CHAPTER I
INTRODUCTION

1.1 Object Overview

Generation Z as its best known, or the Post-Millennial Generation, is the generation that was born onwards from the year of 1997 as the new generation, as 1996 was decided as the last birth year for Millennials (Dimmock, 2019). Generation Z was found to be the most achievement-oriented of the other generations, substantially greater well-being in economics, more highly-educated, and more diverse in terms of ethnicity than the former generations (Barna Group, 2018). It was shown from the research conducted by Barna Group amongst the Gen-Z in the United States, that 65% of the Generation Z would like to become financially independent by the age of 30.

The Indonesian Bureau of Statistic (Badan Pusat Statistik – BPS), BPS on its release in 2021 considered that individuals classifiable as Generation Z are those who were born between the year of 1997 and 2012, and aged between 11-26 years old.

Table 1.1
Indonesian Census Result

No	Generations	Population (%)
1	Generation Alpha (2013-2024)	16.17
2	Generation Z (1997-2012)	32.22
3	Millennials (1981-1996)	23.28
4	Generation X (1965-1980)	18.62
5	Baby Boomer (1946-1964)	9.71

Source: BPS, 2024

From Table 1.1, it is shown from the data of BPS that the population of Indonesia are dominated by Generation Z, with it being the 32.22% parts of the population . The top 3 of the population are followed by the Millennial generation and Generation X, with them being 18.62% and 23.28% part of the population respectively.

According to the Ministry of Internal Affairs of Republic Indonesia, with the data processed by DataIndonesia.id in 2022, there are 66.86 million people in Indonesia within the age of Generation Z. The data shows that the West Java province leads the pack with the Generation Z population of 11,886,058 people, followed by East Java with 9,252,385 people, then followed by Central Java province with 8,511,476 people.

Table 1.2

Top 10 Province with the most Generation Z population

Province	Population
West Java	11,886,058
East Java	9,252,385
Central Java	8,511,476
North Sumatera	4,316,515
Banten	2,979,697
DKI Jakarta	2,663,412
South Sulawesi	2,512,772
Lampung	2,249,587
South Sumatera	2,170,494
Riau	1,782,953

Source: Ministry of Internal Affairs of Republic Indonesia in DataIndonesia, 2022

From Table 1.2, from the processed data of dataindonesia.id (2022), it can be seen that the province in Indonesia with the most Generation Z population is West Java, with the total population 11,886,058. The provinces with the most Generation Z population then followed by East Java with a population of 9,252,385, and Central Java with a population of 8,511,476.

Greater Bandung (or Bandung Raya, in Bahasa) is a metropolitan area in the Province of West Java, Indonesia, includes the area of Bandung City, Cimahi City, Bandung Regency, West Bandung Regency, and certain area within the Sumedang Regency sub-districts (Pemerintah Daerah Provinsi Jawa Barat, 2015). According to Badan Pusat Statistik (2023), the population of Greater Bandung area is around 9.7 million inhabitants in 2023, Of which, the 26,66% of the Bandung area are within the Generation Z age.

Table 1.3
Greater Bandung Population

Municipality	Population in 2023
Bandung City	2.461.553
Cimahi	575.235
Bandung Regency	3.718.660
West Bandung Regency	1.846.969
Sumedang Regency	1.167.033
Total	**9.769.450**

Source: Badan Pusat Statistik, 2023

According to the table 1.3 above, the total population of Greater Bandung area is 9,769,450. The area with the most significant population within the Greater Bandung area is the Bandung Regency Municipality, with a population of 3,718,660. It is then followed by the population of Bandung City with the population of 2,461,553, and West Bandung Regency with the population of 1,846,969 (Badan Pusat Statistik, 2023).

