

## CHAPTER I

### INTRODUCTION

#### A. Background of Study

The Indonesian Central Securities Depository (KSEI) report shows that the number of capital market investors in Indonesia continues to increase due to the promising profit opportunities from investing in the capital market. Investors bought shares by 12,13% from the previous year, with the biggest increase in 2022 60,18% of investors are millennials or those under the age of 30.<sup>1</sup>

Demographically, millennials and zillennials make up the majority of stock investors at 58,71% of the Indonesian population, and are the productive age group (KSEI). The increase in the number of zillennial generation investors every year shows how aware the zillennial generation is of the importance of stock investment for the future.<sup>2</sup>

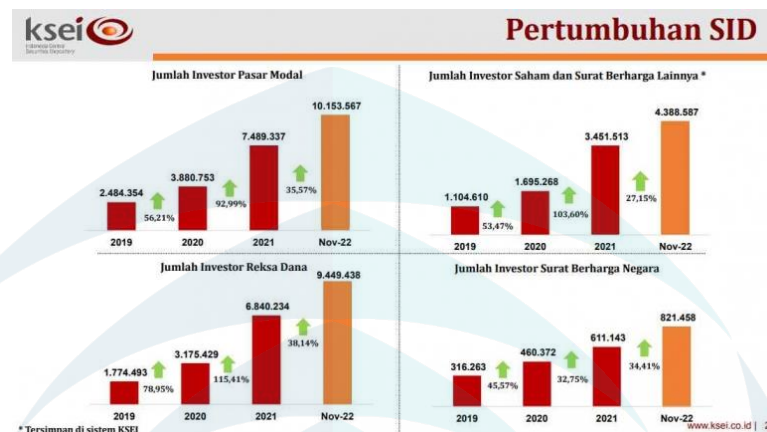
The growth of the sharia capital market industry in Indonesia itself is growing very well. This is based on the rapid increase in the number of sharia capital market assets in Indonesia at this time. All aspects of sharia capital market investment are growing. The market capitalization of sharia stocks, corporate sukuk, state sukuk, and mutual funds reached 43,98%, 201,31%, 148,88% and 387,66% respectively.<sup>3</sup>

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<sup>1</sup> Alifia Widyastuti and Petrus Hari Kuncoro Seno, "Faktor-Faktor Yang Mempengaruhi Keputusan Investasi Pada Generasi Milenial (Studi Pada Generasi Milenial Usia 26 Tahun Di DKI Jakarta)," *Prosiding SNAM PNJ*, 2020.

<sup>2</sup> Ulfi Sheila Pinasti et al., "Khazanah : Jurnal Mahasiswa Khazanah : Jurnal Mahasiswa," *Jurnal Khazanah* 14, no. 2 (2022): p.77.

<sup>3</sup> M A Utsman, "Analisis Pengaruh Risk Tolerance, Financial Attitude, Dan Literasi Keuangan Syariah Terhadap Keputusan Investasi Saham Syariah (Studi Kasus: Investor Millennial)," *Jurnal Ilmiah Mahasiswa FEB* 1, no. 1 (2021): p.5.



**Figure 1 Development of Sharia Capital Market Technicians**

Investment plays an important role in a country's economy, as it has the ability to increase the level of production based on production capacity and lately can drive economic progress that expands the absorption of labor generating results.<sup>4</sup> The number of investors that increases every year shows that more and more Indonesians are entering the world of investment. The increase in the number of investors must be balanced with public knowledge about the capital market so that the public avoids large losses when investing in the capital market. Knowledge about the capital market can be seen from the level of financial literacy it has.<sup>5</sup>

The main task of financial management is to organize all expenses and income appropriately and ensure that individuals have carried out their financial obligations appropriately. Financial management is influenced by external and internal factors. Internal factors include psychological and cognitive conditions, while external factors can be social and economic conditions. Therefore, individual investment decisions are also influenced by internal and external

<sup>4</sup> Vania Onasie and Sawidji Widoatmodjo, "Niat Investasi Generasi Milenial Di Pasar Modal," *Jurnal Manajerial Dan Kewirausahaan* 2, no. 2 (2020): p.318,

