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The Influence of Financial Capability and Financial Literacy on Saving in Stocks in Generation Z in Yogyakarta

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Abstract

This research aims to determine the influence of financial ability and financial literacy on interest in saving shares among Generation Z in Yogyakarta. This research aims to examine financial ability and literacy factors that influence interest in saving in shares. Researchers want to further examine the factors of financial ability and financial literacy in saving shares among Generation Z in Yogyakarta. This is based on the reason that Generation Z is a generation that has quite potential in investment activities in the capital market. The population in this study are people belonging to Generation Z who live in Yogyakarta. Sampling was carried out using a non-random sampling method, namely convenience sampling. The test results will also provide an overview of investor behavior regarding financial ability and financial literacy in influencing Generation Z's interest in saving shares. Using SPSS multiple regression.

Keywords: Financial Literacy, Financial Ability, Generation Z, Investment

1. Introduction

Long-term stock investment can be an effective strategy for achieving long-term financial goals such as retirement, children's education, or achieving sustainable wealth. However, it is important for investors to conduct careful research, understand their risk profile, and have an investment plan that suits their financial goals and risk tolerance. Currently, technological advances are very supportive of investing in shares.

The background to the importance of stock investment in the long term can be described as follows: first, growth in investment value. Stock investments have the potential to provide significant investment value growth in the long term. Shares of quality, well-performing companies tend to increase in value over time, which can result in profits for investors. Second, beat inflation. Stocks generally have the potential to generate a rate of return higher than the rate of inflation. By investing in shares in the long term, investors can overcome the impact of inflation and increase the purchasing power of their investment portfolio. Third, dividends. Many companies provide dividends to their shareholders as part of their profits. Dividends can be a source of passive income for investors who invest in shares of stable and profitable companies. Fourth, is portfolio diversification. Stock investments

allow investors to diversify their portfolios. By owning stocks from different industry sectors and geographies, investors can mitigate the specific risks associated with a particular company or industry. Fifth, participation in the economy. Through stock investments, investors effectively participate in economic growth and development. Shares are one of the main instruments that allow companies to raise the capital necessary for expansion and innovation. Sixth, flexibility and liquidity. The stock market is relatively liquid, which means investors can buy and sell shares with relative ease. This provides flexibility for investors to change their positions according to changing market conditions or personal financial needs. Seventh, company ownership. Stock investment gives ownership rights to the company concerned. This gives investors the opportunity to have a say in company decisions through voting at the general meeting of shareholders (GMS) and various other rights.

Table 1: Number of Investors

	In 2019	In 2020	In 2021	In 2022	In 2023
Number of Investors	2.484.000	3.881.000	7.489.000	10.310.000	12.162.000
Increase	-	1.397.000 (56%)	3.608.000 (93%)	2.821.000 (38%)	1.852.000 (18%)

Source: PT Indonesian Stock Exchange (IDX)

Table 1 shows the development of the number of Indonesian capital market investors reaching 12.16 million people in 2023. This figure is up 18% or 1.85 million people from 2022 which was 10.31 million investors. BEI also noted that the 2023 achievement increased 11 times since 2017. The annual active investors will reach 1.43 million people in 2023.

Over the last five years, the number of Indonesian capital market investors has experienced an upward trend. In 2019, the number of investors was recorded at 2.48 million people. The figure then rose to 3.88 million investors in 2020. Even though the Covid-19 pandemic hit afterwards, the number of investors continued to increase to 7.48 million people in 2021.

IDX noted that the increase in the number of investors was the result of efforts made through outreach, education and literacy activities for the community. As of December 28, 2023, more than 18 thousand socialization, education and capital market literacy activities have taken place, with the number of participants reaching more than 3.1 million people throughout Indonesia.

