Z investment participation.

Keywords: Technological developments, digital investment, investment interest, Generation Z

BACKGROUND

Generation Z was born amidst the very rapid development of Western culture, which is often misused, and tends to conform more to Western cultural conditions. In economic terms, a large number of foreign companies have established branch offices in Indonesia. This shows that the products offered are in line with Western lifestyles, with generation Z choosing Western products over local products which seem expensive, which has an impact on Indonesia's economic growth. As a result, local culture has become weaker, with less interest in local films and music, and more individualism and promiscuity. Millennials and Gen Z show concern for the surrounding environment, even though there are negative aspects of this lifestyle and behavior. Like the Zero Waste movement, which encourages reducing waste, especially plastic, throughout the world.



According to data from the Financial Services Authority (OJK), there are around 64.3 million people in the current millennial generation, according to sindonews.com. However, according to data from the Indonesian Central Securities Depository (KSEI), only 1.6 million people are registered as having investments in the Indonesian capital market, including shares and mutual funds. In addition, only 10.7% of the millennial generation's income is saved, while 51.1% is spent on monthly needs (Febrianto, 2019).

Students will face challenges and environments they have never experienced before. In addition, students are required to be able to organize and manage their own finances. The wasteful nature and tendency to spend their pocket money on things that are not important are financial problems that are often faced by students (Margaretha & Pambudhi, 2015). The focus of this research is students at Trunojoyo University, Madura. Sharia Investment Gallery and KSPPM Investment are two organizations founded at Trunojoyo Madura University to introduce students to the world of investment from an early age. This can definitely help students manage their finances and also increase their interest in investing.

A study conducted by Azhar (2018) shows that a strong interest in investing can make someone more interested in investing in the future, which means that interest is a factor that determines a person's decision to invest. This is supported by the research "A study of financial awareness among youth" by Nga. Yong and Sellapan (2010). This study found that the financial awareness of the millennial generation is influenced by education level, major and interests. Additionally, it was found that men are more financially aware than women. The aim of this research, conducted by Shabri, Hasan, Mohamed, and Sabri (2013), was to measure students' financial knowledge. The research results show that expenditure, habits, personal interests, and years of study have a significant positive relationship.

Financial knowledge and financial literacy are positively correlated. By definition, financial literacy is the knowledge a person has about their personal finances, such as how they plan and manage their money, as well as investments, so that they can make informed financial decisions. With good financial knowledge, a person is expected to be able to carry out better financial behavior.

Reported on kompas.id, Rio Christiawan (2023), an expert in investment law and sustainability, believes that the advancement and convenience of technology that is close to generation Z encourages them to invest in the capital market. Moreover, their inclination to fulfill their desires and financial needs is in line with the dynamic exchange model of investing. Gen Z is less attached to a permanent job and relies on a monthly salary. On the contrary, there is a tendency to live an expensive lifestyle.



Source : Google, KSEI

Figure 1. Demographic data of investors in the Indonesian capital market as of August 2022

As of August 2023, investors aged 30 years or younger made up 57.04 percent of the 11.54 million investors, with total assets of IDR 50.51 trillion, according to PT Kustodian Sentral Efek Indonesia (KSEI). This figure is down from 59.22% in 2022. The capital market, including shares and mutual funds, is dominated by these young investors. Young investors still dominate, although their asset control is not as large as investors of a more mature age, said Jeffrey Hendrik, Development Director of the Indonesian Stock Exchange (BEI). As of August 2023, 2.88 percent of investors aged 60 years and over have the largest assets, worth IDR 896.44 trillion.

We really appreciate young investors with small investments. When contacted by Kompas in Jakarta, Thursday (10/5/2023), he said, "Young people who care about the future by starting to invest in the capital market from an early age are certainly very good."

