



Investment decision in generation y

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ARTICLE INFO

Article history:

Received Aug 01, 2024
Revised Aug 14, 2024
Accepted Aug 26, 2024

Keywords:

Emotional Intelligence;
Financial Literacy;
Generation Y;
Investment Decision.

ABSTRACT

This research aims to examine the influence of financial literacy and emotional intelligence on investment decisions. This type of research is quantitative research. The data processed is primary data obtained from the results of distributing questionnaires using techniques purposive sampling to the millennial generation who live in the city of Medan. The research sample consisted of 101 respondents. Data analysis was carried out using the PLS (Partial Least Square) program. The results of this research show that there is a positive and significant influence of financial literacy and emotional intelligence on investment decisions. Financial literacy and emotional intelligence must continue to be improved so that the millennial generation is increasingly motivated to invest so that in the future they will have good finances.

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1. INTRODUCTION

Everyone has the desire to be able to live a good, decent and secure life from an economic perspective. Indonesian people are currently starting to set aside their income or funds to be able to gain profits in the future in various ways, one of which is investment. The Indonesian Stock Exchange notes that investment levels experience rapid growth every year. This can be seen through data on the number of investors referred to *Single Investor Identification* (SID) (Lindananty and Angelina 2021).

Even though the number of investment levels is growing every year, when compared with the number of Indonesian people, according to Single Investor Identification (SID) only 1.3% have invested in the capital market, 1.37% in mutual funds, 1.76% in shares and other securities and 1.37% in shares and other securities 1.28% on SBN. Indonesia is a developing country, with its people still having a tendency to behave consumptively and the decision to invest is still low (Febrianto 2019). The growth of investment figures in Indonesia when compared with the total population of Indonesia can be categorized as still very low.

According to data from Indonesia Central Securities Depository (ksei), investors under the age of 30 dominate the portion of investors with a total of 58.39% of all listed investors. However, their investment assets were recorded at Rp52.73 trillion, being the smallest among all ages." The number of investors aged 31-40 contributed 22.63 percent of all investors. They accumulated assets of Rp106.76 trillion," "Based on the survey, the

current millennial generation is the generation that dominates the world of work, which has different financial management from previous generations. The millennial generation has behaviors that tend to be more extravagant, it is more difficult to save and many do not pay much attention to investment needs in the future. This is when compared to the previous generation, namely generation X, there are many differences in characteristics and lifestyles of each generation, At this time, the millennial generation tends to be more dynamic, creative and more aware of technology which is inversely proportional to generation X who is relatively more idealistic and conservative, including in managing finances (Wahyuni et al. 2022)

North Sumatra, which is one of the potential provinces in Indonesia, its people are still classified as having low investment interest. Based on data from Indonesia *Central Securities Depository* (KSEI), Sumatra only reached 16.76%. Meanwhile, based on the North Sumatra Financial Services Authority (OJK), it is stated that the number of investor accounts or *Single Investor Identification* (SID) was recorded at 571,641.

The growth of this figure needs special attention and research to be carried out on the factors that cause the low level of interest in making investment decisions among the Indonesian people, especially in the city of Medan as the capital of North Sumatra province. According to the Financial Services Authority (OJK, 2017), investment is a way to place a certain amount of funds or capital investment, usually a long-term investment in the procurement of complete assets or the purchase of shares and even other securities which are targeted to receive profits in the future come.

This research will focus on the millennial generation or generation Y, where currently this generation dominates the world of work, and each has its own way of managing its own finances and of course has differences from other generations. This millennial generation behaves more wastefully, finds it difficult to save and many do not care about the future, for example current investment needs. When compared to the previous generation, this millennial generation is more dynamic, creative and technology literate, including in financial management activities.

Financial literacy is an individual's ability to make the best decisions related to their finances. Financial literacy is something that can give individuals the ability and skills to understand financial conditions and financial concepts to make it appropriate behavior based on their level of knowledge so that they can avoid financial mismanagement and financial problems in the future (Welly, Kardinal, and Juwita 2012). One of the factors that influence investment decisions is financial literacy (Febrianti, Isnurhadi, and Andriana 2023).

