THE INFLUENCE OF LITERACY AND FINANCIAL INCLUSION ON INVESTMENT DECISIONS IN GENERATION Z IN MALAUSMA DISTRICT

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Abstract

The potential of the younger generation, particularly Generation Z, as investors is truly remarkable. With their advanced technological skills, they possess the ability to become key players in driving investment development in Indonesia. Achieving true financial inclusion is closely tied to financial literacy. This study investigates the influence of financial literacy and financial inclusion on investment decisions among Generation Z in the Malausma District of Indonesia. The data utilized in this study consists of primary and secondary data obtained through questionnaires and literature reviews. The sampling method employed was non-probability sampling with a purposive sampling technique. To determine the sample size, the Lemeshow formula was utilized, resulting in 97 respondents, which was rounded up to 100. The data analysis technique involved instrument testing (validity and reliability), multiple linear regression analysis, and hypothesis testing (t-test, f-test, determinant coefficient/R2) using the SPSS Version 25 application. The findings of this research indicate that both financial literacy (X1) and financial inclusion (X2), both individually and collectively, have a positive and significant impact on investment decisions (Y) among Generation Z in the Malausma District.

Keywords: Financial Literacy, Financial Inclusion, Investment Decisions, Generation Z

1. INTRODUCTION

A nation's financial strength and prosperity can be gauged by its economic advancement. The quality of its workforce plays a crucial role in driving this growth (OJK 2017). Enhancing human resources quality involves bolstering competencies, particularly in the financial realm, with a focus on financial literacy (LIPI 2013). As per the Organization for Economic Co-operation and Development (OECD 2017), financial literacy encompasses not only grasping financial concepts and risks but also possessing the skills, drive, and confidence to effectively apply this knowledge. This, in turn, leads to making sound financial decisions, enhancing individual and societal financial well-being, and actively engaging in the economy.

The 2022 National Survey of Financial Literacy and Inclusion (SNLIK) reveals that the financial literacy index of Indonesian society has climbed to 49.68 percent, a significant increase from the 38.03 percent recorded in 2019. Moreover, the financial inclusion index for this year has surged to 85.10 percent, marking a rise from 76.19 percent in the previous SNLIK period of 2019. This suggests a diminishing disparity between literacy and inclusion levels, dropping from 38.16 percent in 2019 to 35.42 percent in 2022 (OJK, 2022).

True financial inclusion cannot be separated from financial literacy. Surveys with facts obtained, the higher the literacy, the greater the level of benefits (OJK, 2017). This

statement is supported by Tustin (2010) who states that financial literacy trains people's way of thinking, intelligence and motivation in planning and managing their finances. In the study, carried out by the World Bank (2014), it can be seen that things have in common a good relationship with broad institutional access.

In Financial Services Authority Regulation (POJK) Number 76/POJK.07/2016 concerning Increasing Literacy and Financial Inclusion in the Financial Services Sector for Consumers and/or the Community, and is expected to be able to educate the public (POJK 2016). The main target in developing financial literacy and financial inclusion in this program is the younger generation. This is because the younger generation is starting to realize the importance of investment which can contribute to increasing Indonesia's economic growth (Viana et al., 2021).

Based on data from the Indonesian Central Securities Depository (KSEI) (2023), the younger generation, especially Generation Z, shows enormous potential as potential investors. This is because the younger generation has a high level of technological skills so they have great potential to act as investors and be the key to encouraging investment development in Indonesia (Patrisia & Abror, 2022). Rahmi et al (2022) state that investment is a learning process to control finances in the future so investment planning in financial management is important. Taufiq et al (2023) stated that investment decisions are an important action in maintaining financial stability in the future. Afgani et al (2021) Characteristics based on year of birth or generational division can be used to group investors in Indonesia.

West Java Province is the region with the largest population in Indonesia and the largest number of Generation Z, namely 16.49 million people (BPS 2020). West Java Province has demographic advantages compared to other regions. This is a potential and challenge for the government because Generation Z is known as a creative and innovative generation and is known to have a more practical character and is more financially motivated. Data from the Indonesian Stock Exchange (BEI) (2023) shows that West Java is the province with the largest number of capital market investors in Indonesia with 40% of the young generation aged 18-25. This is the reason for the author to choose the Generation Z community in Malausma District as one of the sub-districts in West Java as a sample for the research. This study aims to find out the influence of financial literacy and financial inclusion on investment decisions among Generation Z in the Malausma District of Indonesia.