The following data is on young investors from various island in Indonesia





Source : Google, KSEI

Figure 2. Data on distribution of investors in the Indonesia capital market of August 2022

Until September 2023, 5% of investors are spread across Kalimantan, 4% in Sulawesi, 3.54% in Balinusra, and 1% in Maluku and Papua. Investors have grown throughout the Indonesian archipelago, and I think this is also thanks to the hard work and very close cooperation between the capital market SRO and the OJK. Hopefully day by day it will become more proportional in the future, especially maybe later when IKN is in Kalimantan, I think the numbers will be bigger. Financial products such as banking, insurance and financial institutions are more widely used than capital market products. However, the growth is very fast. The product utilization rate or capital market inclusion is 5.19% in 2022, up from only 1.55% in the previous year.

There are several factors that can encourage generation Z to invest digitally, one of which is knowledge about investment. Having knowledge of financial products and concepts (financial knowledge), the ability to organize short-term and long-term financial planning (financial attitude), and the ability to make financial management decisions (Garg and Singh, 2018). To invest, we need to have the knowledge and ability to assess the rate of return and risk of the assets we want to invest in.

Another factor that could be the driving force is the investment motivation obtained by Generation Z. This motivation exists because Generation Z sees someone who is successful and can make a lot of money by investing. Lots of social media influencers create content about investing and that creates motivation to achieve the same thing. Social influence can encourage generation Z to invest in digital. They will be influenced when they see an influencer who is successful with digital investment and they have the motivation to do the same.

The nature of generation Z is that they prefer easy and efficient methods. This is also a driving factor for generation Z to invest in digital. Because basically this digital investment is presented in an application. This generation is less trusting of traditional methods in the digital era.

Financial goals are also one of the factors that influence generation Z to make digital investments. Whether they want to build a retirement fund, buy a home, or simply seek additional income will influence their digital investment strategy. Various kinds of financial goals are one of these factors that occur. Of course, generation Z has goals for their future.

But, even though this technology is helping the growing digital economy. But it must be underlined that we should not trust technology too much. Moreover, because technology makes life easier, technology can easily deceive us. There are lots of cases happening now where cases of fraudulent investment are rampant. Illegal investment cases often occur and cause victims. Because carrying out activities without permission from the relevant agencies, they are considered to be violating the law. Since illegal investments cause a lot of harm to society, it is impossible to stop them. The motivation to get big profits instantly makes people careless. Every level of society who is interested in investing is threatened with losses due to illegal investments. With the development of financial technology (fintech), illegal online activities have also increased. Investment fraud, also



known as investment fraud, includes any fraud related to investments, such as stocks, bonds, commodities, limited partnerships, real estate, or other types of investments. This fraud is usually based on false promises and deals that encourage targets to make investments (W. S. Albrecht, Albrecht, Albrecht, & Zimbelman, 2018). According to Markowitz's portfolio theory, investors must make differences in their investments to balance the returns and risks they accept. This theory is more suitable for medium-term or long-term investments (Markowitz, 1991).

So, the aim of this research is to find out what factors encourage generation Z to make digital investments, especially this research focuses on the UT student environment. Where many UT students belong to generation Z. This research will conduct a survey by distributing questionnaire surveys to UT students regarding what factors encourage them to make digital investments.

THEORETICAL FRAMEWORK

Advances in technology and the internet are one of the triggers for the development of the digital economy which will change people's thought patterns and behavior. The use of the internet itself can be used to facilitate activities, one of which is in the business world. Plus, the existence of the internet has had a huge influence on the current generation. Where the generation known as Generation Z is very interested and fond of using smartphones and using social media. One of the digital businesses that is popular with generation Z now is Digital Investment.

Digital investing means placing funds into electronic financial instruments such as shares, cryptocurrencies or crowdfunding. This is usually done through online platforms or mobile applications to gain more profits within a certain period of time. Millennials and Gen Z are very interested in investing, even though they don't have a fixed income. This statement shows that millennials and generation Z have invested and helped develop the economy which is slowly improving. In their research on Generation Z, or people attending high school, Alamsyah et al. (2021) found that this age group is very interested in getting accurate information about people they know. As a result, they receive a clear picture of the management they have had since high school age. Not only financial management but also stock investment.

