



Financial Literacy and Its Impact on Investment Decisions Among Generation Z Students in East Java

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Received: 10-08-2025 Accepted: 13-08-2025 Published: 30-09-2025

Abstract

This study investigates the influence of minimum capital, investment knowledge, age, lifestyle, and return on the investment decisions of university students in East Java. Employing a quantitative approach, data were collected from 60 student investors across 16 universities using validated questionnaires and analyzed through multiple linear regression. The findings reveal that only investment knowledge has a significant and positive effect on students' investment decisions, while minimum capital, age, lifestyle, and return do not show significant individual impacts. The model accounts for 58.4% of the variance in investment decisions, underscoring the central role of financial literacy in shaping investment behavior among Generation Z students. These results imply that educational institutions and capital market facilitators should focus on enhancing investment literacy and practical training, rather than lowering capital requirements or promoting investment as a lifestyle trend. Integrating financial education into university curricula and providing engaging, hands-on experiences are recommended to foster more informed and confident student investors, while future research should consider broader samples and additional variables to further clarify the determinants of student investment behavior.

Keywords: Financial Literacy; Investment Decision; Generation Z

1. Introduction

The capital market serves as a fundamental pillar in the architecture of modern economies, acting as a conduit for channeling funds from surplus units to those in need of long-term financing. In Indonesia, the capital market has evolved significantly since its inception during the colonial era, with the establishment of the first stock exchange in Batavia in 1912 and subsequent revitalization in 1977. This evolution has positioned the capital market as a critical driver of economic growth, job creation, and financial system stability (Amanda et al., 2024). Despite these advances, Indonesia continues to face persistent challenges in financial literacy and market participation, particularly among the younger generation. The 2022 financial literacy index, as reported by the Financial Services Authority (OJK), stood at 49.68%, while the financial inclusion index reached 85.10%, highlighting a substantial gap between access to financial services and the depth of public understanding (Rahayu et al., 2022).

To address this gap, the Indonesia Stock Exchange (IDX) has implemented a series of educational initiatives, most notably the Galeri Investasi Bursa Efek Indonesia (GIBEI). GIBEI, established through collaboration between the IDX, universities, and securities firms, functions as both an educational hub and a practical training ground for students and academic communities. Its rapid expansion particularly in East Java, which now hosts 84 GIBEI in universities underscores its strategic role in fostering a culture of investment and enhancing financial literacy among Generation Z students (Chawla et al., 2022). GIBEI's presence not only provides access to information and investment opportunities but also supports the development of critical thinking and decision-making skills necessary for navigating the complexities of the capital market.

The increasing participation of young investors in Indonesia's capital market is evidenced by the surge in Single Investor Identification (SID) numbers, which reached over 15 million by early 2025, with more than 79% of investors under the age of 40. However, a significant proportion of these investors remain inactive, and the majority of daily trading activity is concentrated among a relatively small subset of participants. This phenomenon is influenced by various factors, including market volatility, macroeconomic conditions, and the perceived risks and returns associated with investment instruments. The fluctuating average daily transaction values from 2019 to 2024, as well as the dynamic patterns observed in the final months of 2024, reflect the complex and often unpredictable

nature of the capital market environment (Kharisma, 2025). For many students, barriers such as the perception of high minimum capital requirements, limited investment knowledge, lifestyle choices, and unrealistic return expectations continue to hinder active participation.

A review of the scholarly literature reveals mixed findings regarding the determinants of investment decisions among university students. While some studies highlight the significance of minimum capital as a motivator for initial investment, others suggest that knowledge, age, lifestyle, and return expectations play more substantial roles (Widyastuti & Seno, 2022). The interplay of these factors is further complicated by the unique characteristics of Generation Z, who are generally more technologically adept and open to financial innovation but may lack the experience and discipline required for sustained investment activity. Despite the proliferation of digital investment platforms and educational programs, there remains a paucity of empirical research specifically focused on Generation Z students in East Java, particularly in the context of the expanding GIBEI network.