According to the 2023 census statistics, 27,5% resembles the Gen Z out of the total population of 3.72 million residents in the city of Bandung alone. This finding indicates that Generation Z dominates the population of Bandung area, in comparison with the other generation. As Bandung is the second most populated area of Greater Bandung, this also reflects that Generation Z is currently dominating amongst the population of Greater Bandung. Due to these indications, The Generation Z population of Greater Bandung area were chosen to be the subject of this study.

1.2 Research Background

Globalization era, catalyzed by the digitalization of information media, individuals nowadays are encouraged to evolve themselves with new knowledge and understanding of finance, with the ability to effectively manage their personal financial resources is highly expected. Despite the conservative approach of personal financial management, many individuals are not able to fulfil their daily needs, as the daily needs themselves get more demanding with each time. This

condition triggers the tendency of consumptive lifestyle, as the individuals are not able to fulfil their cravings.

Financial issues are not solely for those who are already living by their significant others, but also for those Generation Z with modern-consumptive lifestyle with their inability to fulfil their satisfaction (Dewi & Apriyati, 2023), despite the fact that Gen Z's lifestyle and worldview being realistic and competitive (Renaldo et al., 2020). Combined with the advancement of information technology, with their current lifestyle, are the factors that pull up the number of Generation Z's involvement in the investing activities. According to clinical psychologist of teenagers, Tara de Thouars, in www.liputan6.com (2023), she stated, referring to the report of The Deloitte Global 2023, that Generation Zs are the Generation with the tendency of choosing work-life balance instead of live to work. Therefore, they set the "work smart instead of work hard" state of mind.

In addition to the stated issue of Generation Z above, Generation Z are also being overwhelmed by FOMO, which stands for The Fear of Missing Out. (finance.detik.com, 2023). The FOMO behavior is a bias where the Generation Z prefer to do the exact same thing as what the crowd, or the other investors, are doing, without taking their own judgment into account when they are making an investment decision. Although on the other hand, a representative of Bursa Efek Indonesia – BEI (2024), stated that there is a decline in the FOMO trend. The decline itself occurred due to several factors, including the realization of investors to educate themselves and the declining trend of investment content in various social media platform where the creators themselves actually do not have the expertise within the investing field (kumparan.com, 2024).

The social dynamic changes is also imminent amongst the Generation Z individual. Generation Z, compared to the forming generations, are more resilient to changes and technological advancement in their daily life. Their high adaptability to the rapid technological and social changes is due to the fact that they were born in the technological age. They are also more innovative and creative when it comes to managing the challenges that they are facing in their daily lives, including

financial difficulties (www.liputan6.com, 2024). In connection with their financial behavior, there are high number of Generation Z investors that are classified as aggressive investor due to their preference of high-risk high-return investment (Tirto.id, 2023).

Investment can be defined as a form of commitment of fund or other resources that are being done in the present time, sacrificing the current time asset in order to get the bigger return in the time coming. There are various investing activity with different kind of investment instrument, such as stock investment, mutual fund, government bonds, and foreign currency exchange (Riana & Royda, 2022). Kustodian Sentral Efek Indonesia, or the Indonesian Central Securities Custodian, stated that there has been a surge of newcoming investors in the capital market, which are dominated from the younger generation under the age of 30 years old, reached 59,91% from the total of new investors. The behavioral changes of the Gen Z concerning of investments proof that this new generation put their mind to invest part of their retained funds (Kustodian Sentral Efek Indonesia, 2022).
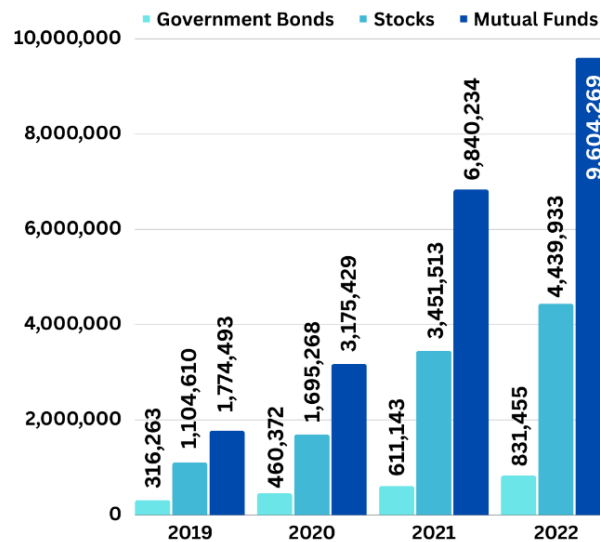