According to PT Indonesian Central Securities Depository (KSEI), young investors' enthusiasm for investing continues to increase. Capital market investors have experienced consistent growth over the last few years. The number of Indonesian capital market investors registered at KSEI based on single investor identification (SID) has reached 11.72 million as of September 2023. Investor growth over the last 10 months has been supported by growth in mutual fund investors of 14.47% and Government Securities investors. (SBN) 15.45%. Stock investors also recorded growth over the last 10 months, increasing by 13.27%. In detail, the number of capital market investors consists of 5.02 million stock investors, 10.99 million mutual fund investors and 959 thousand state securities (SBN) investors. If combined with the SIDs of public housing savings (Tapera) participants, the total number of SIDs has reached 16 million. The number of Indonesian capital market investors grew 13.76% from 10.31 million the previous year. Meanwhile, in terms of demographics, KSEI data as of September 2023 shows that capital market investors in Indonesia are still dominated by millennials (aged 31 – 40 years) and Gen Z (aged 30 years and under) with numbers reaching more than 80%. This is in line with the level of investor education which is dominated by General High School (SMU) graduates with a total of 60.28%. Young investors' asset ownership tends to increase compared to last year. This shows the increasing enthusiasm of young investors. In terms of employment, 32.86% of investors are employees, followed by students at 26.50%.

Based on this phenomenon, this research aims to examine financial ability and literacy factors that influence interest in saving in shares. Researchers want to further examine the factors of financial ability and financial literacy in saving shares among Generation Z in Yogyakarta. This is based on the reason that Generation Z is a generation that has quite potential in investment activities in the capital market.

2. Literature Review

2.1. Stocks

Shares are financial instruments that represent part of the ownership or shares of a company. When a person or entity buys shares of a company, they are actually buying a small share of the company. Shares are traded on the stock market and are one way for companies to raise capital for their expansion, investment and operations (Purwanto & Agus Herta Sumarto, 2017).

Here are some important points about stocks:

- a) **Ownership:** Shares represent ownership in a company. Shareholders have rights to the company's income and assets in accordance with the proportion of their ownership.
- b) **Dividends:** Dividends are the distribution of company profits to shareholders. Dividends are usually distributed periodically, depending on company policy.
- c) **Share Prices:** Share prices are determined by market forces. Factors such as company performance, economic conditions, and investor sentiment can influence stock prices.
- d) **Types of Shares:** There are several types of shares, including common shares and preferred shares. Ordinary shares provide voting rights at shareholder meetings and have the potential to earn dividends. Preferred shares generally do not have voting rights, but usually have priority in dividend payments.
- e) **Stock Market:** Shares are traded on the stock market, where buyers and sellers meet to make transactions. The stock market can be a primary market (when new shares are first traded) or a secondary market (when shares are traded between investors).
- f) **Stock Index:** A stock index is a measure of the performance of the stock market as a whole or a particular sector. Examples are the S&P 500 in the United States and the IHSG (Composite Stock Price Index) in Indonesia.
- g) **Risk:** Stock investment involves market risks, such as stock price volatility, corporate risk, and economic risk. Stocks have the potential to provide high returns, but there is also a risk of losing capital.

Stock investing is a commonly used way to grow wealth over the long term, although it requires a good understanding of the markets and the risks involved. Before making a stock investment, it is critical for investors to conduct careful research, understand their risk profile, and consider their financial goals.

2.2. Financial Capabilities and Saving in Stocks

Financial ability is a person's ability to solve problems and manage their finances, both from salary and pocket money, which will influence decisions in selecting and purchasing a product (Firdauzi, 2016). According to Zakaria and Sabri (2013), financial capability is a person's ability to manage their finances every day. Financial capability is a broad concept that includes a person's knowledge and skills to understand their financial condition and the motivation they have to take action. Consumers who are financially capable will have a plan, seek and use information, know when they need advice and can understand and act on the advice given, and have a large participation in financial market services (HM Treasury, 2007: 19)

Yeo and Fisher's (2017) research show that financial capability influences the use of financial services. Cell phones are tools that consumers use frequently, so they do not consider financial services provided via cell phones to be something new. In this case, consumer perceptions of risks and benefits do not appear to play a significant role in adopting these services. Thus, the higher a person's financial capability, the greater the use of mobile-based financial services. This means that saving shares can be done with a cellphone. Access is done by downloading financial-based applications such as MOST, Ajaib, Stockbit, and others.

2.3. Financial Literacy and Saving in Shares

Financial literacy is knowledge and understanding of financial concepts and risks as well as the skills, motivation, self-confidence to apply this knowledge and understanding with the aim of making effective decisions in a financial context, improving financial welfare, both individual and community welfare (OECD, 2016: 87).

