

FINANCIAL BEHAVIOR AND INCOME AS DETERMINANTS OF INVESTMENT DECISIONS: EVIDENCE FROM GENERATION Z UNIVERSITY STUDENTS IN AN ISLAMIC ECONOMICS PERSPECTIVE

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Abstract: *This study aims to examine the influence of financial literacy, financial behavior, and income on investment decisions among Generation Z university students from an Islamic economics perspective. The rapid development of digital financial platforms has increased young adults' participation in investment activities; however, empirical evidence explaining the determinants of their investment decision-making remains limited. This study employs a quantitative approach with a causal research design. Primary data were collected through an online questionnaire distributed to 120 undergraduate students at Management & Science University, Malaysia. The data were analyzed using multiple linear regression analysis to examine the relationships among the research variables. The results reveal that financial behavior and income have a positive and significant effect on students' investment decisions. In contrast, financial literacy does not show a statistically significant direct effect on investment decisions. However, financial literacy, financial behavior, and income simultaneously influence investment decisions. These findings indicate that students' investment decisions are shaped not only by financial knowledge but also by financial management behavior and individual economic capacity. This study contributes to the literature by providing empirical evidence on the investment behavior of Generation Z students in Malaysia and highlights the importance of strengthening financial education that emphasizes not only knowledge improvement but also the development of responsible financial behavior in line with Islamic economic principles.*

Keywords: *Financial Literacy; Financial Behavior; Income; Investment Decision; Generation Z; Islamic Economics*

Introduction

The rapid development of global financial markets and digital financial technologies has significantly transformed the way individuals access and participate in investment activities. In recent years, the emergence of digital investment platforms, online trading systems, and financial applications has made investment opportunities more accessible to younger generations. (Paul et al., 2025) (Nurhayati et al., 2025) Among these groups, Generation Z represents a cohort that is

highly exposed to digital information and financial technology, enabling them to engage in investment activities at an earlier age. However, despite these opportunities, young investors are also vulnerable to irrational investment decisions due to limited financial experience and behavioral biases in financial decision-making (Lusardi, A., & Mitchell, O. S. 2014), (OECD, 2005)

Although access to financial information and financial products has expanded substantially, the level of financial literacy among young people still varies considerably across countries. Financial literacy plays an important role in enabling individuals to understand financial concepts, evaluate financial risks, and make informed financial decisions. Insufficient financial literacy may lead to poor financial management, suboptimal investment decisions, and long-term financial vulnerability (Osman et al., 2024), (Ergün, 2018). Several studies highlight that many university students possess limited knowledge of financial planning, savings strategies, and investment instruments, which may hinder their ability to participate effectively in financial markets.

Beyond financial knowledge, investment decisions are also strongly influenced by individual financial behavior. Financial behavior reflects how individuals manage their financial resources through practices such as budgeting, saving, and spending control (Grant, 2024), (Ifa & Anwar, 2025). Behavioral finance theory suggests that financial decision-making is shaped not only by rational evaluation but also by psychological factors, habits, and self-control (Chaubey & Raj, 2024) (Simon, 2024). Individuals with disciplined financial behavior tend to demonstrate better financial planning and are more likely to engage in investment activities. Conversely, poor financial behavior may increase the likelihood of making risky or uninformed investment decisions, particularly among university students who are still developing their financial management skills.

Income also plays a crucial role in shaping individuals' ability to invest. From an economic perspective, income determines the financial capacity available for saving and investment activities. Individuals with higher levels of disposable income generally have greater opportunities to allocate funds toward investment instruments and diversify their portfolios. Conversely, limited income may constrain investment participation and influence risk preferences in financial decision-making (Putri et al., 2025), (Heni Dwiyantri & Mirzam Arqy Ahmadi, 2024). Among university students, variations in income sources, such as parental support, scholarships, or part-time employment, may influence their investment behavior and financial decision-making processes.

University students represent a strategic group within the financial ecosystem because they are potential investors and future economic actors. Understanding the determinants of investment decisions among students is therefore important for promoting financial inclusion and strengthening long-term financial stability. Early exposure to sound financial practices can help young adults develop responsible financial habits and improve their capacity to manage financial resources effectively (C & Subramanianm, 2025), (Karo & Murtanto, 2024).