Figure 1.1

Domestic Investor Population

Source: KSEI, 2022

According to the figure 1.1 above, it can be pulled the conclusion based on the data and the statement of Kustodian Sentral Efek Indonesia (2022), that there is a growth on the domestic investor population in the Indonesian capital market. The Director of KSEI, Uriep Budhi Prasetyo, stated that the growth of the number of investors in the Indonesian capital market is due to the convenience to open an investment account for newcoming investors (CNBC, 2022).

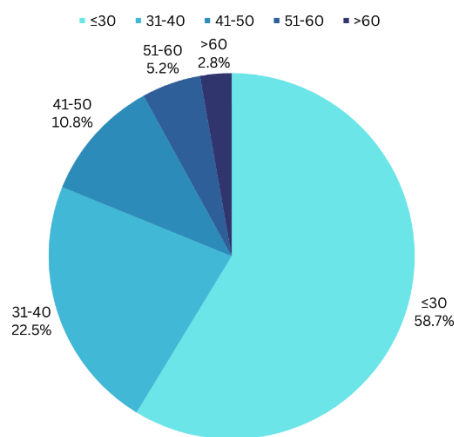**Individual Investors Based on Group of Age (%)**

Figure 1.2

Individual Investors Age Group

Source: KSEI, 2022

Based on the figure 1.2 above, it is shown from the Data provided by Kustodian Sentral Efek Indonesia (KSEI) in 2022, that the individual investors in the Indonesian capital market can be divided into five groups. The largest age group being investors under the age of 30, with the population of 58,71% of the total investors. The group then followed by the age group of 31-40 (22,46%), 41-50 (10,85%), 51-60 (5,22%), and >60 (2,77%) (Kustodian Sentral Efek Indonesia, 2022). Therefore, it can be concluded that the group of age who dominates the Indonesian capital market is the investors under the age of 30, of which part of it can be included into the Generation Z group of age.

According to a survey conducted by Katadata Insight Center, along with Zigi.id and Sisi+ (Katadata, 2022), the majority of Generation Z in Indonesia are involved in the investment activity in order to set themselves up for the future. To keep up with the ever-growing new investors in the exchange, the Indonesian Stock Exchange has promoted the program of 3P (Paham, Punya, Pantau), with the purpose to educate the general public of the importance to invest in the capital market (www.idx.co.id, 2022). This program were also introduced to prepare novice investors the understanding of Indonesian capital market to prevent beginner mistakes. The Deputy Director for Education Implementation of OJK (The Indonesian Financial Services Authority), Halimatus Sa'diyah, stated for Detik Finance, that the tendency of reckless investment which results to losses, are catalyzed by several factors, amongst them are the desire to get instant profit. Her statement is also supported by the OJK's internal data, which shown that during the year of 2022, there is a recorded loss of Rp 109,67 T resulted by fraudulent investments (finance.detdik.com, 2023).

The previously mentioned habit is also compounded by the tendency of anxious investors to only take in the negative sentiments when they are making investment decisions during the uncertain market trend (opini.harianjogja.com, 2024). Despite the decision of taking a riskier investment during the time of uncertainty of crisis, it is not impossible to overcome losses in the investors assets within the portfolio. While negative information can lead investors to a biased and irrational investment decision, this information should be first studied and considered. Riskier asset investment does not always lead to losses. If decently managed, risky assets have the potential to yield positive returns while being compared to moderate-low volatility, less-risky portfolio (Salim et al., 2022).

