

ANALYSIS OF THE DETERMINANTS OF GEN Z FINANCIAL BEHAVIOUR IN INVESTMENT DECISION MAKING: A QUANTITATIVE APPROACH

Ruslaini^{1*}, Ulil Albab², Nur Hafizah Roslan³, Mutiara Sari⁴, Mawardi⁵

^{*1, 2, 4, 5}Faculty of Islamic Studies, University of Muhammadiyah Lampung, Indonesia,

³Faculty of Business Management and Professional Studies, Management & Science University, Malaysia,

^{*1}*email:* rosimumhammadiyahlampung@gmail.com

²*email:* ulilalbab1987@gmail.com

³*email:* nurhafizah_roslan@msu.edu.my

⁴*email:* mawardi.mqfm@gmail.com

⁵*email:* mutiarasari1003@gmail.com

Abstract: This study aims to analyse the determinants of financial behaviour in Generation Z and its influence on investment decision making, using a quantitative approach. The research sample consisted of 120 Malaysian university students representing the Gen Z demographic. Data was collected through a structured survey that focused on indicators of financial planning, financial budgeting, financial management, financial storage. The results showed that financial behaviour had a significant and positive effect on investment decisions among Gen Z, while financial attitudes and social influence also played a role as moderating factors. The findings provide valuable insights for policymakers, educators, and financial institutions to better understand the financial behaviour of Generation Z and its implications on their investment decisions. The research emphasises the importance of financial education programmes tailored to the unique needs of Gen Z, to encourage more informed investment decisions.

Keywords: Financial behaviour, investment decision, Generation Z, quantitative approach.

I. INTRODUCTION

Islam teaches that wealth is managed as well as possible, because wealth in Islam is a trust and a person's property. The principle in Islam that the best treasure is managed by people with righteous personalities, namely trustworthy and professional. As Allah SWT says in the letter Al-Furqon verse: 67 "*And those who when they spend, they are not excessive, nor are they miserly, and spending is in the middle between the two.*" Islam wants every Muslim to be able to manage the results of his business properly, manage and manage his property economically, efficiently and proportionally and have the spirit and habit of investing for the future and supplying needs. If a Muslim understands the function of financial management, then the principle is actually a means of worship to Allah because the intention and method are good. Rasulullah SAW said: "Verily, Allah is good and accepts the good." (HR. Muslim).

Research on financial behaviour has previously been conducted by several countries in order of time. United Kingdom (Marriott, 2007) on the prudence and use of student debt in the UK. United States (Rosacker et al., 2009). United Arab Emirates (Al- Tamimi & Kalli, 2009)

on the Investment Decisions of investors in the UAE. (Mottola, 2014) regarding financial capability in the younger generation. While the development of Islamic financial literacy is almost 46% of the global population (2019), 47 businesses around the world are adapting to the needs and expectations of the growing Millennial and Gen Z generations (State of the global Islamic economy Report 2022). Students are also referred to as the younger generation, which is everyone who has enrolled in a higher education institution with an age of 18-30 years (Sarwono). So if we look at the young generation who are currently on campus, Gen Z is people who were born in 1995 - 2010, with characteristics fluent in technology, interacting with social media, expressive who tend to be tolerant and *multitasking*. With the development of existing technology accompanied by the existing characteristics of generation Z, it is possible to have an attitude of consumerism in generation Z and the need for financial literacy as a direction in financial behaviour and appropriate investment decisions.

Malaysia has been successful in developing the Islamic financial market with the availability of a wide range of Islamic investment options that have attracted Generation Z to engage in Islamic investment. The implementation of Islamic culture and values in Malaysia, which has a majority Muslim population, has strengthened Generation Z's interest in Islamic investments. The significant progress of Islamic financial technology development in Malaysia with the existence of digital *platforms* that facilitate Islamic investments can increase the involvement of generation Z in Malaysia. The above shows that with the largest Muslim population in the world, Indonesia has a great opportunity, so we need to know the methods or ways from Malaysia in developing Islamic financial literacy and increasing investment.