METHOD

The research method that the author uses in this scientific article is to use a primary quantitative descriptive approach by collecting data. According to Sukmadinata (2017:72) states that descriptive research is a type of research that aims to describe or explain existing phenomena, both natural phenomena and man-made phenomena, which can include activities, characteristics, changes, relationships, similarities and differences between one phenomenon and another. Other Research conducted to collect new or original data is called primary quantitative research. This method concentrates heavily on collecting empirical data through surveys, experiments, or observations. Typically, this research is carried out using specially designed tools, such as questionnaires, tests, or measurement software. The main goal is to obtain numerical data that can be analyzed statistically to test hypotheses or answer research questions. The data collection technique for this research uses a questionnaire technique. A questionnaire or questionnaire is a data collection technique using written



questions or statements and the answers given are also in written form, namely in the form of entries or symbols or signs. This questionnaire was used to obtain information related to respondents' responses to the influence of Open University students' interest in investing in online platforms in the digital era. The questionnaire will be given to 50 respondents and the filling will be done honestly and objectively without pressure from any party. The aim of this research is to analyze what factors influence students in making digital investments.

Table 1

No	Question Indicator	No	Enough	Very
1	How much do you know about digital invesment ?	4	36	10
2	How easy is technology to access information on digital invesment ?	1	19	30
3	How confident you are in the security of the platform digital invesment do yo use ?		43	7
4	How interest are you in digital investment because it follow trends ?	2	28	20

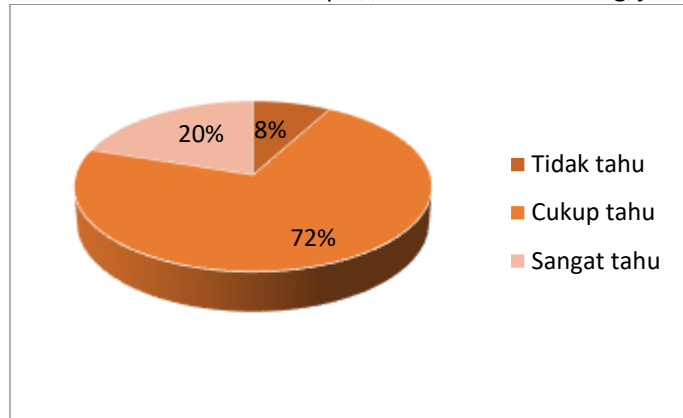
Table 2

No	Question Indicator	No	Enough	Very
1	How influential is investment knowlegde in digital investment decisions ?		13	37
2	How influential are friends, familu and influencers in digital investment decisions ?	6	29	15
3	How much do current economic conditions influence your decision to invest in digital ?		27	23
4	How much do you see digital investment as a way to improve your personal financial situation in the future ?		25	25
5	How mush does your potential profit influence your decision to invest in digital ?		20	30

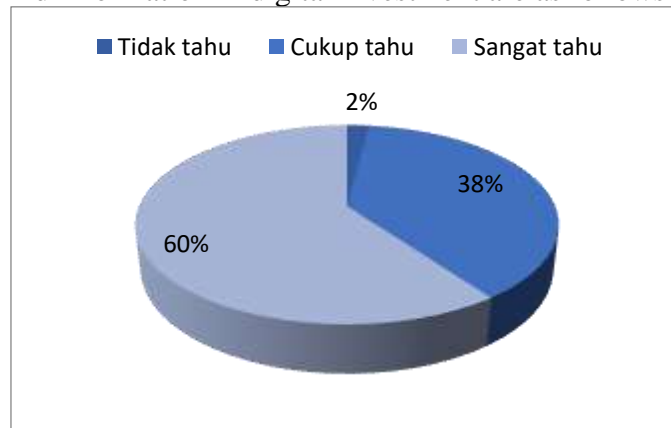
RESULT

From the research conducted 50 University Terbuka students from various departments at the University Terbuka, data wa obtained that majority of participant were around 33,3% aged 22 years, followed by those age 23 (17,6%) and obtained the following data regarding factors, which influences generation Z is making digital investment as follow :