Although the massive interest of Generation Z towards the investing activity, investment decision making has not always been fully rational, as previous studies stated that behavioral biases impact investment decision making behavior (Kimeu et al., 2016). Referring to what traditional finance argues, investors are expected to interpret the markets as all the investors that are involved to it are

"rational economic men", where efficient market can be constructed, and every relevant information reflects in market prices as the investor make only perfectly rational economic decisions, judging their decision out of perfect rationality, perfect self-interest, and perfect information (Pompian, 2021). In behavioral finance, investment decision based on the investor's ability to spend their capital is evaluated and learned in relation to psychological biases. Many researchers agrees that both traditional and behavioral finance influence individual's investment decision making (Adiputra et al., 2021; Kimeu et al., 2016; Rahman & Gan, 2020; Ya'acob et al., 2019). Rational and irrational individual investors are present in the market all around the world (Davis et al., 2015), and Indonesia, or in particular for this case, investors in the area of Greater Bandung, are also included.

Based on the phenomenon explained by the previous researches and the current happening phenomena which resulting in inconsistency, the author of this study will be investigating further of how several behavioral biases affecting the investment decision making among Generation Z of Greater Bandung area in Indonesia, hence the writer came up with the title of **"Generation Z Investment Decision: An Analysis Using Behavioral Factors in The Greater Bandung Area"**.

1.3 Problem Formulation

The Greater Bandung Area, as the main metropolitan area in the Province of West Java, acts as the economic powerhouse of the supporting region. Within the area, the most prominent demographics that contributed the most to the level of economic productivity is the Generation Z, as those are the individuals that are well within their productive age, and it also presence a domination out of the population. Generation Z are the individuals who grow and live during the high-pace of globalization, and it shapes their characteristics to become a more competitive and achievement-oriented individuals along with their high creativity and adaptability (www.liputan6.com, 2024). While having the preference of work-life balance,

Generation Z are also a generation with a modern-consumptive lifestyle, that can lead them to a certain financial difficulty.

To overcome their financial difficulties, Generation Z are starting to commit to investing their retained funds, to expect the growth of their assets value. This behavior is recorded by KSEI (2022), as 59.91% of the domestic investor population are of considerably younger age, being under 30 years of age. It is also recorded that the number of investors are in constant growth and expected to keep growing for years to come. According to a survey, one of the reasons for Generation Z to be involved in investment, is to set themselves up for the coming future (Katadata, 2022).

Within the investment decision making process, many amongst the Generation Z are affected by Behavioral Bias. While rational investors conduct the analysis solely based on statistical aspects and economic facts of the instrument, due to the lack of these individual knowledge, many of the Generation Z are more affected by their Behavioral Bias. These biases, to a certain extent, can divert them from the most effective decision-making. OJK as the financial authority, recorded a loss of Rp 109.67 T due to the fraudulent investment initiated by the fear of missing out (finance.detik.com, 2023). On the other hand, in contrast to the previous recorded phenomenon, a representative of the Indonesian Stock Exchange stated that there is a decreasing trend of FOMO investors number, and it is due to the realization of new investors to educate themselves first, before making an investment decision. By educating themselves first, they can proceed to make independent decisions rather than unjustifiably following the other majority (kumparan.com, 2024).

As the rational-traditional finance argues that the decision should be made "perfect", entirely based on every available information on the surface, behavioral finance argues that information is not the sole determinant of decision making, as behavior biases also influence them. In the past research, behavioral bias such as Trait Anger, Trait Anxiety, Overconfidence, Herding Behavior, and Self-monitoring were found to have influence in investment decision making.

