

FACTORS INFLUENCING INVESTMENT DECISIONS AMONG GENERATION Z

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Abstract

Generation Z (Gen Z), born in the era of technology and information, exhibits unique characteristics in investment decision-making. Gen Z has wider access to information and technology that allows them to utilize various modern investment platforms such as investment applications, crypto assets, ESG-based stocks, and crowdfunding. This research discusses the factors that Gen Z considers in making investment decisions. The research method uses a systematic literature review (SLR) with a google scholar data base and uses the Publish or Perish software in searching scientific publication data. The results of the research conducted that investment decisions in Gen Z are influenced by various interacting factors, including financial literacy, financial behavior, risk perception, and the influence of technology. Financial literacy is the main factor that allows Gen Z to make more rational and informational decisions in choosing investment instruments in accordance with long-term goals. Good financial behaviors such as the ability to manage expenses and emergency funds also affect the ability to invest and diversify portfolios. Risk perception is closely related to comfort in dealing with losses and the level of risk tolerance that guides the choice of safer or riskier instruments. Furthermore, the influence of technology, especially social media and digital applications, provides quick access to information and facilitates investment decision-making.

Keywords: Investment Decision, Generation Z, Systematic Literature Review, Publish or Perish

1. INTRODUCTION

Personal financial planning is an effort to determine actions without involving other people in order to meet life's needs through careful financial management. One form of personal financial planning is allocating some funds for investment (Supeni et al., 2023).

The impact of advances in information and communication technology today also affects the world of investment. According to the Financial Services Authority (OJK), in 2024, 55% of capital market investors in Indonesia will be millennials and Gen Z (Santia, 2024). This shows that Gen Z plays an important role in the world of investment (Widjanarko et al., 2023).

Gen Z is encouraged to invest due to various supporting factors. These include easy access to information and communication technology, which allows them to utilize various investment platforms such as investment applications, crypto assets, Environmental, Social, and Governance (ESG) stocks, and crowdfunding (Lakatua et al., 2024; Toto & Kartika, 2023).

Gathering information before investing is important to ensure that decisions are made based on thorough understanding and accurate analysis. Accurate information helps investors, especially Gen Z, understand the potential profits and risks that may

arise (Widjanarko et al., 2023). Without adequate information, Gen Z may invest based on trends or impulsively, which may not be in line with their financial goals.

This phenomenon highlights the need for a deep understanding of the factors that influence Gen Z's investment decisions, including the influence of technology, social media, and personal values. Therefore, this study aims to identify the important factors that Gen Z considers when making investment decisions and provide strategic insights to improve investment literacy and success.

2. METHODOLOGY

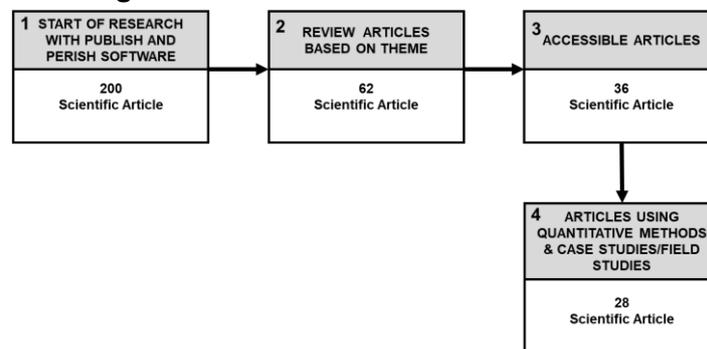
The study used a Systematic Literature Review (SLR) approach, which is a systematic process of collecting, analyzing, and evaluating existing research related to the topic under discussion, namely investment strategies for Generation Z (Ramadhani & Trimuliani, 2024). This approach aims to provide a deeper understanding of the phenomenon being studied by summarizing findings from various relevant sources (Kitchenham, 2007; Purnomo, 2015).

The first stage is the data search process to obtain literature sources to answer the research question (RQ). This search process uses Publish or Perish (PoP) software on the Google Scholar database with the search keywords in the keyword column: (Investment decisions AND Investment decision strategies AND Generation Z) with a maximum of 200 results. Next, the researcher conducts a data selection stage to ensure that the data and information obtained meet the following criteria:

1. The title relates to investment decision factors among Generation Z.
2. The type of research is in the form of an accessible scientific article.
3. The research uses quantitative methods with case studies/field studies.

Based on these stages (Figure 1), the researcher obtained 34 scientific articles that were relevant to the RQ. In the next stage, the researcher conducted an in-depth review to answer the RQ regarding the factors that Generation Z considers when making investment decisions.

Figure 1. Scientific Article Search Process



Source: Secondary Data (2025)

3. FINDINGS AND DISCUSSION

The review of all articles used found that the dominant or frequently mentioned factors in Gen Z's investment decision-making are financial literacy, financial behavior, risk perception, and technology.

Financial Literacy

Financial literacy plays a very dominant role in shaping Gen Z's investment decisions. As Gen Z is known to have broad access to information technology, financial literacy becomes the main foundation for understanding and utilizing investment opportunities wisely (Nurrohman & Alvia, 2024). According to Nurhayati & Harianti (2023), financial literacy is a person's capacity to understand and manage finances well, which is determined by knowledge, attitudes, and actions in financial management. Financial literacy includes knowledge of financial concepts, risk management, and how various investment instruments work, such as stocks, bonds, and mutual funds.