This study is designed to address this research gap by systematically examining the partial and simultaneous effects of minimum capital, investment knowledge, age, lifestyle, and return on the investment decisions of university students in East Java. The research is grounded in the context of behavioral finance, which recognizes that investment decisions are shaped by a combination of rational analysis and psychological influences. The objectives of this study are to clarify the extent to which each of these factors influences student investment behavior and to provide evidence-based recommendations for enhancing financial literacy and market participation among young Indonesians. The research questions guiding this investigation include: How do minimum capital, investment knowledge, age, lifestyle, and return individually and collectively affect the investment decisions of Generation Z students in East Java? What are the implications of these findings for the design of future educational and policy interventions?

By focusing on a rapidly developing region with a vibrant student investor community, this research aims to contribute to the academic discourse on investment behavior and inform practical strategies for increasing meaningful participation in Indonesia's capital market. The findings are expected to be of value not only to scholars and educators but also to policymakers and financial institutions seeking to foster a more inclusive and dynamic investment environment.

2. Methods

The methodological framework of this study was designed to ensure a rigorous, transparent, and replicable investigation into the factors influencing investment decisions among university students in East Java. By employing a quantitative approach, the research aimed to systematically measure the relationships between minimum capital, investment knowledge, age, lifestyle, and return, and their collective impact on student investment behavior. The following subsections detail each step of the research process, providing sufficient information for critical evaluation and potential replication by other scholars.

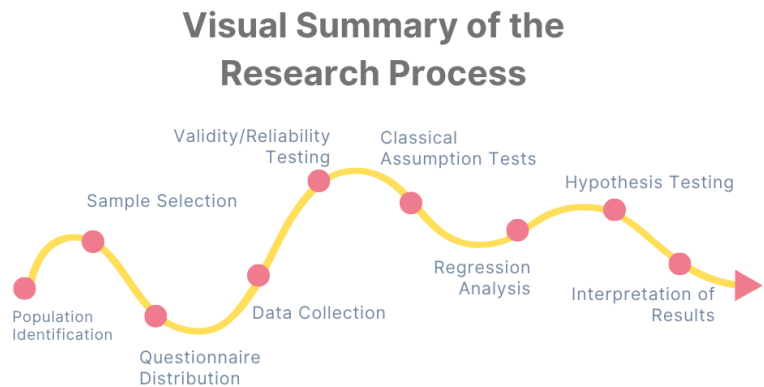


Figure 1. Reaserch Process

1. Research Design

This study adopted a quantitative research design, utilizing primary data collected through structured questionnaires. The quantitative approach was selected to enable objective measurement and statistical analysis of the relationships among the variables of interest. Such a design is particularly appropriate for studies seeking to identify patterns, test hypotheses, and generalize findings to a broader population (Alfiana et al., 2023).

2. Population and Sample

The population for this research comprised all university students in East Java who had experience conducting stock transactions on the Indonesia Stock Exchange (IDX), with a minimum of two transactions. This criterion ensured that respondents possessed practical exposure to investment activities, thereby enhancing the relevance and reliability of their responses. According to recent data, the total population fitting these criteria was 831,792 students.

A purposive sampling technique was employed, targeting students who met two specific criteria: (1) active participation in stock transactions through the Galeri Investasi Bursa Efek Indonesia (GIBEI), and (2) membership in Generation Z (born between 1997 and 2008). The sample size was determined using the Roscoe formula, as recommended by Sekaran & Bougie (2016), which suggests a minimum of 10 respondents per variable for multivariate analysis. With five independent variables and one dependent variable, the minimum sample size was calculated as 60 respondents, ensuring adequate statistical power and representativeness.

3. Variables and Operational Definitions

The study investigated both independent and dependent variables, each defined and measured according to established scholarly standards:

Independent Variables:

- Minimum Capital (X_1): The initial funds required to open an investment account, measured by indicators such as initial capital setting, investment fund estimation, and investment outcomes (Agata & Nurazi, 2024; Maharani & Saputra, 2021).
- Investment Knowledge (X_2): The respondent's understanding of investment principles, including knowledge of investment objectives, risk, return, and available instruments (G, 2024)
- Age (X_3): Categorized according to established age brackets for adulthood, focusing on Generation Z.
- Lifestyle (X_4): Patterns of consumption, spending priorities, shopping habits, and saving behavior (Wahyuni & Setiawati, 2022).
- Return (X_5): The perceived and actual gains from investment activities, including risk-return trade-offs and satisfaction with investment outcomes (Hawa et al., 2023).