Malaysia provides a particularly relevant context for examining investment behavior among young individuals. As a country with a well-developed dual financial system that integrates both conventional and Islamic finance, Malaysia offers a unique institutional environment for financial decision-making. The presence of Islamic financial institutions and Sharia-compliant investment instruments provides alternative investment opportunities that align

with ethical and religious considerations. Consequently, the Malaysian context allows researchers to explore financial behavior within a financial system that accommodates both conventional and Islamic economic principles (Gani & Bahari, 2021), (Karwowski, 2009).

Previous studies have examined the influence of financial literacy, financial behavior, and income on investment decisions. However, many of these studies tend to analyze these variables separately or focus on working adults and general investors rather than university students. Empirical studies that simultaneously investigate the interaction of financial literacy, financial behavior, and income among Generation Z students remain relatively limited, particularly in the Malaysian context (Hashim et al., 2021)(Junanda et al., 2025). This gap highlights the need for a more comprehensive investigation into the determinants of investment decision-making among young individuals.

Addressing this research gap requires an integrated empirical approach that examines financial knowledge, behavioral practices, and economic capacity simultaneously. Understanding how these factors interact can provide a more comprehensive explanation of investment decision-making among young adults and contribute to the broader literature on behavioral finance and financial capability.

This study contributes to the literature by empirically examining the influence of financial literacy, financial behavior, and income on investment decisions among Generation Z university students. Using multiple linear regression analysis, this study evaluates the extent to which these factors influence students' investment decision-making. The findings are expected to provide theoretical insights into the determinants of investment behavior among young investors and contribute to the growing literature on financial behavior and decision-making. In addition, the results offer practical implications for policymakers and educational institutions in designing more effective financial education and investment literacy programs for young adults.

Literature Review

1. Financial Literacy and Investment Decision

Financial literacy is widely recognized as an essential factor influencing individual financial decision-making. It refers to the ability to understand financial concepts, evaluate financial risks, and effectively manage financial resources to achieve long-term financial well-being. According to Annamaria Lusardi and Olivia S. Mitchell, financial literacy plays a crucial role in enabling individuals to make informed financial decisions related to savings, investment, and retirement planning. Individuals with higher levels of financial literacy tend to possess better financial planning skills and demonstrate greater participation in financial markets (Lusardi, A., & Mitchell, O. S. 2014),

Financial literacy also enhances individuals' ability to evaluate financial products and investment opportunities. When individuals understand concepts such as risk diversification, interest rates, and financial instruments, they are more capable of making rational investment decisions. Studies indicate that individuals with adequate financial knowledge are more likely to participate in stock markets and other investment activities (Shrestha Tiwari & Dr. Asha Saxena, 2025), (Lusardi, A., & Mitchell, O. S. 2014) Conversely, individuals with limited financial literacy may experience difficulties in understanding financial products, which may lead to suboptimal financial decisions.

Among young adults and university students, financial literacy is particularly important because they are in the early stages of developing financial management skills. Research suggests that improving financial literacy among students can enhance their financial awareness and encourage responsible financial decision-making (Lusardi, A., & Mitchell, O. S. 2014). Furthermore, financial literacy contributes to financial inclusion by enabling individuals to access and utilize financial services effectively (Stroia, 2025), (Mohammed Irfan Shariff & Dr. RanjithKumar.S, 2025)

Within the context of Islamic economics, financial literacy also includes understanding Sharia-compliant financial principles and instruments. Islamic financial literacy enables individuals to make financial decisions that align with ethical values and Sharia guidelines, such as avoiding riba and engaging in permissible investment activities (Muhammad Ardiansyah & Alhamzah Alnoor, 2024), (McGregor & Hamdan Alghamdi, 2024).

Based on these theoretical and empirical perspectives, financial literacy is expected to influence individuals' investment decisions.

H1: Financial literacy has a positive effect on investment decisions among Generation Z university students.