Investment is an activity in the economy by investing capital directly or indirectly, so that the owner of the capital has the hope of getting a profit from the capital invested. There are many sectors in investment, including the real sector, the banking sector, and the capital market. Banking sector investment has a scale that tends to be small in risk, a high level of liquidation with a short maturity time, while the capital market, with goods sold in the form of stocks and bonds both owned by companies and the government, has a high risk in the capital market investment sector when compared to other sectors. However, the *return* (profit) generated is also higher than other sectors. In 2022 based on the *State of the global Islamic economy* report, *Government Benchmarks Islamic Financial* based on indicators of several factors, namely: *Financial, innovation, social, awareness, governance*, obtained by Malaysia as the first order, Saudi Arabia second order, Bahrain third order, Kuwait fourth order, UAE fifth order. With this data, it can be concluded that Malaysia has a big role in Islamic finance in the *Global Islamic Economy*. This is what encourages research to be conducted on GenZ students in Malaysia to find out the financial behaviour of gen z towards investment decisions.

Research Hypothesis

H1: Financial behaviour has a positive influence on investment decisions.

II. LITERATURE REVIEW

1. Generation Z

Students are everyone who has registered at a higher education institution with an age of 18-30 years (Sarwono 2020), while according to (Moral force 2018) Students are the highest level students, so they should have high morals and morals as well, everything that is done by

students can describe morals for society, therefore why students are always made a moral benchmark, because they have the power for a positive change for the sake of the nation and state. A generation is a group of generations that are important to a country, this group of generations has similarities in age groups that experience important events in the same time period (Piltcher 1994). A generation that has the ability and skills for finance will also support the progress and welfare of a nation. Generation Z are people who were born in 1995 - 2010, with the characteristics of being fluent in technology, interacting with social media, expressive who tend to be tolerant and *multitasking*. With the development of existing technology along with the existing characteristics of Generation Z, it is possible to have a consumerist attitude in Generation Z and the need for financial literacy.

Access to information and various offers that are very easy to find by Generation Z, makes Generation Z have many choices in their lives. Generation Z has the YOLO principle (*You only live once*) in other words, enjoying life now without worrying about life in the future. This can be seen with Generation Z's choice to go on holiday instead of setting aside a retirement fund, because they feel that retirement is still very long. According to the results of Karma credit research in 2018, as many as 39% of generation Z have debt to follow trends in their community and according to IDN research, *Research Institute* in 2019, the allocation of savings from income is only 10.17% in generation Z. Investment, which has always been part of financial management, is also still minimal among generation Z. This is supported by the results of research from the *Future of Money* by Luno in collaboration with *Dalia Research* as much as 69% of generation Z does not have an investment strategy. (Dion, 2020). Generation Z who has knowledge of financial management such as saving/investing, does not necessarily have saving/investing behaviour (Rahayu and Nurfauziah, 2020). Seeing the data presented and the characteristics of generation Z, it is necessary to understand and apply financial literacy to generation Z so that no mistakes occur in the future.

2. Financial Behaviour

A person's ability to manage daily financial resources is called financial management behaviour (planning, budgeting, auditing, management, searching, and safeguarding). (Kholilah and Iramani, 2013) According to (Purwidiyanti and Mudjiyanti, 2016) individual financial responsibility in financial management is known as treasury or financial management behaviour. Financial responsibility is the process of managing finances and other assets productively. It is also related to the process of managing the use of financial assets. Several factors contribute to effective cash management, including: such as budget setting, assessing the need for purchases and pension debt within a reasonable time frame. According to (Nababan and Sadalia, 2016) financial behaviour relates to how a person treats, manages, and uses financial resources and tends to be effectively responsible in the use of the money he has.