Dependent Variable:

- Investment Decision (Y): The process by which students choose among investment alternatives, measured by indicators such as knowledge and experience, expected return, risk tolerance, and awareness of economic conditions.

4. Data Collection Methods

Primary data were collected using a structured questionnaire, distributed to the selected sample both online and offline. The questionnaire was designed based on validated instruments from previous research, with adaptations to fit the local context. Respondents rated their agreement with each item using a five-point Likert scale, ranging from "Strongly Disagree" (1) to "Strongly Agree" (5). This approach facilitated the quantification of attitudes and perceptions, enabling robust statistical analysis.

5. Data Analysis Procedures

The data analysis process comprised several sequential steps to ensure the validity, reliability, and robustness of the findings:

a. Validity Testing:

Each questionnaire item was subjected to validity testing using Pearson correlation coefficients, with a significance threshold of 0.05. Items with correlation coefficients above the critical value were deemed valid.

b. Reliability Testing:

The internal consistency of the questionnaire was assessed using Cronbach's alpha, with a threshold of 0.6 indicating sufficient reliability (Mosbah, 2024).

c. Classical Assumption Tests:

- Normality: Kolmogorov-Smirnov test to assess the distribution of data.
- Multicollinearity: Tolerance and Variance Inflation Factor (VIF) values to detect intercorrelations among independent variables.
- Heteroscedasticity: Scatterplot analysis to identify variance consistency in regression residuals.

d. Multiple Linear Regression Analysis:

The primary analytical technique was multiple linear regression, specified as:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

where Y: is the investment decision, X_1 to X_5 are the independent variables, a is the intercept, β_1 to β_5 are regression coefficients, and e is the error term.

e. Hypothesis Testing:

- Partial Effects (t-test): To assess the individual significance of each independent variable.
- Simultaneous Effects (F-test): To evaluate the collective influence of all independent variables.
- Coefficient of Determination (R^2): To measure the proportion of variance in the dependent variable explained by the model.

All statistical analyses were conducted using SPSS software, ensuring accuracy and reproducibility. This comprehensive methodological approach was designed to maximize the reliability and validity of the findings, providing a solid foundation for evaluating the factors that shape investment decisions among university students in East Java. The detailed steps and justifications outlined above enable both critical assessment and replication by future researchers.

3. Results and Discussion

This section presents the findings of the study in a structured manner, directly addressing the research questions and hypotheses. The results are organized to first describe the demographic profile of the respondents, followed by the validation of research instruments, classical assumption tests, regression analysis, model fit, and hypothesis testing. Each subsection includes relevant tables or images and a detailed academic discussion that interprets the findings in the context of the research objectives.

Respondent Demographics

The demographic characteristics of the 60 respondents are summarized to provide context for the analysis. The sample includes university students from 16 different institutions across East Java, representing both public and private universities.

No	Jenis Kelamin	Jumlah	Presentase
1	Laki-Laki	24	40%
2	Perempuan	36	60%
Total		60	100%

Table 1. Gender distribution of respondents

No	Usia	Jumlah	Presentase
1.	18	0	0
2.	19	6	10%
3.	20	7	11,7%
4.	21	17	26,7%
5.	22	20	33,3%
6.	23	7	10%
7.	24	3	5%
8.	25	0	0
Total		60	100%

Table 2. Age distribution of respondents

No	Lama investasi	Jumlah	Presentase
1.	0-1 Tahun	33	55%
2.	2-3 Tahun	22	36,7%
3.	3-5 Tahun	5	8,3%

Table 3. Investment duration of respondents

The gender distribution shows a higher proportion of female respondents (60%) compared to males (40%), suggesting a notable engagement of female students in capital market activities. The age range is concentrated between 19 and 24 years, with the largest groups at 21 and 22 years old, reflecting the generational focus of the study. Most respondents (55%) have less than one year of investment experience, while 36.7% have invested for 2–3 years, and only 8.3% have more than three years of experience. This demographic profile is typical for Generation Z students who are at the early stages of their investment journey, and the diversity of university backgrounds enhances the representativeness of the sample.