2. Financial Behavior and Investment Decision

Financial behavior refers to the actions and habits individuals adopt in managing their financial resources, including budgeting, saving, financial planning, and responsible spending. These behaviors reflect an individual's ability to manage financial resources effectively and consistently in both short-term and long-term financial activities. Financial behavior is often considered an important indicator of how individuals translate financial knowledge into practical financial management decisions (Setyawan et al., 2022).

From the perspective of behavioral finance theory, financial decisions are not always purely rational but are frequently influenced by psychological factors, habits, and behavioral biases. According to Richard H. Thaler, individuals often deviate from rational economic behavior due to cognitive limitations and emotional influences in financial decision-making (Thaler, 2016). Therefore, financial behavior becomes a crucial determinant in shaping financial outcomes, including saving and investment activities.

Individuals who demonstrate positive financial behaviors, such as disciplined saving, budgeting, and financial planning tend to achieve better financial outcomes and are more likely to participate in investment activities. Empirical studies show that responsible financial behavior significantly improves financial well-being and increases participation in financial markets (Xiao & Porto, 2017). Similarly, international financial literacy surveys highlight that individuals with stronger financial management behaviors are more capable of accumulating savings and engaging in investment decisions (Atkinson & Messy, 2012).

In the context of university students, financial behavior plays a critical role in shaping financial decision-making because students are still developing their financial habits and attitudes toward money management. Responsible financial behavior enables students to allocate resources more effectively, manage financial risks, and plan for future financial goals. Recent empirical evidence among Generation Z university students also confirms that financial behavior has a significant and positive influence on investment decision-making, indicating that

disciplined financial habits can encourage students to participate more actively in investment activities (Ruslaini, et al, 2025)

Given that Generation Z is highly exposed to digital financial platforms and financial technology, the development of responsible financial behavior becomes increasingly important to ensure rational and sustainable investment decisions. Therefore, financial behavior is expected to play a significant role in influencing investment decisions among university students.

H2: Financial behavior has a positive effect on investment decisions among Generation Z university students.

3. Income and Investment Decision

Income represents the financial resources available to individuals for consumption, saving, and investment activities. In economic theory, income is considered an important determinant of individuals' financial capacity and investment participation. Individuals with higher income levels generally have greater opportunities to allocate financial resources toward investment activities.

According to Thomas Piketty, income distribution plays a significant role in determining individuals' ability to accumulate wealth and participate in investment markets (Piketty, 2014). Higher income levels enable individuals to diversify their financial portfolios and manage financial risks more effectively.

Previous studies also indicate that income significantly influences investment participation. Individuals with higher disposable income tend to demonstrate greater willingness and capacity to invest in financial instruments such as stocks, mutual funds, and other investment products (Van Rooij et al., 2011). Conversely, individuals with limited income may prioritize immediate consumption needs, which reduces their ability to allocate funds for investment.

In the context of university students, income may originate from parental support, scholarships, or part-time employment. Differences in income levels may influence students' financial decisions and their ability to participate in investment activities. Students with higher disposable income are more likely to allocate funds for investment and develop financial portfolios at an early stage.

Based on these arguments, income is expected to influence students' investment decisions.

H3: Income has a positive effect on investment decisions among Generation Z university students.

4. Simultaneous Influence of Financial Literacy, Financial Behavior, and Income

Investment decisions are often influenced by multiple factors simultaneously rather than by a single determinant. Financial capability theory suggests that financial outcomes are shaped by the interaction between financial knowledge, financial behavior, and financial resources. According to this perspective, individuals require not only financial knowledge but also appropriate financial behavior and sufficient financial resources to make effective financial decisions (Bongomin et al., 2017).

Financial literacy provides the cognitive foundation for understanding financial concepts, financial behavior reflects the practical application of financial management skills, and income determines the financial capacity to implement financial decisions. When these factors interact, individuals are more likely to develop stronger financial capability and participate in investment activities (OECD, 2020).

Therefore, the combined influence of financial literacy, financial behavior, and income is expected to shape investment decision-making among university students.

H4: Financial literacy, financial behavior, and income simultaneously influence investment decisions among Generation Z university students.