The factors that shape financial literacy among Gen Z are diverse. One of them is formal education, where a curriculum that teaches the basics of financial planning and investment will greatly help shape financial literacy. In addition, there is the family environment factor, which plays an important role. Gen Z who come from families with high financial literacy tend to be more educated in terms of personal financial management. Gen Z's access to technology and digital platforms also greatly influences their understanding of investment. Although digital platforms make it easier for Gen Z to access various sources of information, they must also be careful in choosing reliable sources to avoid misleading information.

The main challenge faced by Gen Z in improving financial literacy is information overload. Gen Z is often inundated with information from many sources, making it difficult to distinguish between what is truly reliable and what is not. Lack of practical experience in investing is another obstacle. Although many have theoretical knowledge, they often lack direct experience in making investment decisions, which can lead to immature or impulsive decisions. This is exacerbated by the emergence of the fear of missing out phenomenon (FOMO), which is a feeling of anxiety that drives people to invest without doing any research. This has the potential to cause significant financial losses for Gen Z (Ika Novita Yulianti & Nani Hartati, 2023).

Incorporating financial education into school and university curricula as an effort to address these issues. Financial service providers can also develop easily accessible educational platforms to provide a better understanding of investment and risk management. Practical learning through workshops or seminars involving simulations and real-life case studies can provide Gen Z with direct experience to improve their financial literacy through education, practical experience, and digital educational platforms, which should be a priority in order to take advantage of investment opportunities more wisely.

Financial Behavior

Financial behavior is a person's ability to plan, seek, manage, and save funds (Arianti, 2020). Generation Z has two strategies used in investing, namely the Buy & Hold Strategy and the Momentum Strategy (Maghfirah Nur Fadilah et al., 2022). The Buy & Hold Strategy is a long-term investment strategy that involves buying assets and holding them, even when the market fluctuates. This strategy aims to profit from the potential for long-term asset growth (Kusumawardana, 2016). The Momentum Strategy is an investment strategy that takes advantage of price movements to buy or sell assets. This strategy is based on the assumption that strong price movements will continue in the same direction (Kusumawardana, 2016).

The main factors influencing Gen Z's financial behavior in investing are uncertainty and risk preference. Investment decisions are often driven by the desire to make quick profits. This is a behavior of digital culture and the phenomenon of making money in a short period of time. This often traps Gen Z in impulsive investment behavior that is not always based on sound fundamental analysis.

Impulsive money management behavior is a fairly common characteristic among Gen Z. Gen Z is often more inclined to spend money than to save or invest. This factor is related to a more consumptive lifestyle and the desire for short-term gratification. However, there is a higher awareness of the importance of saving and investing. The tendency to prioritize immediate gratification often hinders long-term investment decisions. This is influenced by the availability of numerous easily accessible online shopping options that exacerbate impulsive spending habits.

In general, Gen Z's financial behavior in making investment decisions is greatly influenced by various psychological, social, and economic factors (Sukmaningsih et al., 2024). This behavior can fluctuate between the desire to achieve financial freedom through high-risk investments and the need to feel financially secure by choosing more conservative instruments. Therefore, it is important to develop a better understanding of the basic principles of investment and risk management, as well as how to make more informed and rational investment decisions.

Risk Perception

According to Jusuf (2021), risk perception is a major consideration when making purchasing decisions. Therefore, individuals who wish to invest should be aware that the value of their investment may decline at any time, so they must understand that every investment product carries risk (Tannady et al., 2022). Investment products with low risk include time deposits, money market mutual funds, government bonds, time savings, gold, preferred stocks, and government securities (SBN). Investment products with high risk include stocks, cryptocurrencies, and stock mutual funds.

Gen Z's perception of investment risk can be influenced by various factors related to personal experience and the influence of social media. Personal experience or the experience of those closest to them. For example, those who have family or

friends who have experienced significant losses in investments may develop a higher perception of risk. Social media can cause distortions in the perception of investment risk. Gen Z often feels more confident in making investment decisions even though they lack a deep understanding of the instruments they choose. However, the abundance of information circulating on social media can expose them to misleading or incomplete information. This can lead to impulsive or ill-informed decisions.

Technology

The influence of technology on Gen Z is that social media has become an integral part of their lives. Platforms such as Facebook, Instagram, WhatsApp, and YouTube are not only used for socializing, but also as sources of information related to investment decisions (Muhammad Rais et al., 2023; Sani & Paramita, 2024). The ease of access and engaging content featuring influencers have made Gen Z increasingly interested in trying their hand at investing (Fitriyah, 2023).

The emergence of various investment applications has also made it easier for Gen Z to invest (Restianti et al., 2022). These applications are designed to be easy to use, allowing users to open digital bank accounts to buy stocks, mutual funds, and even invest in digital assets such as cryptocurrency. The educational and recommendation features in these applications can be used as information for Gen Z to understand the risks and potential benefits of each decision they make.

4. CONCLUSION

Investment decisions among Generation Z are influenced by various interacting factors, including financial literacy, financial behavior, risk perception, and the influence of technology. Financial literacy is a key factor that enables Gen Z to make more rational and informed decisions when choosing investment instruments in line with their long-term goals. Good financial behavior, such as the ability to manage expenses and emergency funds, also influences the ability to invest and diversify portfolios. Risk perception is closely related to comfort with losses and the level of risk tolerance that guides choices toward safer or riskier instruments. The influence of technology, especially social media and digital applications, provides quick access to information and facilitates investment decision-making.

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