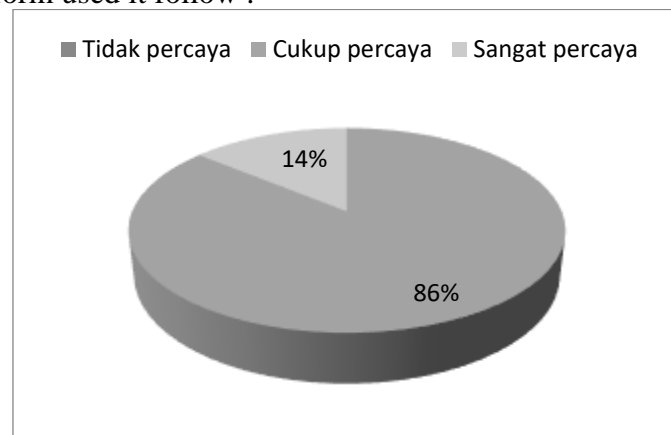
- 1) It is know that the result of research related to students understanding of digital investment knowledge can be shown as follows :



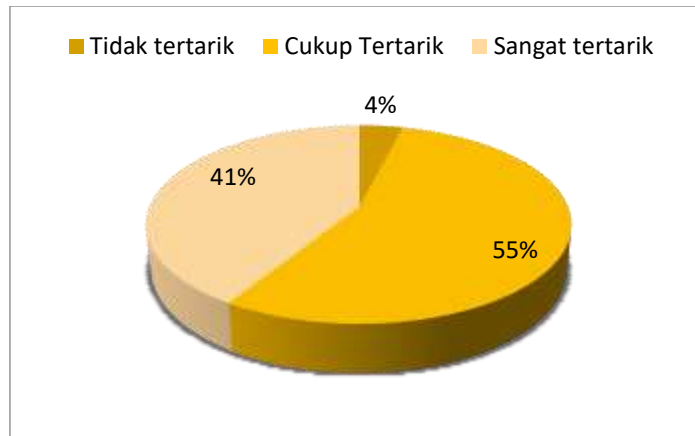
2) Student's opinion regarding technological advances that can make it easier for generation Z to find information in digital investment are as follows :



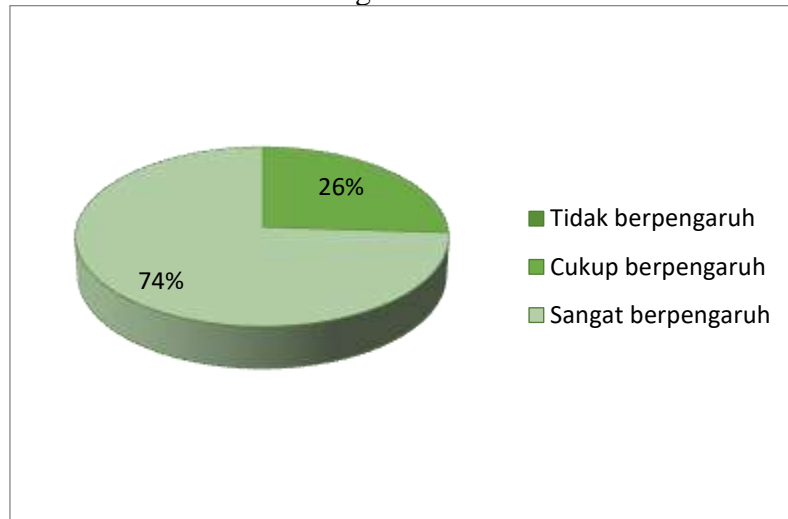
3) It is known from the data that young investors confidence in the security of digital investment platform used it follow :