Instrument Validity and Reliability

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Table 4. Validity test results for all variables

No	Variabel	Nilai <i>Cronbach's Alpha</i>	Standar Reliabilitas	Keterangan
1.	Modal minimal (X1)	0,644	0,600	<i>Reliabel</i>
2.	Pengetahuan Investasi (X2)	0,665	0,600	<i>Reliabel</i>
3.	Usia (X3)	0,602	0,600	<i>Reliabel</i>
4.	Gaya hidup (X4)	0,606	0,600	<i>Reliabel</i>
5.	Return (X5)	0,627	0,600	<i>Reliabel</i>
6.	Keputusan Investasi (Y)	0,697	0,600	<i>Reliabel</i>

Table 5. Reliability test results for all variables

All questionnaire items for the independent and dependent variables demonstrated validity, as indicated by correlation coefficients exceeding the critical value. Reliability analysis using Cronbach's Alpha showed values above the 0.6 threshold for all variables, confirming that the

instruments are both accurate and consistent. These results ensure that the data collected are robust and suitable for further statistical analysis, supporting the credibility of the study’s findings (Kalkbrenner, 2021).

Classical Assumption Tests

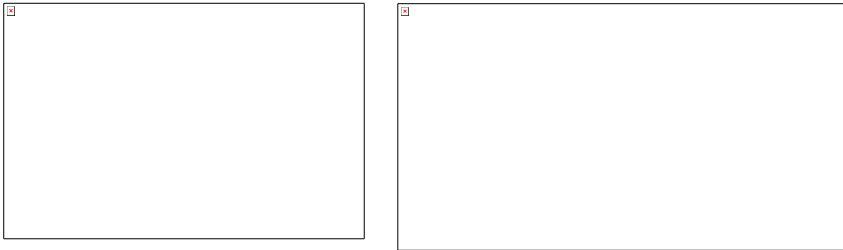


Table 6. Normality and Multicollinearity test results



Figure 2. Scatterplot for heteroscedasticity test

The normality test (Kolmogorov-Smirnov) yielded a significance value well above the threshold, indicating that the residuals are normally distributed. Multicollinearity diagnostics showed all tolerance values above 0.10 and VIF values below 10, confirming the absence of problematic intercorrelations among independent variables. The scatterplot for heteroscedasticity revealed a random distribution of residuals around the horizontal axis, with no discernible pattern, indicating homoscedasticity. These results validate the use of multiple linear regression and enhance the robustness of the subsequent findings (Hu & Plonsky, 2021).

Multiple Linear Regression Analysis

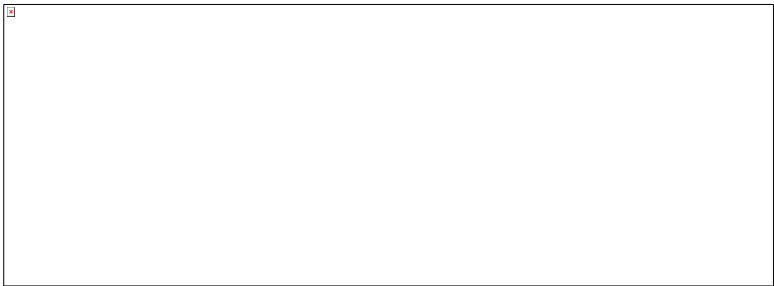


Table 6. Regression coefficients and model summary

The regression equation derived from the analysis is as follows:

$$Y = 3.750+0.180X_1+0.606X_2-0.164X_3+0.184X_4+0.011X_5+e$$

where Y is the investment decision, X1 is minimum capital, X2 is investment knowledge, X3 is age, X4 is lifestyle, and X5 is return.