2. LITERATURE REVIEW
2.1. Financial Literacy

According to the Financial Services Authority (OJK 2019), financial literacy is knowledge, skills and beliefs that will influence attitudes and behavior in improving the quality of decision making and financial management in order to achieve prosperity. Financial literacy according to Lusardi et al (2017) is a person's ability to manage economic information, carry out financial planning, make good decisions regarding wealth accumulation, retirement and debt. (OECD 2018) defines financial literacy as a combination of awareness, knowledge, skills, attitudes and behavior needed to make good financial decisions so as to achieve individual prosperity. Financial literacy is the knowledge a person has regarding the financial services industry, someone who has high

financial literacy is considered a "financially literate" person (Saadah, 2020). Thus, financial literacy is a basic ability to understand economic concepts needed to manage financial information, analyze and understand the condition of financial problems.

In measuring the level of financial literacy, (OECD 2018) explains that there are three instrument components, namely: (1) financial knowledge, (2) financial behavior, and (3) financial attitude.

2.2. Financial Inclusion

Financial inclusion refers to the availability of access to a wide range of financial institutions, products, and services that cater to the specific needs and capabilities of the community, ultimately enhancing the overall welfare of the community (OJK 2021). Hannig & Jansen (2010) said that financial inclusion is an endeavor to incorporate individuals who are typically excluded from the formal financial system, providing them with the opportunity to benefit from financial services such as savings, payments, and transfers. In line with this, (OECD 2018) defines financial inclusion as the process of ensuring that all segments of society have affordable, timely, and sufficient access to regulated financial products and services, while also encouraging their utilization through innovative approaches like financial awareness and education, ultimately aiming to foster prosperity. Additionally, financial inclusion is also defined as the process of guaranteeing vulnerable groups, such as those with low incomes, with prompt and adequate access to financial and credit services at affordable costs (Agarwal, 2016).

Indicators or dimensions for measuring financial inclusion using the Financial Inclusion Index (IFI) calculation are: (1) accessibility, (2) availability, and (3) use of banking services (Sanjaya & Nursechafia, 2016).

2.3. Investment Decision

Investment decisions are actions taken by someone to allocate the funds they have with the intention of obtaining greater income in the future than the amount of funds that have been invested from the start (Sun & Lestari, 2022). Nurwulandari (2022) state that investment decisions involve established policies related to two or more capital placement options with the hope of gaining profits in the future. As more individuals are involved in investment activities, the number of investment decisions taken will increase. Prospective investors should consider a number of factors that influence investment decisions before entering into investment activities. According to (Tandelilin, 2010) indicators of investment decisions consist of (1) expected return level, (2) risk level, and (3) relationship between return and risk.

3. RESEARCH METHODS

In this study, the results obtained came from primary and secondary data from filling out questionnaires and literature study. The sampling method used was non-probability sampling method with purposive sampling technique. Sugiono (2016) states "purposive sampling is a sample collection technique with certain considerations or criteria. In this study, the criteria used were people who belonged to the Z generation group (15-25 years) and lived in the Malausma sub-district. Determination of sample size

in this study used the Lemeshow formula. This formula is appropriate for use in determining the addition of a population whose total is unknown." With a sampling error of 10%, the sample size was 97 and rounded up to 100 respondents. The data analysis technique uses instrument testing (instrument validity test, reliability test), multiple linear regression analysis, hypothesis testing (t statistical test, f statistical test, determinant coefficient/R2) with the SPSS Version 25 application.

4. RESULTS AND DISCUSSION
a. Classic assumption test

Based on the results of the classical assumption test, namely the reliability test, multi-collinearity test and normality test, each states that all variables are suitable for use as measuring tools and the research model is free from multi-collinearity with data that is distributed in a normal distribution. Thus, the research model meets the requirements of classical assumptions for testing research hypotheses using Multiple Linear Regression Analysis.

b. Multiple Linear Regression Analysis

Based on the results of data processing using SPSS, the following results were obtained:

Table. 1 Multiple Linear Regression Coefficient Test Results

		Unstandardized Coefficients		Standardized Coefficients	t	Say.
Model		B	Std. Error	Beta		
1	(Constant)	8.984	3.120		2.880	.005
	Financial Literacy	.259	.106	.205	2.435	.017
	Financial Inclusion	.413	.067	.517	6.154	.000
a. Dependent Variable: Investment Decisions						

The multiple linear regression equation model that will be formed is as follows:

$$Y = 8.984 + 0.259X1 + 0.413X2$$

Based on this equation it can be described as follows:

1. Constant (a) = 8.984. This shows a constant value, namely if the variables financial literacy (X1) and financial inclusion (X2) = 0, then the investment decision for generation Z in Malausma District remains at 8,984.
2. Coefficient X1 (b1) = 0.259. This shows that the financial literacy variable has a positive influence on investment decisions among generation Z in Malausma District. If the financial literacy variable is increased by one and the other variables are constant, then investment decisions will increase by 0.259.