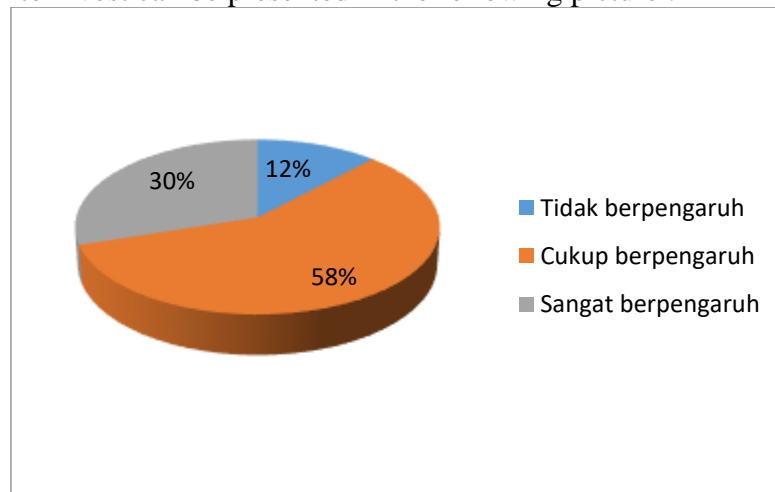
4) It is known from this research that generation Z interest in making digital investment because follow the latest trends are as follow :



5) It can be seen how much influence knowledge about investment has on digital investment decisions from the following data :

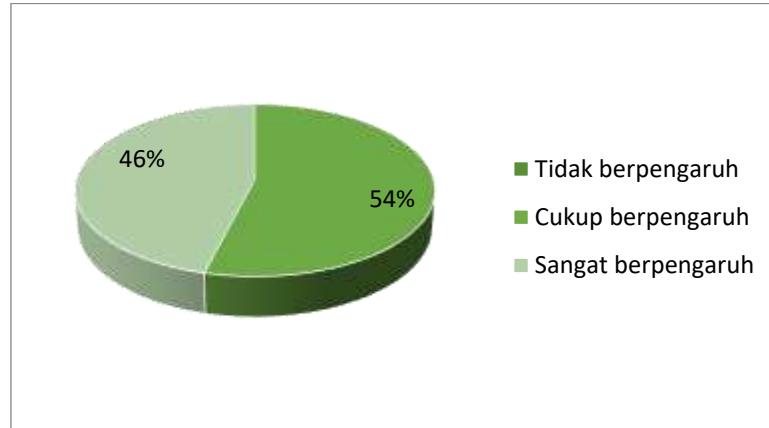


6) Students assessment of the nfluence of friend, family and influencers in influencing generation Z to invest can be presented in the following picture :