Investment knowledge (X2) has the strongest positive and significant effect on investment decisions, while minimum capital (X1), lifestyle (X4), and return (X5) show positive but not statistically significant effects. Age (X3) has a negative, non-significant coefficient, suggesting that within the Generation Z cohort, older students are slightly less likely to make investment decisions, though this effect is not robust. These findings highlight the central role of financial literacy in shaping investment behavior among young investors, while other factors may be less influential in this context.

Coefficient of Determination (R^2)

Table 6. R^2 and Adjusted R^2 results

The adjusted R^2 value of 0.584 indicates that approximately 58.4% of the variance in students' investment decisions can be explained by the five independent variables included in the model. The remaining 41.6% is attributable to other factors not captured in this study. This level of explanatory power is substantial for behavioral research, underscoring the relevance of the selected variables while also suggesting the need for future studies to explore additional determinants (Ozili, 2023).

Hypothesis Testing

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.750	1.692		2.215	.031
	Modal Minimal	.180	.152	.167	1.181	.243
	Pengetahuan Investasi	.606	.134	.665	4.520	.000
	Usia	-.164	.140	-.153	-1.170	.247
	Gaya Hidup	.184	.095	.210	1.938	.058
	Return	.011	.082	.016	.140	.890

a. Dependent Variable: Keputusan Investasi

Table 7. t-test and F-test results for each variable

The t-test results show that only investment knowledge (X_2) has a statistically significant effect on investment decisions ($p < 0.05$), confirming its importance as a key driver of student investment behavior. Minimum capital, age, lifestyle, and return do not exhibit significant individual effects, suggesting that these factors may not independently motivate students to invest. The F-test, however, indicates that the five variables collectively have a significant simultaneous effect on investment decisions ($p < 0.05$). This finding supports the notion that while individual factors may not always be decisive, their combined influence is meaningful in shaping investment choices.

In summary, the results confirm the centrality of financial literacy in promoting investment activity among university students, while also highlighting the complex interplay of other demographic and behavioral factors. These findings align with previous research emphasizing the role of knowledge in investment decision-making, and they provide actionable insights for educators and policymakers seeking to enhance student participation in capital markets.

4. Conclusion

This study set out to examine the influence of minimum capital, investment knowledge, age, lifestyle, and return on the investment decisions of university students in East Java. Drawing on a sample of 60 student investors from a diverse range of universities, the research employed a robust quantitative methodology, including validated instruments and rigorous statistical analysis, to address the research questions. The findings reveal that among the variables studied, only investment knowledge exerts a significant and positive effect on students' investment decisions. This underscores the pivotal role of financial literacy in empowering young investors to make rational and confident choices in the capital market. In contrast, minimum capital, age, lifestyle, and return were

not found to have significant individual effects on investment decisions. These results suggest that, for Generation Z students, barriers such as perceived high entry costs or lifestyle trends are less influential than a solid understanding of investment principles. The model as a whole explains a substantial portion of the variance in investment decisions, highlighting the collective importance of the selected factors, even if their individual effects are limited. The implications of these findings are multifaceted. For educational institutions and capital market facilitators such as GIBEL, the results point to the need for sustained and targeted investment education programs. Rather than focusing on lowering minimum capital requirements or promoting investment as a lifestyle trend, efforts should prioritize enhancing students' financial knowledge and practical skills. Integrating investment literacy into university curricula, offering engaging seminars, and providing hands-on simulation experiences can foster a more informed and active student investor community. Additionally, while age and lifestyle differences within Generation Z do not appear to drive investment behavior, educational content should remain accessible and relevant to students with varying levels of financial experience. For future research, expanding the sample size and geographic scope, as well as incorporating additional variables such as investment motivation or broader measures of financial literacy, could yield deeper insights into the determinants of student investment decisions. Moreover, longitudinal studies could help clarify how investment behavior evolves as students gain more experience and transition into different life stages. In summary, this study confirms that financial knowledge is the cornerstone of investment decision-making among university students in East Java. By prioritizing education and practical exposure, stakeholders can better equip the next generation to participate meaningfully and responsibly in Indonesia's capital market.

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