According to the Financial Services Authority, financial literacy is knowledge, skills, confidence which influences attitudes and financial behavior for a person for quality decision making and financial management in order to achieve prosperity (OJK, 2022). Financial literacy is the activity of reading about institutions or other financial services and all information regarding finance which makes individuals have a better understanding so as to avoid the risks and impacts of financial problems (Takdir 2021). Financial literacy allows individuals to improve their welfare, helping someone to provide a better level of understanding in dealing with financial problems to manage financial information and produce investment decisions.

Emotional intelligence is an understanding, the ability to feel and a person's selectivity in implementing emotions and sensitivity to other humans (Asandimitra and Kautsar 2019). Someone with *emotional intelligence* high will be stronger in taking risks and being proactive in making decisions to invest. Emotions are one of the important factors in investing because they are behavior as a result of psychological factors. With the ability to understand and control emotions, you will be more willing and make more rational investment decisions. So this research aims to analyze the influence of financial literacy and *emotional intelligence* on investment decisions.

The basis of *Theory of Planned Behavior* is the assumption that humans are social creatures who have logical minds and use the information available to them in a systematic and useful manner. This allows individuals to consider the consequences of each action before carrying out and deciding on certain behaviors (Nugroho 2015). (Ajzen 2005) says there are factors that determine intentions and behavior *Theory of Planned Behavior*. These factors consist of personality factors (emotions, attitudes, intelligence values), social factors (age, gender, culture, social status, education) and information factors (experience, knowledge and media). Based on *Theory of Planned Behavior* behavior is influenced by knowledge and intelligence values, namely financial literacy (*financial literacy*) and social norms in this case are *emotional intelligence* that can influence a person's behavior.

(Sari and Anam 2021) stated that *financial literacy* is a person's ability to make analyzes and produce decisions regarding financial management. Or it can also be said that financial literacy is a person's knowledge that gives them the ability to implement financial management to achieve individual prosperity (Takdir 2021). In the financial literacy variable there are several indicators, namely knowledge about loans and savings, investment, insurance and finance itself. Financial literacy is an important factor for society because by having knowledge about finances, a person will be wiser in using and managing their finances. (Chen and Volpe 1998) say that indicators *financial literacy* consists of four types, namely savings or deposits, finance itself, investment and insurance.

Emotional intelligence consists of self-awareness and control of impulses, persistence, enthusiasm, self-motivation, empathy and social skills. Emotional results can also lead to delays in individual satisfaction in planning their emotions proportionally in accordance with their ability to consider and produce wisely every action and decision with mature emotions (Asandimitra and Kautsar 2019). *Emotional intelligence* consists of self-awareness and impulse control, perseverance, enthusiasm, self-motivation, empathy and social (Asandimitra and Kautsar 2019).

Investment is a postponement of consumption in the present for the purpose of using it into productive assets over a certain period of time (Hartono and Wahyuni 2017). Those involved in implementing investments approved by investors can be classified into two, namely individual investors and institutional investors. Individual investors are individuals who carry out investment activities, while institutional investors consist of insurance companies, depository institutions, pension funds and investment companies. Investment decisions are a process that consists of several series, both corporately and individually, in producing and providing investment decisions based on the resources and information they have (Addinpujoartanto and Darmawan 2020).

Influence *Financial Literacy* on Investment Decisions, A high understanding of financial literacy will enable an individual to make wise financial decisions, one of which is investment. (Upadana and Herawati 2020) in their research revealed that financial literacy has a positive effect on investment decisions. Financial literacy is also one of the factors needed to prevent someone from experiencing financial difficulties. Another thing is to enable someone to plan finances and reduce as little as possible the level of error in decision making (Lusardi and Mitchell 2011). H1: Financial literacy has a positive effect on investment decisions

Influence *Emotional Intelligence* on Investment Decisions, *Emotional Intelligence* or emotional intelligence is the ability to restrain, the ability to motivate oneself, and to be able to manage the emotions and mental conditions of an individual (Goleman 2001). Meanwhile, according to (Melita Prati et al. 2003), it is an individual's ability to understand and read other individuals, and how to use the knowledge they have for managing and managing emotions. Behavioral theory states that behavior is not a result, but an inseparable part in creating effective results (Hagger et al. 2022). Emotional

results will provide careful and proportional emotional consideration according to individual abilities so as to produce the right decisions and choices (Kerr et al. 2006)