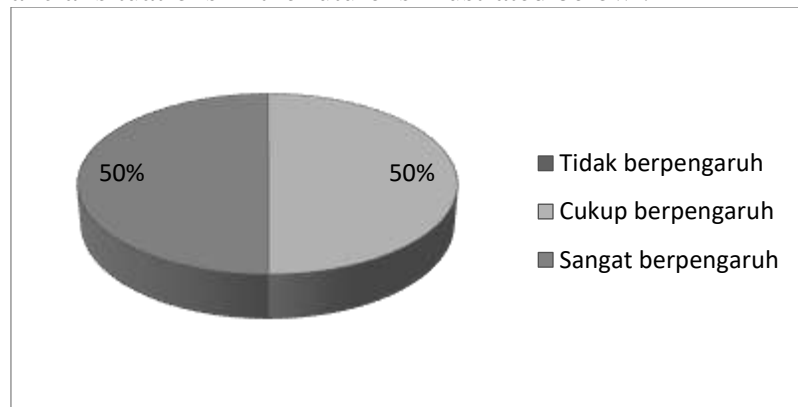




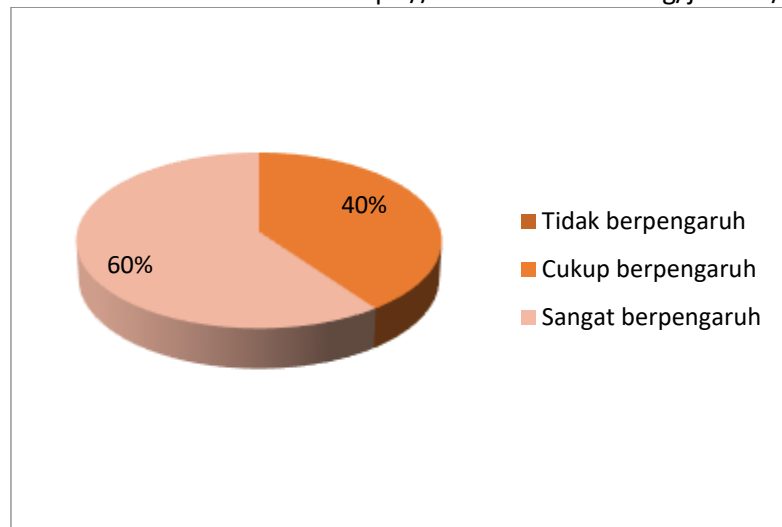
- 7) It can be seen that how much the current economic conditions influence the decision to invest in digital is illustrated below :



- 8) How much do you think students see digital investment as a way to improve your personal financial situations in the future is illustrated below :



- 9) Students' opinion regarding how big your profit potential is to influence your decision to invest in digital are presented below :



DISCUSSION

So, from the research data, data can be taken that many of the students / generation Z are 22 years old and there are 72% out of 100% who already understand digital investment. This is one of the factors that encourages generation Z to invest. Overall it can be said that investment literacy is an important tool for managing personal finances well, achieving financial goals, and building a safer and more stable financial future. Investment literacy is important for several reasons, namely with investment literacy, investors who are still young on average can make better decisions, can maximize profits from investing, can manage risks that will occur in investments, can plan long-term finances for life. them in the future, and can avoid fraud which is becoming easier to fall for because of technology as well. And according to Open University students, investment knowledge has a big influence on digital investment. In this case, digital investment platforms can provide financial education through technology by providing financial education resources that are easily accessible via technology, such as blogs, webinars, or video tutorials that provide knowledge about basic investment concepts and strategies, as well as the risks associated with digital investment.

And also technological advances are also one of the driving factors influencing generation Z in digital investment. Data analysis shows that generation Z's tendency to invest is influenced by digital investment platforms that are easy to access and use. Investment companies or trading platforms can leverage the following technologies to attract Gen Z and expand their access to the digital investment market:

- A. Use of User-Friendly Mobile Applications: Create user-friendly and easy-to-use applications for Gen Z. Applications should have an easy-to-use interface, smooth navigation, and attractive features to facilitate the investment process
- B. Application of FinTech Technology: FinTech technology is used to provide inventive and effective digital investment services. Examples are crowdfunding platforms that allow Generation Z to directly invest in startup projects, or robo-advisors that automatically provide investment advice using algorithms.



- C. Data Analytics and Artificial Intelligence (AI): Investment recommendations that better suit Generation Z's preferences and risk profile can be made using AI and data analytics. This can increase their trust and engagement in digital investments.
- D. Use of Social Media and Digital Marketing: Digital marketing and social media can be used to promote digital investment products to Generation Z. Innovative and engaging marketing campaigns can help reach their audience and increase their knowledge about digital investments.
- E. Interactive and Social Features: Adding interactive and social features to digital investment platforms, such as discussion forums, community groups, or sharing features, allows Generation Z to interact, share experiences, and learn from fellow investors.

Investment companies or trading platforms can expand their access to digital investment markets by leveraging technology innovatively and strategically.