Method

1. Research Design

This study employs a **causal research design** aimed at examining the causal relationships between financial literacy, financial behavior, income, and investment decision-making among university students. A causal approach is considered appropriate as this study seeks to identify the extent to which independent variables influence the dependent variable. The unit of analysis in this research consists of undergraduate students enrolled in the Faculty of Business Management and Professional Studies at Management & Science University (MSU), Malaysia, who have reached at least the fourth semester of study.

2. Research Location and Period

The research was conducted at **Management & Science University (MSU), Malaysia**. Data collection took place over a six-month period, **2024**. The selection of MSU as the research site was based on the relevance of the faculty's academic orientation toward business, finance, and professional studies, which aligns with the objectives of this research.

3. Population and Sample

This study employed a **purposive sampling technique** to select respondents based on specific criteria relevant to the research objectives. The criteria included: (1) students who had received formal instruction related to financial literacy or Islamic financial literacy, (2) students enrolled in the fourth to sixth semesters, and (3) students who had experience in investment activities. Data were collected through an online questionnaire distributed to students who met these criteria. Based on this selection process, a total of **120 respondents** were obtained and used as the sample for the analysis.

4. Data Collection Technique

Primary data were collected using a structured questionnaire distributed online through Google Forms. This method was selected to facilitate efficient data collection and to reach respondents effectively. The questionnaire consisted of closed-ended statements designed to measure respondents' perceptions, attitudes, and behaviors related to financial literacy, financial behavior, income, and investment decisions. The online distribution was supported by research collaborators in Malaysia to ensure adequate response rates and data reliability.

5. Measurement Scale

All research variables were measured using a five-point Likert scale, ranging from “strongly disagree” to “strongly agree.” The Likert scale was chosen to capture the intensity of respondents’ attitudes and perceptions in a standardized and quantifiable manner.

Table 1. Likert Scale Measurement

Response Category	Score
Strongly Agree	5
Agree	4
Neutral	3
Disagree	2
Strongly Disagree	1

6. Research Variables and Operational Definitions

The dependent variable in this study is investment decision, defined as an individual’s decision-making process regarding the allocation of financial resources at present with the expectation of obtaining future returns. The independent variables consist of financial literacy, financial behavior, and income.

Financial literacy refers to an individual’s knowledge and understanding of financial concepts, financial institutions, and financial products, as well as the ability to manage personal finances and make informed short-term and long-term financial decisions. Financial behavior represents the integration of financial capability and psychological aspects reflected in how individuals manage, budget, save, and utilize their financial resources. Income is defined as the monetary earnings received by individuals in the form of wages, salaries, bonuses, commissions, or other financial benefits.

Table 2. Operational Definition of Variables

Variable	Indicators	Measurement Scale
Investment Decision (Y)	Rate of return, risk consideration, risk–return relationship	Likert
Financial Literacy (X1)	Basic financial knowledge, savings and loans, investment knowledge	Likert
Financial Behavior (X2)	Financial planning, budgeting, financial management, financial saving behavior	Likert
Income (X3)	Salary/wages, bonuses or commissions	Likert

7. Instrument Validity and Reliability

Prior to hypothesis testing, the research instrument was subjected to validity and reliability testing to ensure the accuracy and consistency of measurement. Validity testing was conducted by examining the correlation between each item score and the total construct score using Pearson's correlation coefficient. An item is considered valid if the correlation coefficient exceeds the minimum threshold of 0.30.

Reliability testing was performed using Cronbach's Alpha coefficient. A construct is deemed reliable if the Cronbach's Alpha value exceeds 0.60, indicating satisfactory internal consistency. All statistical analyses for validity and reliability testing were conducted using SPSS software.

8. Classical Assumption Testing

To ensure the robustness of the regression model, several classical assumption tests were conducted, including tests for normality, multicollinearity, heteroscedasticity, and linearity. Normality was assessed using the Kolmogorov Smirnov test by examining the significance value of the residuals. Multicollinearity was evaluated through tolerance and Variance Inflation Factor (VIF) values, with tolerance values greater than 0.10 and VIF values below 10 indicating the absence of multicollinearity. Heteroscedasticity was examined using scatterplot analysis of standardized residuals and predicted values, while linearity was tested using the Lagrange Multiplier method to confirm that the specified model follows a linear functional form.