H2: *Emotional Intelligence* positive influence on investment decisions

2. RESEARCH METHOD

This research uses primary data collected directly from respondents. According to (Nuryasman and Suryaman 2018) the formation of SEM with SmartPLS is carried out with the following steps: indicator validity test, converting the path diagram into an equation, construct reliability test, hypothesis test, inner model equation, and structural model evaluation. After issuing several indicators that do not meet the criteria, the indicators used in this study are declared valid and reliable. Data collection through questionnaires distributed to respondents. Respondents were asked to fill out a complete questionnaire containing statements for the financial literacy variable (X1), emotional intelligence (X2), and statements for the investment decision variable (Y). The sample for this research is millennial generation actors who live in the Medan area. The sample was determined using the Hair Formula because it cannot be known with certainty the size of the population with the total number of respondents collected being 101 Data analysis in this study used structural equation modeling (SEM) with the help of the SmartPLS 4 program. The data collection method used the random sampling method. In this study, Likert scale questions were used which ranged from 1, namely strongly disagree to 5, namely strongly agree, depending on the respondent's answer to each question. The indicators used to measure each variable are described as follows: Financial literacy is measured using 5 items (Safryani, Aziz, and Triwahyuningtyas 2020), Emotional intelligence is measured using 4 items (Triyonowati, Elfita, and Laily 2022), Investment decisions are measured using 5 items (Widasari 2018).

3. RESULTS AND DISCUSSIONS

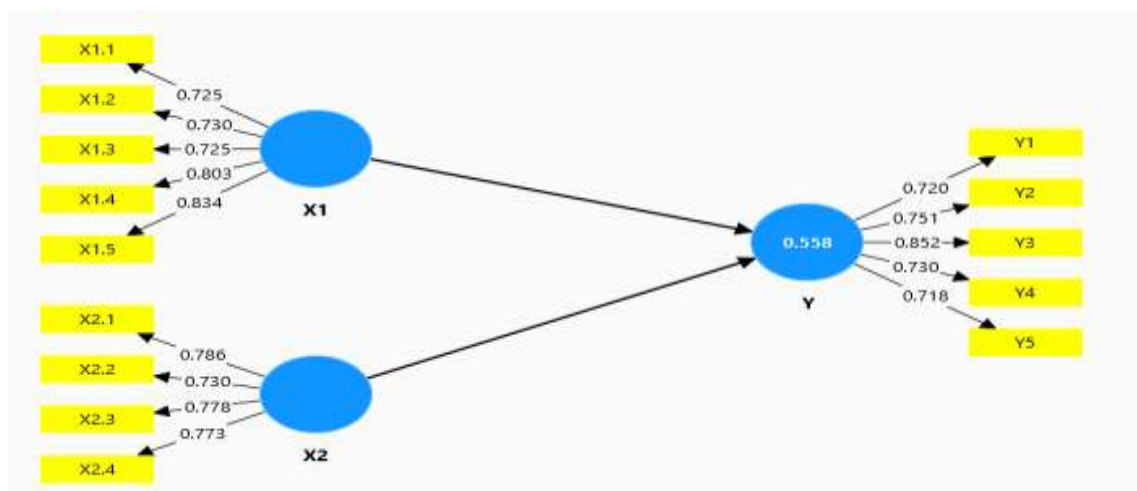


Figure 1. Evaluation Results of the Measurement Model (Outer Model)
Sumber: Output SmartPLS, 2024

3.1 Measurement Model Evaluation (*Outer Model*)

a. Convergent Validity

Convergent validity used to measure the validity of each indicator as a variable measure which can be seen from the value *outer loading*. The basis for decision making is value *outer loading* > 0,70. Based on the results above, it can be concluded that all

indicators for each variable have value *outer loading* > 0.70. This means that all research variables have been able to be explained by their respective indicators and have met the requirements *convergent validity*.

b. Discriminant Validity

Next, a test is carried out *discriminant validity* which aims to ensure that each concept from each latent model is different from other variables in a study. In this research, to find out the value *discriminant validity* can be seen from the value *cross loading*, *fornell-larcker criterion*, and AVE.