A person's financial behaviour can be seen from four things (PBI, 2017), namely:

a. *Consumption*

Consumption is defined as household expenditure on goods or services. Consumption patterns can be used to assess people's financial behaviour.

b. *Cash-flow management*

Cash flow is an important indicator of financial condition and a measure of one's ability to cover all expenses. A good cash flow management system allows you to balance your income and expenses. An individual's ability to pay invoices on time, make budgets and financial plans, and keep records or records of payments are indicators of cash flow management.

c. *Savings and investment*

Savings are the remaining income that is not used within a certain period of time. Unused income is saved for future use. Investment is the act of allocating existing resources to generate future returns.

d. *Debt management (credit management)*

Debt management is one of the indicators used to assess individual financial behaviour. Debt management refers to a person's ability to use debt to avoid losses.

3. Investment

Investment is commonly used and is often defined as investing money in the hope of getting profits in the . In the Contemporary Indonesian Dictionary, the word investment is clearly defined, namely the investment of money or capital in a project or company with the aim of making a profit in the future. (Mujiono 2012). Investment is the commitment of a number of funds or other resources made at this time, with the aim of obtaining a number of benefits in the future. The terms investment or capital investment are terms that are known, both in daily business activities and in the language of legislation. The term investment can relate to a variety of activities. Investing funds in the real sector (land, gold, machinery or buildings) or financial assets (deposits, stocks or bonds), is a common activity. According to the Big Indonesian Dictionary (KBBI), the definition of investment is the investment of money or capital in a company or project for the purpose of making a profit (Siti Munawaroh-2019).

The purpose of people making investments is basically to develop and owned or expect profits in the future. In general, the purpose of investment is to make a profit, but for certain companies there may be other main objectives besides making a profit. In general, the objectives of investment are:

- a. To earn a fixed income in each period, such as interest, royalties, dividends, or rent and others.
- b. To establish a special fund, e.g. a fund for expansion purposes, social purposes
- c. To control or control another company, through partial ownership of the equity of that company.
- d. To ensure the availability of raw materials and find a market for the products produced.
- e. To reduce competition among similar companies.
- f. To maintain relationships between companies

Meanwhile, according to Ahmad Ghazali there are the main principles of Sharia investment, namely: Halal Principles

The halal principle as the principle of the halalness of an investment can be seen from the place and process of investment, namely:

- 1) Halal place, which is a business that is established in a halal manner, there is no fraud, the products are halal and do not contain elements of maysir, gharar and usury.
- 2) Halal process, which is an agreement that is carried out openly and clearly by the parties both in terms of content, operations and technical profit sharing and so on.
- 3) The Blessing Principle
This principle will be seen not only on the physical (economic) side, but from the spiritual side will get or see inner satisfaction in utilising wealth productively and can be for others Principle of Value Added (*profit margin*) This principle will be seen from the increase in additional assets with as profit as possible, but still not forgetting the principles of halal and blessing.
- 4) Realistic Principle
This principle will appear in the projected picture of investment returns not just a calculation on paper that is impossible to realise. But still based on the value of reality (real)

4. Investment Decision

Investment decisions are financial decisions taken by company managers that are important for the company. Investment decisions can be influenced by the company's available cash, the level of company sales, the level of debt, and the size of the company. There are 2 possibilities in making investment decisions by managers, namely managers using cash flow into investments with optimal returns or to enrich themselves managers (Aswath Damodaran (2001: 4) there are 3 decisions taken by financial managers.

1. Investment decisions decisions related how much investment capital and how it is composed, which means how the ratio between investment in fixed assets and current assets. So investment decisions in addition to allocating capital also determine the composition of assets owned by the company so that the use of funds runs optimally.
2. *Financing Decision*

This financing decision involves the problem of choosing various forms of funding sources and this can be considered by financial managers when deciding whether to use funds from within or outside the company. Whether the funds should be in the form of debt or equity capital.

3. *Dividend Decision*

The dividend decision is a decision that concerns the issue of how much profit will be paid to shareholders, either as stock dividends or cash dividends and how much will be retained (as retained earnings) and reinvested.

