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The Understanding Of Generation Z Of Stock Investment Decisions From A Financial Behavior Perspective

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Abstract: This research aims to look at the understanding of z generation of stock investment decisions from a financial behavior perspective by looking at the factors of interest, overconfidence, herding, and regret. This research uses a descriptive quantitative approach with data collection methods through questionnaires, then the results are described, and conclusions are drawn. The results of this research show that Generation Z has a positive attitude toward stock investment decisions. They consider this investment very important for their future. They calculate the possible profits they can make. They consider the level of risk that occurs for the safety of investing. Their interest is high in obtaining large returns. Their overconfidence is high. They feel they have increased knowledge, ability, confidence, and experience investing in shares. However, their investment decisions are also influenced by the behavior of the groups around them. Some of them experienced terrible experiences of stock investment which will affect their investment decisions in the future.

Keywords: Stock Investment, Financial Behavior

1. Introduction

Investing in shares is one way to make a profit. Stock investment has been very popular lately, especially among students. Students are starting to realize the importance of financial management to prepare for the future. Based on data from the Indonesian Central Securities Depository (KSEI), there were around 11.5 million individual investors in the Indonesian capital market as of August 2023. 57.04% of them were aged 30 years and under, and 23.27% were aged between 31-40 years. This shows that national capital market investors are dominated by Generation Z and millennial groups. Then, there are 11.36% of individual investors aged 41-50 years, 5.44% aged 51-60 years, and 2.88% aged over 60 years (Annur, 2023)

Some of the reasons Generation Z decided to invest in shares include that they have started to think about their future, investing in shares is considered to provide long-term profits. The development of stock investment is supported by easy online access to open accounts and also transact shares through various investment applications.

Students who are Generation Z and Millennials sometimes do not have sufficient experience in investing in shares, therefore they are vulnerable to making mistakes in making financial decisions. The financial decisions students make have an important influence on their financial situation after college. Additionally, their financial situation in college may affect their academic performance. (Cude et al., 2006). Therefore, investors need an intelligent understanding of the stock market, risk analysis, and awareness of personal financial behavior. Investors must have extensive knowledge about an investment. The greater the investment knowledge a person has, the greater their interest in investing. (Pajar & Adeng, 2022). Therefore, this research aims to look at Generation Z's understanding of stock investment in terms of financial behavior (interest, overconfidence, herding, and fear of regret). Finance behavior is how humans act based on information obtained in making investment decisions (Kannadhasan, 1998). Investment interest is a strong desire to invest capital to gain profits (Darmawan et al., 2019). Overconfidence is excessive confidence in oneself, especially in stock investment knowledge (Rakhmatulloh, 2019). Herding is an individual's tendency to follow the actions of others (Mahmood et al., 2016). Fear of regret is a person's psychological condition that occurs because of actions they have taken that result in something bad for them (Elisa Daniati Edison & Hesty Aisyah, 2023). This research will descriptively analyze shared investment decisions by Generation Z by looking at aspects of interest in investing, overconfidence, herding, and fear of regret.

2. Literature Review

Investation decision

Investment is an activity to invest part or all of one's capital in a certain field. Investors can invest their capital in the capital market, money market, bonds, or other fields Budiarto (2017). Investment decision-making behavior is an action where investors in making investments will be influenced by rational and irrational factors.

Interest

Interest has a huge influence on the activities carried out. Factors that support the development of interest are internal and external. Interest is a psychological function or conscious response to being interested in an object, whether in the form of a thing or something else, while investment is defined as a commitment to a certain amount of funds or other resources made now, to obtain profits in the future (Tandelilin, 2010)

Behavior Finance

Behavioral finance is a science that explains how cognitive and emotional factors can influence financial decision making. Behavioral finance explains and increases understanding of investors' reasoning patterns, as well as the emotional patterns involved and the extent to which they influence investment decision-making (Ricciardi and Simon, 2000). Bodie, Kane, and Marcus (2016) explain that behavioral finance is a financial market model that emphasizes the potential implications of psychological factors that influence investor behavior. This irrationality is divided into two categories. First, investors do not always process information correctly and therefore infer incorrect probability distributions about future rates of return. Second, even given a probability distribution of returns, investors often make decisions that are neither consistently nor systematically optimal.

Overconfidence

Overcovidence or what can be interpreted as excessive self-confidence is when someone has expectations that are not in acbyreality of something (Scheinkman & Xiong 2003). Overconfidence can be caused by the illusion of knowledge. Where individuals or organizations feel they already have a lot of knowledge and experience about something themselves (Lord et al., 1979).

Herding

Herding is an assumption that investors' actions following other investors' decisions can provide profitable and reliable information. Millennial investors consider herding in making investment decisions (Adielyani & Mawardi, 2020). This is in line with Rahayu et al., (2021) who stated that investors in Indonesia are positively influenced by herding when making investment decisions. Because investors in Indonesia tend to ignore their abilities and rely more on the investment decisions of other people who are considered experts in investing

Fear of Regret

Statman (1995) in Asri (2013) conducted research that focused on a psychological symptom called fear of regret, which ultimately causes investors to hesitate and act irrationally. A person tends to be more careful (as a reflection of the amount of fear of regret) if the decision they make will have an impact on their family. On the other hand, he tends to be braver in making decisions that will only have consequences for himself. This theory states that individuals evaluate their expected reactions to an event or situation in the future. For example, if an investor has experienced a loss on his investment in stock "X", then the person concerned will make improvements to the analysis so that in the future the same thing does not happen. This theory is known as the theory of regret (Hidayati, 2018)

3. Method

Research Approaches and Techniques

The approach in this research is quantitative. According to Sugiyono (2017:12), research with a quantitative approach emphasizes the analysis of numerical data (numbers) which are processed using statistical methods. The research technique used in this research is descriptive. According to Sugiyono (2017:59), the descriptive method is research that depicts, depicts, or explains the state of the object being studied as it is, according to the situation and conditions when the research was carried out.