Results and Discussion

1. Descriptive Statistics of Respondents and Research Variables

This study analyzed data from 120 undergraduate students enrolled at the Faculty of Business Management and Professional Studies, Management & Science University, Malaysia. All respondents belonged to Generation Z and had prior experience in investment activities. The respondents were selected using a purposive sampling technique based on three criteria: (1) students who had taken Financial Management and Investment Analysis courses, (2) students in their fourth to sixth semester, and (3) students who actively owned at least one investment product. (Sengkalit et al., 2025)

The variables examined in this study consisted of one dependent variable and three independent variables. Investment decision was treated as the dependent variable, reflecting students' current financial actions aimed at obtaining future returns. The independent variables included financial literacy, financial behavior, and income. Financial literacy represents students' understanding of financial institutions, financial concepts, and their ability to utilize financial products for short- and long-term decision-making. Financial behavior reflects the integration of financial capability and psychological aspects in managing personal finances, while income refers to the monetary resources received by individuals from allowances, wages, or other sources

2. Multicollinearity Test Results

Prior to estimating the regression model, a multicollinearity test was conducted to ensure that no strong correlations existed among the independent variables. Multicollinearity was assessed using tolerance and Variance Inflation Factor (VIF) values. A model is considered free

from multicollinearity problems if the tolerance value exceeds 0.10 and the VIF value is below 10.

The results of the multicollinearity test are presented in **Table 1**.

Table 1. Multicollinearity Test Results

Variable	Tolerance	VIF
Financial Literacy	0.728	1.374
Financial Behavior	0.614	1.629
Income	0.694	1.440

As shown in Table 1, all independent variables exhibit tolerance values greater than 0.10 and VIF values well below 10. These findings indicate that there is no multicollinearity issue among financial literacy, financial behavior, and income. Therefore, all variables are suitable for inclusion in the multiple regression analysis

3. Multiple Regression Analysis: Initial Model (Stage 1)

Multiple regression analysis was employed to examine the simultaneous and partial effects of financial literacy, financial behavior, and income on investment decision. In the first stage, all independent variables were included in the regression model without elimination.

The results of the first-stage regression analysis are summarized in **Table 2**.

Table 2. Multiple Regression Analysis Results (Stage 1)

Variable	t-value	Sig.
Financial Literacy	0.784	0.435
Financial Behavior	3.677	0.000
Income	3.904	0.000

The regression results indicate that financial literacy does not have a statistically significant effect on investment decision, as reflected by a significance value greater than 0.05. In contrast, financial behavior and income both show positive and statistically significant effects on investment decision, with significance values below 0.05

Furthermore, the F-test results demonstrate that the model is statistically significant as a whole. The calculated F-value exceeds the critical F-value at the 5% significance level, with a significance probability of 0.000. This indicates that financial literacy, financial behavior, and income jointly influence students’ investment decisions.

4. Multiple Regression Analysis: Refined Model (Stage 2)

Although the first-stage regression model was statistically significant overall, the presence of a non-significant independent variable prompted further model refinement. Backward elimination was applied to remove the variable with the highest significance value, namely financial literacy.

The second-stage regression model retained only financial behavior and income as predictors of investment decision. The results of this refined model are presented in **Table 3**.

Table 3. Multiple Regression Analysis Results (Stage 2)

Variable	Coefficient	Sig.
Financial Behavior	+0.321	0.000
Income	+0.335	0.000

The results show that both financial behavior and income have positive and statistically significant effects on investment decision at the 95% confidence level. The ANOVA test further confirms the overall significance of the model, with a significance value below 0.05, indicating that the refined model provides a better statistical explanation of investment decision among students

5. Hypothesis Testing Results

Based on the regression analyses conducted in both stages, the hypothesis testing results can be summarized as follows. First, financial literacy, financial behavior, and income simultaneously influence investment decision, as evidenced by the significant F-test result in the initial regression model. Second, financial behavior has a significant and positive effect on investment decision, indicating that students with better financial management behaviors tend to make more informed investment decisions. Third, income also has a significant and positive effect on investment decision, suggesting that higher financial resources increase students’ capacity and willingness to invest. Finally, financial literacy does not exhibit a statistically significant direct effect on investment decision, although the relationship remains positive

1. The Simultaneous Effect of Financial Literacy, Financial Behavior, and Income on Investment Decision

The results of this study indicate that financial literacy, financial behavior, and income simultaneously influence investment decisions among Generation Z university students in Malaysia. This finding supports the multidimensional perspective of financial decision-making, which suggests that investment behavior cannot be explained by a single determinant but rather emerges from the interaction between cognitive, behavioral, and structural factors.