From the data obtained, social media and peer influence have quite a big impact on generation Z's investment decisions. These findings show the need for a marketing approach that focuses on social media and utilizes the power of peer influence to educate and motivate generation Z to invest wisely. In this case digital investment platforms can collaborate with well-known influencers and support ethical investment messages can help. Choosing influencers who emphasize education, knowledge, and transparency can reduce the likelihood of false information or an emphasis on quick wins.

In developing a sustainable digital investment ecosystem for generation Z, things such as data security, digital market volatility, and the complexity of digital investment products must be considered. To address these issues and create a safe, inclusive and sustainable digital investment environment, industry players, regulators and educational institutions must work together.

In addition to potential profits, it is also important to discuss the risks and uncertainties associated with digital investments. Talking about possible losses, market fluctuations and other risk components can help generation Z understand that digital investments also involve risks and that there needs to be mental preparedness and appropriate risk management strategies. Case studies and success stories of successful digital investors can provide inspiration and motivation for Generation Z. However, it is important to remember that every investment carries risks, and that success stories do not always reflect common or predictable experiences.

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In the research above, Open University students saw digital investment as a very important way to improve their personal finances in the future. This is due to the various advantages offered by digital investments, such as flexibility in portfolio management, high profit potential and greater accessibility. Additionally, due to rapid technological developments, digital investment platforms are becoming increasingly innovative and easy to use, allowing students to start investing with relatively little capital. Students can achieve their future financial goals and build wealth by using digital investments carefully. The following is advice for students who want to use digital investment to improve their finances in the future, namely by educating themselves, start by understanding the basics of investment and digital investment instruments, such as cryptocurrency, stocks, bonds and mutual funds. Resources such as books and online courses can help to expand knowledge. The next step is to determine goals, namely by setting financial goals, both short and long term. Does the investor want to build an emergency fund, plan for retirement, or buy a home? investors can create better investment strategies by having clear goals. Next is to start with small capital, namely to start digital investment, investors, especially beginners such as Gen Z, do not need to have large capital, on the contrary, novice investors can start with an amount that suits their needs and gradually increase the investment amount over time.

In the research above, it can be concluded that the decision to invest in digital is greatly influenced by current economic conditions. As long as the economy is stable or growing, many people have more confidence in investing because they believe there are greater opportunities for growth. However, when the economy is unstable or growing, people may be more cautious in investing because there is more uncertainty in the financial markets. In response to the current economic situation, the following recommendations should be used to manage digital investment decisions namely by conducting in-depth research to conduct thorough research on current economic conditions, including monetary policy, unemployment rate, GDP growth, and inflation. Understanding economic trends and projections can help you make more informed investment decisions. Consider Risks and Rewards, namely by evaluating the possible risks and benefits of digital investments by considering the current economic situation. If the economy is stable, investors may prefer to take greater risks for greater returns. However, if the economy is unstable, consider reducing risk exposure or making more conservative investments.

CONCLUSION

The conclusion of this research is that in the current era of digitalization, Gen Z has a great opportunity to become the main actor in digital investment. Generation Z, who grew up in the technology era, has a high probability of becoming the main actor in technology investment. They are familiar with technology and enjoy investing in online platforms. It remains important for them to have a good financial education and understand investment



risks. Their investment decisions are also influenced by risk preferences, financial goals, personal values, and environmental impact.

However, their investment decisions will be greatly influenced by their knowledge of investing, influence from social media and friends or family. Now, many influencers create content about digital investment, but it is hoped that Gen Z will be careful in choosing a digital investment platform that is safe and legal. There is also the influence of technology where we have entered the digital era and everything will be easier by using technology. And this technology can also help in the investment sector, namely by creating a special platform in the form of applications for several digital investments provided by digital investment company platforms, making investment easier. The next factor is that the current economic situation can also influence Gen Z to make digital investments. The next factor is that Gen Z sees digital investment as a way to improve their personal financial conditions in the future. The next factor is that Gen Z sees the potential benefits of digital investment to influence their decision to invest in digital.



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