<sup>5</sup> Rifda Nurizka Ramadhani and Iswan Noor, "Preferensi Generasi Milenial Dalam Berinvestasi Di Pasar Modal Syariah," *Islamic Economics and Finance in Focus* 1, no. 2 (2022): p.82.

circumstances.<sup>6</sup> Proper use of funds will be achieved through good financial management. Therefore, it is important for everyone to have financial literacy. Financial literacy means understanding one's financial concept so that one can make good financial decisions.<sup>7</sup>

Financial literacy refers to an individual's ability to understand, analyze and manage their financial resources well. In the context of this research, financial literacy is considered an important factor that influences the Zillennial generation's ability to make informed investment decisions, particularly in the Islamic capital market. In addition, a person's income is also a consideration for someone to invest.<sup>8</sup> The average zillennial still has a long income, which means they are still in high school or college this year. However, a Deloitte survey shows that half of zillennial currently have a second job. This is due to the concern that salary is not enough to fulfill their needs.<sup>9</sup> Income is defined as the amount of income or earnings that an individual has, which is one of the main factors that determine one's ability to invest. The higher a person's income, the more likely they are to engage in investment activities.

At present, economic growth is experiencing increased competition accompanied by advanced technological advances, which provide many conveniences for investment. One of the criteria to improve the economic development of composed state entity is the habit of the people to enter the world of investment.<sup>10</sup> The zillennial generation is a high-technology generation and has dense mobility, where they mostly carry out their daily activities that depend

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<sup>6</sup> Rahma Yudi Astuti, "The Impact of Financial Management Behavior , Locus of Control , and Religiosity Toward Investment Decisions During Covid-19 Pandemic : A Study of Genta Muallaf Community in Bali" *Jurnal Ilmiah Al-Tsarwah* 8, no. 2 (2022): p.11

<sup>7</sup> Rizqa Oktavia Amari, "Pengaruh literasi keuangan dan alokasi pendapatan terhadap pengambil keputusan investasi saham generasi Z di provinsi DKI Jakarta," 2023, *Journal of Islamic Economics and Finance Studies* 1, no. 2 p.40.

<sup>8</sup> Milda Handayani and Muhammad Richo Rianto, "Pengaruh Financial Knowledge, Pendapatan Dan Social Influence Terhadap Minat Menggunakan Aplikasi Pembayaran Digital Pada Generasi Milenial Islam Di Kota Bekasi," *Jurnal Ilmiah Ekonomi Islam* 7, no. 03 (2021): p.18

<sup>9</sup> Investasi et al., "Investasi , Dan" 4, *Jurnal Ilmiah Al-Tsarwah* 1 (2024): p.43.

<sup>10</sup> Nur Aliffah Hermawan dan Annisa Pattihahuan Sephia Nurul Susanti, "Kemajuan Teknologi Dan Pemahaman Terhadap Minat Generasi Z Dalam Berinvestasi Di Pasar Modal," *Jurnal Pijar Studi Manajemen Dan Bisnis* 1, no. 2 (2023): p.76.

on the internet and smartphones.<sup>11</sup> The zillennial generation's sensitivity to technology usually supports them as bigger investors, a phenomenon that goes into various sectors, including stock investment, due to easy access to social media information.<sup>12</sup>

Technological advancement is unavoidable in this life. Technological developments have made finding information easier for users around the world. With this development, there are many ways to make money, one of which is by investing to make profits in the future.<sup>13</sup> It is known that the zillennial generation is now starting to be interested and make investments, even though they are still new or beginners and do not yet have investment capabilities that suit their needs.<sup>14</sup> Technological advancements include the innovation and adoption of digital tools that facilitate access to investment information, such as Shariah-based investment applications. Technology acts as a link between financial literacy and income in influencing investment decisions.

The zillennial generation pays more attention to environmental and social aspects when investing, which leads to the selection of investment instruments that support sustainable values. So that they can choose investment instruments that suit their risk profile and financial goals. Therefore, it is important to do research first before deciding to invest and choose the right to achieve long-term financial goals.<sup>15</sup>

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<sup>11</sup> Oktavia Wahyuningsih et al., "Faktor-Faktor Yang Mempengaruhi Minat Berinvestasi Reksadana Syariah Pada Aplikasi Bibit", *Jurnal Ekonomi Syariah Teori dan Terapan* 1, no. 12" 2023.