Practically, while there are phenomenon that indicates the existence of behavioral bias in investment decision, there are also indication of the lack of certain behavioral bias on Generation Z due to different factors. In the light of the preceding context, and the gap to be further analyzed, the problem formulation in this study entails;

1. How does Trait Anger partially affect the investment decision making among Generation Z in the Greater Bandung Area?
2. How does Trait Anxiety partially affect investment decision making among Generation Z in the Greater Bandung Area?
3. How does overconfidence partially affect the investment decision making among Generation Z in the Greater Bandung Area?
4. How does herding behavior partially affect the investment decision making among Generation Z in the Greater Bandung Area?
5. How does self-monitoring partially affect the investment decision making among Generation Z in the Greater Bandung Area?
6. How does Trait Anger, Trait Anxiety, Overconfidence, Herding Behavior, and Self-monitoring simultaneously affect the investment decision making among Generation Z in the Greater Bandung Area?

1.4 Research Objective

Based on the problem formulation defined, this study intends to pursue the following objectives:

1. To analyze the effect of Trait Anger on the investment decision making among Generation Z in the Greater Bandung Area.
2. To analyze the effect of Trait Anxiety on the investment decision making among Generation Z in the Greater Bandung Area.
3. To analyze the effect of Overconfidence on the investment decision making among Generation Z in the Greater Bandung Area.
4. To analyze the effect of Herding Behavior on the investment decision making among Generation Z in the Greater Bandung Area.

5. To analyze the effect of Self-monitoring on the investment decision making among Generation Z in the Greater Bandung Area.

6. To analyze the effect of Trait Anger, Trait Anxiety, Overconfidence, Herding Behavior, and Self-monitoring on the investment decision making among Generation Z in the Greater Bandung Area.

1.5 Research Scope

This research was conducted in October 2023 until its final completion in May 2024, as the object of the research being the demographic group of Generation Z in the Greater Bandung Area. Simple random probability sampling is applied as the sampling technique of this research. The focus of this research is the effect of behavioral factors on Generation Z investment decisions in the Greater Bandung Area within the period of the research (2023-2024).

1.6 Research Benefits

1. Theoretical Benefits

The expected benefits or contribution of this research is to enlarge the knowledge in financial study, in relation to behavioral study. Additionally, this research is expected to be the reference for researches related to behavioral finance in the case that the variables that will be studied being Trait Anger, Trait Anxiety, Overconfidence, Herding Behavior, Self-monitoring, and Investment Decision, with future researchers expected to fill in any other uncovered gap in the future.

2. Benefits for Generation Z

This research is expected to be able to provide the necessary information and materials in the decision-making process of investing in the situation where behavioral factors are considered, especially for Generation Z individuals involved in investing activities.

3. Benefits for Regulator

This research should be able to be referred by regulatory bureau in Indonesia, to better understand the problem that arises within the investors in the Indonesian investment market, and formulate the regulation to prevent investors from doing the investment activities outside the legal path. The regulator may thereafter give a better overview for investors to do investment as how it should be done.

1.7 Writing Systematic

a. **CHAPTER 1 : INTRODUCTION**

This chapter contains the background of the problem, which shows the basic thinking in an outline both in theory and in fact and is the reason for conducting this research. The problem formulation includes explanation about the circumstances, phenomena, and/or concepts the research should provide the answer. It contains the background of the research, problem formulation, research objectives, research benefits, and the structure of the writings.

b. **CHAPTER 2 : LITERATURE REVIEW**

This chapter describes the theoretical basis, which contains descriptions of theories that become the basis for formulating hypotheses and helping in the analysis of research results, according to the previous research and continuing the research frameworks.

c. **CHAPTER 3 : RESEARCH METHODOLOGY**

This chapter emphasizes the approaches, methods, and techniques applied to both collect and analyze data to address the problems formulated for the research.

d. **CHAPTER 4 : RESULTS AND DISCUSSION**

This chapter discusses and examines the characteristics of the respondents, the results of the data collection, and discussing the analysis of the data.

e. **CHAPTER 5 : CONCLUSION**

This chapter contains the conclusion of the research, and recommendations related to the research.