Population, Sample, and Data Collection Techniques

The data collection method in this research is by compiling a questionnaire distributed using Google Forms and questionnaires, which is then distributed to all students in Kediri City. Sampling was carried out in this research using accidental sampling, namely sampling based on chance. This means it could be anyone who happens to meet the researcher (Sugiyono, 2017:62).

In determining the sample size used, Sugiyono, (2017:91) suggests the sample size for research as follows:

1) The appropriate sample size in research is between 30 and 500.
2) If the sample is divided into categories, the minimum number of sample members for each category is 30.
3) If the research will carry out a multivariate analysis (correlation or multiple regression for example), then the number of sample members must be at least 10 times the number of variables studied. For example, if there are 5 research variables (independent + dependent), then the number of sample members = 10 x 5 = 50.
   Because the population is unknown, the sampling size calculation is 10 x variables: 10 x 5 so the minimum sampling is 50 respondents. From the distribution of the questionnaire, 167 respondents were obtained who filled in via questionnaire or Google form.

Data Analysis Techniques

The data analysis technique in this research only describes the results of questionnaires that have been filled out by students using SPSS ver.23. to get a broad picture of student behavior toward stock investment.

4. Result and Discussion

Based on 167 questionnaires filled out by respondents, namely students who are currently included in Gen Z. Generation Z are those born in 1997 - 2012 and are currently around 11 - 26 years old. The students who were given the questionnaire were those who had taken Capital Markets and Investment courses and had attended capital market seminars so that they had a scientific understanding of how to invest in shares. Following are the results of the questionnaire that was distributed

Investation decision

Respondents, in this case, their students, have considered the level of risk in investing in shares. 76 respondents or 51.7% strongly agree with this. They are aware of the level of risk and try to minimize it by considering it carefully when making decisions. Apart from the risk, the thing to consider in investing is the profit, students think that this investment is one of the important things, the profit that investors want to get is by considering investing in companies that have a good reputation, considering returns and considering the fundamentals of the company. Apart from the risks and benefits in decision-making, security is no less important. Respondents realize that this investment is important for future income so they are more selective in making investment decisions.

Interest

Interest is one of the moderating variables between consumer behavior and investment decision-making. Interest is a feeling of curiosity about something. Respondents in this study were 84 students or 57% of them always read books and other media on how to guide how to invest before deciding to invest. Sometimes students look for references sourced from various media, apart from that they also find out first what the advantages and disadvantages are. on the investment he will make. Learning in various media is not only for getting started but also for motivating investment. 79 students or 53% believe this. Apart from that, having minimal capital to start investing can make you more interested in investing.

Overconfidence

In financial behavior, one of the variables in it is overconfidence. The results of respondents for this variable were 55 students or 37.4% who realized that their knowledge was very good because the respondents had received lectures about investment or investment seminars, but 55 other students chose neutral or could be interpreted as they still doubt the knowledge they have received. This is related to if they try to compare their skills, experience, and predictions with other investors, the respondents do not have enough self-confidence and tend to be hesitant. 59 students or 40% chose neutral. When investing, students always consider risk, but they tend to be less sure whether the investment they will make will be successful.

Hearding

Hearding is the action of investors whose decisions follow the decisions of other investors. In this case, students are still hesitant about taking part, as evidenced by 64 students or 43.5%, students may be still considering it by comparing other references. However, if students' decision to sell tends to follow the decisions of other investors, 65 students, or 44.2% and 63 students or 43% will react quickly to changes in investors, although they are still reconsidering

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their final decision. Apart from that, 58% of 58 students prefer to buy shares from the start of trading and sell when aggregate stock market trading is high.

Fear of regret

The investor's decision here is that students as representatives of Gen Z are also influenced by the experiences they have had. Fear of experiencing a loss, experiencing a feeling of being deceived about the investment that will be undertaken, which then creates a feeling of regret and not wanting to repeat the same investment or even being reluctant to invest. 66 students or 45% of respondents felt afraid of experiencing losses on the same investment, this feeling of uncertainty could even make respondents feel doubtful. 53 students out of 167 respondents said they were doubtful, and this bad experience could influence investment decisions.

5. Conclusions

The results of this research show that Generation Z has a positive attitude towards stock investment decisions. They consider this investment very important for their future. They calculate the possible profits they can gain. They consider the level of risk that occurs for the safety of investing. Their interest is high in obtaining large returns and there is affordable initial capital for students. Their excessive self-confidence is because they feel they have increased their knowledge, abilities, self-confidence, and experience in investing in shares. However, when they are asked to compare their experience, skills, and knowledge with other investors, they feel doubtful or do not have enough confidence. Their investment decisions are also influenced by the behavior of groups around them, although in the final decision, they are still reconsidering, even the slightest movement in the market is enough to make these students move too. Some of them experienced bad experiences in stock investment which will influence their investment decisions in the future.

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