III. METHODOLOGY

This research is a causal study that will prove the causal relationship between the independent variable and the dependent variable. The objects that will be used as respondents in this study are students of the Faculty of Business Management & professional Studies at

Management & Science University of Malaysian consisting of 120 students in semester IV (four) and above. (Mariani & Florescu, 2019)

This research was conducted at the Management & Science University Campus, in the month of 2024. With the number of eligible populations in semesters IV, V, VI, a sampling of 120 students was obtained.

The data collection technique uses a questionnaire, which is a method of collecting data by distributing several questions or written questions to respondents to be answered, the method used is by distributing questionnaires. This method can be done by telephone, computer and other communication tools. (Ameliawati & Setiyani, 2018) This research questionnaire is measured using a Likert scale, in this study alternative answers are provided ranging from strongly disagree to strongly agree, with a score of 1 to 5. The data collection technique was carried out by distributing questionnaires to the sample that had been determined via google form. The data analysis technique uses the analysis method, namely using Statistical Product and Service Solutions (SPSS).

IV. RESULTS AND ANALYSIS

1. Descriptive analysis

The number of respondents to be analysed is 120 students, have investments with various products, students at the Faculty of Business Management and Professional Studies, Management & Science University. The sampling method or technique used is Purposive sampling with certain considerations, namely (1) students who get Financial Management and Investment Analysis courses (2) students in IV (four) to VI (six) students (3) students who have investments.

The variables used in this study include *dependent* variables and *independent* variables. The dependent variable is investment decisions as an action taken by students in the present to project the future to benefit. While the independent variables consist of financial literacy, financial behaviour and income.

Financial literacy data is obtained from data processing about knowledge about finance in aspects of financial institutions and financial concepts as a whole, as well as the ability to use financial products and manage personal finances in order to make short-term and long-term decisions. While financial behaviour is a form of combining aspects of financial capability and psychological ability of a person in managing and utilising financial resources as a basis for decision making for daily needs and future financial planning. Income is taken from data on money received by individuals, businesses in the form of wages, salaries, rent, and income. Data on independent and dependent variables can be seen in Appendix 1.

b. Multicollinearity Test

Multicollinearity testing is done to determine whether there is a relationship between independent variables in the regression function. Table 1 is the correlation coefficient between the independent variables studied. This test can be used to detect the presence of strong multicollinearity among the independent variables.

If the tolerance value > 0.01 or VIF value < 10 , then it passes the multicollinearity test

If the tolerance value < 0.10 or VIF value $>$, then it does not pass the multicollinearity test.

Table. 1 Multicollinearity test

Coefficients ^a		
Model	Collinearity Statistics	
	Tolerance	VIF
Financial behaviour	0,614	1,629

a. Dependent Variable: Investment decision

Furthermore, from the table, the tolerance value on the financial behaviour variable is $0.614 > 0.10$ and the VIF value of the financial behaviour variable is $1.629 < 10.00$ so that there are no symptoms of multicollinearity.

C. Regression Analysis

Regression analysis follows

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)					
	X	.297	.081	.339	3.677	.000

a. Dependent Variable : Y

Furthermore, from the *Coefficients* table, the t_{count} value is 3.677 and the t table is 1.9803, so it can be interpreted that the $t_{count} > t_{table}$ and sig. t shows $0.000 < 0.05$. So with this it can be concluded that H_0 is accepted and H_2 is rejected, stating that there is an influence between behavioural variables and investment decision variables.

Hypothesis: The results obtained that the financial behaviour variable has a significant and positive relationship with investment decisions with a regression coefficient of + 0.321. This is in accordance with the hypothesis that financial behaviour has a significant and positive relationship with investment decisions.

V. CONCLUSION

Based on the results of the analysis and discussion of behavioural variables and income have a positive influence on investment decisions. Therefore it can be said that financial behaviour and is a factor that influences investment decisions, in decision making is strongly influenced by financial behaviour and income that has been formed from good habits, has been believed and understood and implemented. As well as formed from the knowledge gained from the campus in the Financial Management and Investment Analysis courses, so that students are confident and able to make the right investment decisions.

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