<sup>12</sup> Widyastuti and Seno, "Faktor-Faktor Yang Mempengaruhi Keputusan Investasi Pada Generasi Milenial (Studi Pada Generasi Milenial Usia 19 Tahun Di DKI Jakarta)." *Jurnal Ilmiah Akuntansi Indonesia* 2, no. 1

<sup>13</sup> Putri Handayani and Ayu Ruqayyah Yunus, "Pengaruh Literasi Keuangan Dan Kemajuan Teknologi Informasi Terhadap Minat Generasi Milenial Di Kota Makassar Berinvestasi Di Pasar Modal Syariah" 5, *At-tijarah: Jurnal Ilmu Manajemen dan Bisnis Islam* 5 no. 1 (2024).

<sup>14</sup> Wahyuningsih et al., "Faktor-Faktor Yang Mempengaruhi Minat Berinvestasi Reksadana Syariah Pada Aplikasi Bibit." *Productivity* 2, no. 1

<sup>15</sup> Investasi Saham, "Prosiding Capital Market Competition | ISSN 2987-6621 294 Studi Strategi Generasi Z Dalam Memilih Keputusan Investasi Saham," 2023, *Jurnal Ilmiah Ekonomi Islam* no 1 p.294.

Financial literacy provides the necessary knowledge for individuals to optimally utilize their income. Income, as a key economic factor, provides the resources that enable individuals to invest. Technological advancements, on the other hand, serve as a connector that allows individuals to access information, platforms and investment opportunities more easily. Technology accelerates and simplifies the decision-making process, thus strengthening the relationship between financial literacy, income and investment decisions in the Islamic capital market. For example, Zillennials who have high financial literacy and sufficient income tend to use technology-based applications to evaluate and select suitable investment instruments.

Investment is an activity of investing money for a certain period to save money, gain profit, or increase the value of an investment. The capital market is a place used to trade various types of securities. Capital markets are also very beneficial for businesses that need more money as start-up capital or as a source of funding, as well as for the investor community.<sup>16</sup> Among the types of investments available, the public can participate in investing their property in the capital market, known as retail investors. The capital market is similar to a market, which is a location where there are sales and buyers, but the capital market is not the same as a different market, namely the goods it sells.<sup>17</sup>

Capital markets offer greater investment flexibility compared to mutual funds, where investment decisions are largely managed by fund managers. In capital markets, individuals have full control over their investment decisions, which is relevant to the focus of this research. In addition, Islamic capital markets provide investment alternatives that comply with sharia principles, thus attracting the attention of the Zillennial generation who are increasingly aware

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<sup>16</sup> Handayani and Yunus, "Pengaruh Literasi Keuangan Dan Kemajuan Teknologi Informasi Terhadap Minat Generasi Milenial Di Kota Makassar Berinvestasi Di Pasar Modal Syariah." *Jurnal ilmu Ekonomi & Manajemen* 3, no. 02

<sup>17</sup> Andri Ardani and Ni Luh Sulindawati, "Pengaruh Perkembangan Aplikasi Investasi, Risiko Investasi Dan Pengetahuan Investasi Terhadap Minat Investasi Pasar Modal Pada Generasi Milenial Dan Generasi Z Provinsi Bali Di Era Pandemi," *Vokasi : Jurnal Riset Akuntansi* | 10, no. 1 (2021): p.20.

of ethical values in finance. Many people are competing to invest their money in the capital market because it is believed to provide many benefits compared to other types of investment. In general, the capital market trades securities with a maturity of more than one year. In addition, the capital market is also a means of meeting supply and demand between investors and companies or issuers to trade long-term funds.<sup>18</sup>

The growth of the sharia capital market industry in Indonesia itself is growing very well. This is due to the rapid growth in the number of assets in the Islamic capital market in Indonesia from 2015 to 2019. Investment in the Islamic capital market covers all aspects. Experienced an increase. The market capitalization of Islamic stocks, corporate sukuk, state sukuk, and mutual funds reached 43,98%, 201,31%, 148,88%, and 387,66% respectively. The total assets of the Islamic capital market by the end of December 2019 reached Rp4,569.01 billion.<sup>19</sup> The capital market plays an important role in building a country's economy, with the capital market, both individuals and business entities can channel their excess funds to be invested in the capital market, and entrepreneurs can expand their business network from investors in the capital market.<sup>20</sup>