Financial literacy can also be defined as a combination of awareness, knowledge, skills, attitudes and behavior needed to create financial awareness and ultimately achieve individual prosperity (OECD, 2011).

Houston (2010:306-307) explains that financial literacy shows how well an individual can understand and use information related to finance. Financial literacy can also lead to resource components that can be used in financial activities to improve the quality of life expected from consumption, namely behavior that can improve financial well-being.

Someone who has good financial literacy will have a good level of knowledge and skills in decision making. In this case, a person will also have a good level of understanding about financial institutions but also existing financial products and services. Awalina's research (2019) shows that financial literacy has a positive effect on the use of electronic money. According to Awalina, the better a person's level of financial literacy, the more likely a person is to make savings in the form of savings and will tend to use electronic money to use their savings balance. So interest in using electronic money will increase.

3. Research Method

The population in this study are people belonging to Generation Z who live in Yogyakarta. Sampling was carried out using a non-random sampling method, namely convenience sampling. This method was chosen because, sometimes respondents who were asked to fill out the questionnaire were not willing to become respondents. Determination of the sample size is based on the opinion of Hair et al. (2006), namely that the minimum sample size is 5 to 10 times the number of parameters estimated. So, in this research, the minimum sample size will be determined as the number of variables (3 variables) multiplied by 10 (3x 10), namely 30 samples.

3.1. Dependent Variable

The dependent variable in this research is interest in saving shares. Stock savings is an investment strategy in which individuals regularly set aside a certain amount of money to buy company shares periodically. The goal of saving in stocks is to build an investment portfolio that grows over time and achieves long-term financial goals, such as retirement, children's education, or the wealth of future generations.

The following are important indicators related to saving in shares:

- a) Financial Education: It is important for individuals to understand the basics of the stock market, investment risks, and how to conduct stock analysis before starting to save shares. Financial education can help investors make better investment decisions.
- b) Goal Setting: Determine your long-term financial goals before starting to save shares. Is your goal to retire, buy a house, or children's education. Setting investment goals will help you design an appropriate investment strategy.
- c) Consistent Funding: Make a plan to set aside a certain amount of money regularly to save for stocks. Consistent funding is key to building an investment portfolio that grows over time.
- d) Diversification: Diversify your investment portfolio by purchasing shares from various industry sectors and various companies. Diversification helps reduce risk and increase potential investment returns.
- e) Stock Analysis: Do a fundamental analysis of the stock you want to buy. Review the company's financial statements, consider its historical performance, and evaluate the company's future prospects.

3.2. Independent Variables

3.2.1. Financial literacy (Financial Literacy)

Financial literacy is an understanding of managing finances to achieve prosperity in the future. To explain financial literacy, indicators can be used: knowledge of financial concepts, ability to manage finances, credit, debt management, and savings and investment (Awalina, 2019)

3.2.2. Financial capability (Financial Capability)

Financial capability is a person's ability to manage and solve problems in the financial sector which shows the economic situation which in this situation will influence product selection and product purchasing decisions (Firdauzi, 2016). Indicators that can be used to explain financial capability are financial capability, confidence in one's abilities, knowledge about finances in general, estimated funds for investing, perception of the current nominal amount (Tamam, 2023)

For all of the above variables, respondents were asked to indicate the extent to which they agree (1 = strongly disagree to 5 = strongly agree). All question items will then be averaged.

3.3. Data Analysis Technique

To test the effect of financial literacy and financial ability on saving shares, the following regression equation will be used:

$$StockSave = \alpha + \beta_1 FinancialCapability + \beta_2 FinancialLiteracy + \varepsilon$$

To prove hypotheses 1, 2, 3, it is expected that the regression coefficients β_1 , β_2 are significant at the specified significance level (1%, 5%, or 10%).