From the perspective of financial capability theory, financial decisions are shaped by a combination of financial knowledge, behavioral competencies, and access to financial resources. Financial literacy provides individuals with the cognitive ability to understand financial concepts, financial behavior reflects the practical application of financial management skills, and

income determines the availability of financial resources required to implement financial decisions. Previous studies also indicate that financial capability is not merely a function of knowledge but results from the integration of knowledge, behavior, and opportunity (Osman et al., 2024), (Ergün, 2018).

The significant joint effect identified in this study confirms that students' investment decisions are shaped not only by their understanding of financial concepts but also by their financial habits and economic capacity. This finding is consistent with the argument that financial capability develops through the interaction between individual competencies and financial opportunities (OECD, 2020).

2. Financial Behavior as a Key Determinant of Investment Decision

One of the most important findings of this study is the significant and positive effect of financial behavior on investment decisions. Students who demonstrate disciplined financial behaviors, such as budgeting, financial planning, and responsible money management tend to make more rational and structured investment decisions.

This result strongly aligns with behavioral finance theory, which argues that financial decision-making is not purely driven by rational evaluation but is significantly influenced by behavioral and psychological factors. Behavioral economists emphasize that individuals often deviate from rational economic behavior due to biases, emotions, and habits in financial management (Thaler, 2016). Consequently, financial behavior becomes a key factor determining how financial knowledge is translated into actual financial actions.

Among Generation Z students, this finding is particularly relevant because young investors are frequently exposed to digital financial platforms and social media influences that may shape investment behavior. Without disciplined financial behavior, access to financial information alone may lead to impulsive or speculative investment decisions.

Furthermore, the findings are consistent with the Theory of Planned Behavior (TPB), which suggests that behavior is influenced by perceived behavioral control and behavioral intentions. Students who develop positive financial habits tend to perceive themselves as more capable of managing financial resources and participating in investment activities. Therefore, financial behavior plays a crucial role in transforming financial intentions into actual investment decisions (Xiao & Porto, 2017).

3. Income and Its Influence on Students' Investment Decisions

The analysis also reveals that income has a significant and positive influence on investment decisions. Students with higher or more stable income levels are more capable of allocating financial resources for investment activities. Income provides financial flexibility and reduces perceived financial risk, enabling students to engage more confidently in investment decisions.

From an economic perspective, income represents the primary resource that determines an individual's ability to save and invest. According to research on wealth accumulation and income distribution, individuals with greater financial resources tend to have higher opportunities to participate in investment markets and diversify their financial portfolios (Piketty, 2014).

In the context of financial capability theory, income serves as a structural enabler that allows individuals to act on their financial knowledge and intentions. Even when individuals possess financial literacy and positive financial attitudes, limited income may constrain their ability to invest. Therefore, income plays an important role in transforming financial intentions into actual financial behavior (Putri et al., 2025), (Heni Dwiyanti & Mirzam Arqy Ahmadi, 2024).

In addition, from the perspective of the Theory of Planned Behavior, income increases perceived behavioral control. When individuals feel financially capable, they are more confident in making investment decisions and more likely to participate in investment activities. This finding highlights that financial capacity significantly contributes to the realization of investment intentions among university students.

4. The Non-Significant Effect of Financial Literacy on Investment Decision

Contrary to initial expectations, financial literacy does not show a statistically significant direct effect on investment decisions among the students examined in this study. Although the relationship between financial literacy and investment decision is positive, it does not reach statistical significance when analyzed independently.

This finding provides an important theoretical insight and aligns with several arguments within the financial literacy literature. Financial knowledge alone may not be sufficient to influence financial behavior, particularly among young individuals who have limited financial experience. While financial literacy enhances individuals' understanding of financial concepts, the application of such knowledge often depends on behavioral discipline and access to financial resources (Lusardi, 2019).