3. Coefficient X2 (b2) = 0.413. This shows that the financial inclusion variable has a positive influence on investment decisions among generation Z in Malausma District. If the financial inclusion variable is increased by one and the other variables are constant, then investment decisions will increase by 0.413.

c. Determination Coefficient (R2)

The results of the analysis of the coefficient of determination can be seen in the following table:

Table. 2 Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.562[a]	.316	.302	1.710
a. Predictors: (Constant), Financial Inclusion, Financial Literacy				

Based on the calculations in table 2, the coefficient of determination of the acquisition value is 0.316. From this value, it can be interpreted that the magnitude of the influence of financial literacy (X1) and financial inclusion (X2) on investment decisions in generation Z in Malausma District is 31.6%, while the remaining 68.4% is influenced by other variables not examined in this research.

d. Partial Significant Test (t-test)

Based on table 1, partial regression testing for each variable is as follows:

1. Financial literacy (X1). From the test results, the t value for the lifestyle variable shows that the calculated t value (2.435) > t table (2.371) with a significance value of $0.017 < 0.05$, then $H01$ rejected and $Ha1$ is accepted, meaning that partially financial literacy has a positive and significant influence on investment decisions among generation Z in Malausma District. This is in accordance with previous research conducted by Malik (2017) and Dewi and Purbawangsa (2018) which stated that financial literacy variables and demographic factors such as income have a significant positive influence on students' investment interest both partially and simultaneously, which means the higher the level. financial literacy and income, the higher students' interest in investing. Other research conducted by Aren and Zengin (2016) also states that financial literacy can influence investors in choosing investment products. Investors who are "risk-averters" tend to choose investments in the form of deposits, while those who are "risk seekers" will choose foreign exchange, equities and portfolios.

2. Financial inclusion (X2). From the test results, the t value for the financial inclusion variable shows that the calculated t value (6.152) > t table (2.371) with a significance value of $0.00 < 0.05$, then $H02$ rejected and $Ha2$ is accepted, meaning that partially financial inclusion has a positive and significant effect on investment decisions among generation Z in Malausma District. The influence of financial

inclusion on positive investment behavior means that every increase in the value of financial inclusion will increase investment behavior. The more people in Generation Z have access to savings and investment products, payment products, insurance products, and credit or loan products, the greater people's tendency to invest. The influence of financial inclusion on positive investment behavior supports previous research conducted by Hasundungan (2019) which stated that financial inclusion has a positive and significant influence on investment behavior. This means that if access to financial services increases, interest in owning capital market products will increase. Likewise, research conducted by Wibowo (2018), with the result that access to the capital market is also one of the factors that influences investment interest.

e. F test (simultaneous)

Table. 3 F Test Results

ANOVAª					
Model	Sum of Squares	df	Mean Square	F	Say.
1 Regression	131.210	2	65.605	22.444	.000ᵇ
Residual	283.540	97	2.923		
Total	414.750	99			
a. Dependent Variable: Investment Decisions					
b. Predictors: (Constant), Financial Inclusion, Financial Literacy					

The F table value in this study is 22.444. Based on this table, it can be seen that the independent variables together have a significant influence on the dependent variable. This is proven by the calculated F value of 22,444 which is greater than the F table of 3.09 or the F significance of 0.000 which is smaller than the α value of 0.05. This means that the financial literacy variable (X1) and the financial inclusion variable (X2), together have a positive and significant effect on investment decisions (Y) in generation Z in Malausma District.

5. CONCLUSION

Based on the research results, the following conclusions were obtained that the magnitude of the influence of financial literacy (X1) and financial inclusion (X2) on investment decisions (Y) in generation Z in Malausma District is 31.6%, while the remaining 68.4% is influenced by other variables not examined in this research, financial literacy (X1) has a positive and significant effect on investment decisions (Y) in generation Z in Malausma District. Partially, financial inclusion (X2) has a positive and significant effect on investment decisions (Y) in generation Z in Malausma District. And the variables financial literacy (X1) and financial inclusion (X2), together have a positive and significant effect on investment decisions (Y) in generation Z in Malausma District.

These findings suggest that having a good understanding of financial concepts and being included in the formal financial system are important factors in influencing

investment decisions among generation Z in Malausma District. The results indicate that individuals who are financially literate are more likely to make informed investment choices, while those who have access to financial services and products are also more likely to engage in investment activities.

Furthermore, the study highlights the need to consider other variables that were not examined in this research. These variables could potentially have a significant impact on investment decisions among generation Z in Malausma District. It is important for future studies to explore these additional factors to gain a more comprehensive understanding of the influences on investment decisions.

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