4. Results and Discussion

4.1. Multiple Linear Regression Analysis

Multiple linear regression analysis has the main objective of measuring the influence of each independent variable on the dependent variable, while controlling the influence of other variables. The multiple linear regression equation is expressed in the following form:

The results of multiple regression analysis can be seen in table 5.7 below:

Table 2: Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.656	.293		2.235	.029		
	X1	.476	.086	.483	5.517	.000	.643	1.554
	X2	.379	.073	.453	5.178	.000	.643	1.554

Based on the results of multiple linear regression analysis in table 2, the following multiple linear regression equation is obtained:

$$Y = 0.656 + 0.476X1 + 0.379X2$$

4.2. Discussion

The research results show that financial literacy and financial ability partially influence interest in saving in shares. Financial literacy is the ability or knowledge a person has in managing financial resources, which includes financial products, savings, investments, loans and future financial plans. Good financial literacy is demonstrated by making the right financial decisions so that future financial conditions are more secure, avoiding financial problems and improving welfare.

The results of this research show that financial literacy has a positive influence on Generation Z's interest in saving shares in Yogyakarta. Respondents in this research have a good level of financial literacy (well literate), so it can be concluded that Gen Z in Yogyakarta, as a generation that is very familiar with technology, has quite good abilities in terms of absorbing knowledge, including understanding finance. Generation Z sees saving in shares as an effort to achieve long-term financial goals. In accordance with the characteristics of Generation Z, this Generation brings a new perspective in managing finances, where they can utilize technology, prioritize savings and investment, including in this case saving shares.

This research is in line with research by Malik (2017) and Dewi and Purbawangsa (2018) which states that financial literacy variables and demographic factors such as income have a significant positive influence on students' investment interest both partially and simultaneously, which means the higher the level of financial literacy and income, the higher the student's interest in investing.

Financial capability is a person's ability to solve problems or manage their finances, whether obtained from salary or pocket money, which means referring to a situation where a person's economic situation will influence product selection and purchasing decisions on a particular product (Widad, Diana, and Mawardi, 2021). The research results show that financial ability has a positive effect on Generation Z's interest in saving shares in Yogyakarta. In general, individuals who have good financial capabilities tend to be interested in saving their funds, one of which is in the form of shares. Apart from that, those who have good financial capabilities and have previous investment experience will have more interest in saving in shares. On the other hand, individuals who have low financial capabilities tend to be more careful in spending their money and may prefer to save in the bank rather than investing in the stock market. This can be caused by the principle of caution and fear of bearing the risk of possible losses that could occur due to investing in the stock market. Gen Z in Yogyakarta, as a generation under 30 years of age, apparently has quite good financial capabilities in terms of interest in saving in shares. Respondents have an interest in saving shares even though they don't work or have their own income. Respondents try to be able to set aside pocket money to invest in the form of saving shares, because they have a fairly good understanding of the long-term profits that will be obtained. In general, according to the characteristics of Generation Z, Generation Z in Yogyakarta understands the importance of savings and investment. This generation tends to start investing at a younger age, even though they often have lower incomes at the start of their careers, they remain committed to saving and investing.

The results of this research are in line with research by Tamam (2023), and Barid & Yudiantoro (2023) which shows that financial ability has a significant influence on investment interest.

5. Conclusion

Referring to the results of this research, it can be concluded that financial ability has a positive influence on Generation Z's interest in saving shares in Yogyakarta. This shows that the higher the financial capacity, the higher the interest in saving in shares. In this case, people belonging to the Generation Z group in Yogyakarta are quite aware of the long-term benefits that will be obtained from saving in shares. Generation Z, most of whom are still at the beginning of their careers, or haven't even worked yet, are conscious enough to set aside their income and pocket money for future goals. And saving in shares is one of the instruments that is considered the safest for increasing wealth in the long term

Meanwhile, financial literacy has a positive influence on Generation Z's interest in saving shares in Yogyakarta. It can be seen that Generation Z in Yogyakarta is included in the well-literate group at 53.65% and the average financial capability of Generation Z in Yogyakarta is 42.18%. This means that the majority of Generation Z in Yogyakarta already have the ability and confidence regarding financial knowledge, financial behavior and good financial attitudes. This also shows that the increase in financial literacy of Generation Z in Yogyakarta will be followed by an increase in interest in saving in shares. With strong financial knowledge and a proactive approach to investing, Generation Z is well positioned to achieve long-term financial stability

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