Behavioral finance theory also suggests that individuals do not always translate knowledge into action due to psychological biases and behavioral limitations. Even when individuals understand financial concepts theoretically, emotional factors, overconfidence, or lack of practical experience may hinder the effective application of financial knowledge in real-life financial decisions (Thaler, 2016).

From the perspective of the Theory of Planned Behavior, financial literacy contributes mainly to shaping attitudes and financial awareness rather than directly determining behavior. Without supportive financial behavior and sufficient financial resources, financial knowledge may remain theoretical and fail to translate into concrete investment actions. Therefore, financial literacy becomes more meaningful when combined with behavioral and structural factors that enable individuals to act upon their financial knowledge.

These findings also support financial capability theory, which emphasizes that financial outcomes are influenced by the interaction between knowledge, behavior, and opportunity. Consequently, the non-significant direct effect of financial literacy does not imply that financial knowledge is unimportant but rather indicates that its influence becomes more effective when accompanied by positive financial behavior and adequate financial resources (Bongomin et al., 2017; OECD, 2020).

5. Implications for Generation Z Financial Education and Policy

The findings of this study provide important implications for financial education programs targeting Generation Z. Traditional financial education initiatives that focus solely on

improving financial knowledge may be insufficient to enhance investment decision-making. Instead, financial education programs should emphasize the development of positive financial behaviors, such as budgeting discipline, financial planning, and responsible financial management.

Educational institutions can play a strategic role in integrating financial behavior training into university curricula, including experiential learning approaches such as financial simulations, investment workshops, and personal financial planning programs. These approaches can help students translate financial knowledge into practical financial skills.

Additionally, policies aimed at increasing students' financial capacity may also improve investment participation among young individuals. Providing access to financial opportunities such as part-time employment, student entrepreneurship programs, and micro-investment platforms, can strengthen students' financial capability and confidence in making investment decisions.

In the Malaysian context, where the financial system integrates both conventional and Islamic finance, financial education programs may also incorporate ethical and Sharia-compliant financial principles. Integrating behavioral finance perspectives with Islamic financial literacy could contribute to developing responsible and ethical financial decision-making among future generations.

Conclusion

This study examines the influence of financial literacy, financial behavior, and income on investment decisions among Generation Z university students in Malaysia. The findings reveal that financial behavior and income have significant positive effects on students' investment decisions, while financial literacy does not show a statistically significant direct influence. However, financial literacy, financial behavior, and income collectively influence investment decision-making, indicating that investment behavior among students is shaped by the interaction of cognitive, behavioral, and structural factors.

These findings highlight the importance of financial behavior as a key determinant of investment decisions among young individuals. Students who demonstrate disciplined financial management practices, such as budgeting, financial planning, and responsible spending, are more likely to engage in rational investment activities. In addition, income plays a significant role in determining students' financial capacity to participate in investment activities, as higher or more stable income enables greater financial flexibility and investment participation.

From a theoretical perspective, this study contributes to the literature on financial decision-making by reinforcing the multidimensional perspective of financial capability. The findings support the argument that financial knowledge alone is insufficient to influence investment behavior without the presence of supportive financial behavior and adequate financial resources. Therefore, financial capability should be understood as a combination of financial knowledge, behavioral skills, and financial opportunity.

From a practical perspective, the findings suggest that financial education programs targeting university students should not focus solely on improving financial literacy. Instead, educational initiatives should emphasize the development of positive financial behaviors, including budgeting discipline, financial planning, and responsible financial management. Universities and policymakers may also consider creating opportunities that enhance students' financial capacity,

such as financial training programs, investment simulations, and access to micro-investment platforms.

Despite its contributions, this study has several limitations. First, the sample is limited to students from a single university in Malaysia, which may restrict the generalizability of the findings. Second, the study focuses only on three determinants of investment decisions, while other potential factors such as financial attitudes, risk tolerance, and digital financial literacy may also influence investment behavior. Future research is therefore encouraged to expand the scope of analysis by including additional variables and broader samples across multiple universities or countries to obtain a more comprehensive understanding of investment decision-making among Generation Z.

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