3.2 Cross Loading

Table 1. The Result of Discriminate Validity Cross Loading

	X1	X2	AND
X1.1	0.725	0.525	0.481
X1.2	0.730	0.428	0.489
X1.3	0.725	0.401	0.497
X1.4	0.803	0.446	0.647
X1.5	0.834	0.486	0.600
X2.1	0.552	0.786	0.517
X2.2	0.328	0.730	0.430
X2.3	0.410	0.778	0.418
X2.4	0.513	0.773	0.449
Y1	0.501	0.388	0.720
Y2	0.491	0.434	0.751
Y3	0.614	0.563	0.852
Y4	0.570	0.354	0.730
Y5	0.522	0.490	0.718

Source: Data processed by the author, 2024

The results of the table above can be said to be of value *cross loading* for all items the question has shown *dicriminant validity* the good one. This is because the correlation value of each indicator with its construct is higher than the correlation value of the indicator with other constructs. That way, all the indicators in the research variables already exist *discriminant validity* the good one.

3.3 Fornell-Larcker Criterion

Table 2. Results *Discriminant Validity Fornell-Larcker Criterion*

	X1	X2	AND
X1	0.765		
X2	0.595	0.767	
AND	0.717	0.595	0.756

Source: Data processed by the author, 2024

Based on the results of the table above, it can be seen that each indicator has a value *Fornell-Larcker Criterion* greater on its own latent construct than the FLC value on other constructs. In other words, every indicator used in this research already has *discriminant validity* the good one.

3.4 Avarage Variant Extracted (AVE)

Table 3. Results *Discriminant Validity Average Variant Extracted (AVE)*

	Average variance extracted (AVE)
X1	0.585
X2	0.588
AND	0.571

Source: Data processed by the author, 2024

Based on the table above, it can be said that *discriminant validity* has been fulfilled and is good because all indicators have an AVE value > 0.5. This shows that the measurement model (*outer model*) in research is good.

3.5 Composite Reliability

The next test is a reliability test which aims to see whether the data is reliable or not. Reliability testing can be seen through *composite reliability* and *cronbach's alpha*. The decision-making basis is when the value *composite reliability* and *cronbach's alpha* > 0.70 means the data for all variables is reliable.

Table 4. Results *Composite Reliability* and *Cronbach's Alpha*

	Cronbach's alpha	Composite reliability (rho_c)
X1	0.822	0.875
X2	0.767	0.851
AND	0.811	0.869

Source: Data processed by the author, 2024

Based on test results *composite reliability* and *Cronbach's alpha* above it can be concluded that all constructs are > 0.70 which indicates that the data in the research is reliable. That way, further analysis tests can be continued, namely seeing whether there is a relationship or not between the research variables.

3.6 Structural Model Evaluation (*Inner Model*)

The next stage is the evaluation of the structural model (*inner model*) which consists of model tests *Fit* and hypothesis. Test the model *fit* in this research was carried out by looking at the R-valueSquare, while hypothesis testing is seen through *path coefficients*. In stages *inner model* This is done by carrying out a process *bootstrapping*, following are the results:

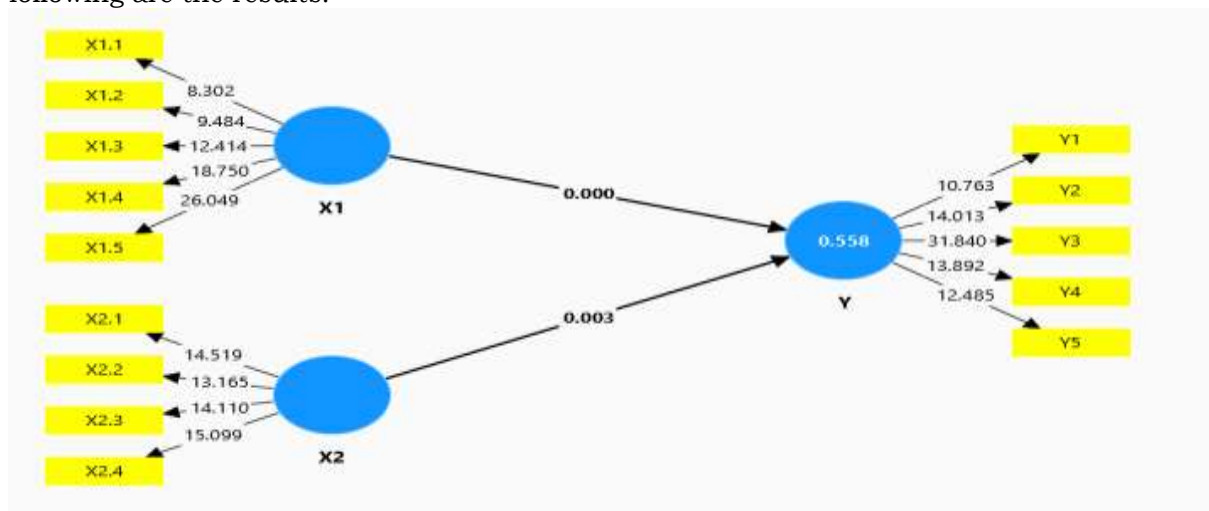


Figure 2. Bootstrapping results
Source: SmartPLS output results, 2024

a. Test Model Fit

Test the model *fit* in this study used the R-valuesquare which aims to determine the predictive power of the structural model. The decision making criteria is if the value R-square between 0.75 (strong); 0.50 (moderate); and 0.25 (weak).

Table 5. R-Square results

Variable	R-square	Criteria
Investment Decisions	0.558	Currently

Source: Data processed by the author, 2024

Based on model test results that have been done, a value is obtained *R-square* amounting to 0.559, which means that the variables financial knowledge and emotional intelligence can influence investment decisions by 55.8% (medium). Then, the remaining 44.2% of investment decision variables are influenced by other variables outside the research.

b. Hypothesis Testing

The final test stage in this research is hypothesis testing, which aims to determine whether or not there is a relationship between the independent variable and the dependent variable. This hypothesis test can be seen through the results *path coefficient* by using a tolerance level of 5% or 0.05 with decision-making when *p-values* < 0,05 means it has a significant effect.

Table 6. Hypothesis Test Results *Path Coefficient*

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T (O/STDEV)	statistics	P values
X1 -> Y	0.562	0.572	0.069	8.103		0.000
X2 -> Y	0.261	0.262	0.088	2.960		0.003

Source: Data processed by the author, 2024

Based on the results of the hypothesis test above, the following conclusions can be drawn: (a) The correlation coefficient value for the financial knowledge variable is 0.562 with *p-values* 0.000 > 0.05. This indicates that financial knowledge has a significant positive effect on investment decisions. (b) The correlation coefficient value for the emotional intelligence variable is 0.262 with *p-values* 0.003 < 0.05. This means that emotional intelligence has a significant positive effect on investment decisions. (c) While the results of the study for the variable of financial knowledge affect investment decisions, these results are in accordance with the research entitled Financial literacy and financial behavior have a positive and significant effect on investment decisions (Gumilang, Amanda, and Ginanjar 2023). And for the last variable, the results of the study show that emotional intelligence has a positive effect on investment decisions, this result is supported by a study entitled emotional intelligence has a positive effect on investment decisions (Puspita, Mansor, and Yuliari 2023) and The results of the study show that emotional intelligence has effect on investment decisions, this result is in accordance with the study entitled Improving Financial Management Behavior and Investment Decision Making through Financial Knowledge, Attitude and Emotional Intelligence with Risk Perception (Satriadi et al. 2023).

4. CONCLUSION

Based on the results of research conducted on the influence of financial literacy and emotional intelligence on investment decisions among the millennial generation in the city of Medan, it can be concluded that financial literacy and emotional intelligence have a positive and significant influence on investment decisions among the millennial generation. In order to increase investment among the millennial generation in the city of Medan which will spur economic growth in this city, there are several things that are of concern and must be improved. These factors are the need to further increase literacy regarding financial knowledge related to daily budgeting, increasing literacy. regarding investment risk management to reduce the level of doubt in decision making and increase awareness in knowledge and emotional intelligence about the benefits of investment which must be carried out gradually, tiered and consistently over a long period of time, especially for the millennial generation to be able to maintain the quality of the economy in future life which will come.

For millennials who have the desire to invest, they must improve their financial literacy by deepening their understanding of investment by joining discussions, seminars and looking for experts who are experienced in the field of investment. Taking advantage of technological sophistication by studying the demo application provided by the securities application, so that it can simulate investment market conditions with real conditions and theories on financial literacy, so as to reduce the risk of loss. For the next research, we can examine more variables that influence, especially financial technology in accordance with technological developments in today's era

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