This research is based on several main theories, including IDM (Investment Decision-Making) Theory, and Prospect Theory, Financial Literacy Theory, Income Theory, Technological Advancement Theory. These theories support the analysis of the relationship between the variables that are the focus of the research, namely financial literacy, income, and technological progress on investment decisions in the Islamic capital market. IDM theory helps explain how individuals analyze information and evaluate risk in making investment

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<sup>18</sup> Sakinah Pokhrel, "Pengaruh Pendapatan, Return, Resiko Dan Literasi Keuangan Terhadap Keputusan Investasi Pada Mahasiswa," *Jurnal ilmu Ekonomi & Manajemen* 15, no. 1 (2024): p.39.

<sup>19</sup> Utsman, "Analisis Pengaruh Risk Tolerance, Financial Attitude, Dan Literasi Keuangan Syariah Terhadap Keputusan Investasi Saham Syariah (Studi Kasus: Investor Millennial)." *Islamic Banking and Finance* 2 (1)

<sup>20</sup> Tommy Yunara Agnanditiya Carnarez Bagus Julianto, "Faktor-Faktor Yang Mempengaruhi Organisasi Kinerja , Dan Efektivitas Organisasi ( Suatu Kajian Studi Literature Review Ilmu Manajemen Terapan )," *Jurnal Ilmu Manajemen Terapan* 2, no. 5 (2021): p.67.



choices, while Prospect theory provides insight into how individuals' perceptions of gains and losses influence their investment decisions in Islamic capital markets.

This research will conduct a case study on the zillennial generation who have invested in the shariah capital market to analyze their preferences for investment in the shariah-based capital market. The results of this study are expected to provide guidance for the financial industry in developing products and services that are more in line with the preferences of the zillennial generation in investing in the shariah capital market.

#### **B. Problem Formulation**

1. Does financial literacy have an influence on investment decisions in the zillennial generation in the shariah capital market?
2. Does income have an influence on investment decision in the zillennial generation in the shariah capital market?
3. Do technological advances have an influence on investment decision in the zillennial generation in the shariah capital market?

#### **C. Purpose of Study**

1. To analyze the effect of financial literacy on investment decision in the zillennial generation in the shariah capital market.
2. To analyze the effect of income on investment decision in the zillennial generation in the shariah capital market.
3. To analyze the effect of technological advances on investment decision in the zillennial generation in the shariah capital market.

#### **D. Benefit of Research**

The results of this research are expected to profit benefits for various parties as follows:

##### **1. Academic Benefits**

This research provides valuable insights for the academic community by offering a comprehensive understanding of the factors influencing investment

decisions among the Zillennial generation in the shariah capital market. It enriches the theoretical framework in financial literacy, income, and technological advancements by addressing gaps in existing literature. The findings can serve as a basis for comparative studies in different contexts or regions and provide meaningful contributions to future research aiming to explore related topics. Additionally, it fosters scientific curiosity and encourages further exploration of generational behavior in financial decision-making within ethical investment frameworks.

## **2. Practitioner Benefits**

### **a. For Researchers**

This study offers an opportunity to deepen knowledge and refine research expertise through the exploration of financial literacy, income, and technological advancements in the context of investment decisions. It serves as a practical reference for researchers seeking to enhance their analytical skills by applying advanced methodologies such as PLS-SEM. Moreover, the findings contribute to a better understanding of the behavioral patterns of the Zillennial generation, providing a solid foundation for future investigations in the field of behavioral finance, ethical investment, and technological influences in the capital market.

### **b. For Investors**

This research provides investors with valuable insights into the behavioral tendencies of the Zillennial generation, particularly in the shariah capital market. By understanding the role of financial literacy, income, and technological advancements, investors can identify strategic approaches to engage this emerging group of investors. The findings can also assist in the development of tailored financial products, platforms, or services that align with the preferences and ethical considerations of Zillennial investors, thereby increasing participation and investment performance in the shariah market. This information empowers investors to make informed decisions and capture the potential of this growing demographic segment.