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Research Article

Determinants of Investment Intentions in Millennial Generation

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Abstract.
Investment intention is inseparable from the information and literacy obtained so that it creates a perception because investing, in addition to generating returns, will also raise risks. For this reason, this study aims to look at the determinants of investment intention in the millennial generation. The related factors selected were financial literacy and risk perception. This research was conducted using a survey method through an online questionnaire. The sample in this study is the millennial generation with at least one type of investment (gold, stocks, bonds, savings, mutual funds, time deposits, forex, crypto assets, property, and others). Data were analyzed using regression analysis. The results of the study show that risk perception and financial literacy have a significant effect on investment intention.

Keywords: investment intention, millennial generation, financial literacy, risk perception

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1. Introduction

One way to manage financial resources or wealth is to invest. Investment is any asset that investors can use to place their funds in the hope of getting returns in the future. During the pandemic, few people turned to using their money and assets for investment [1]. Investment intentions are a feeling of being interested in investment activities and feeling happy to do so on an ongoing basis [2]

One of the increasing investment intentions can be seen from the increasing growth of SID (Single Investor Identification). Through data taken from the Indonesian Central Securities Depository (KSEI), it can be seen that the number of capital market investors will increase by 37.68 percent in 2022, and the number of mutual fund investors will increase by 40.41 percent in 2022 [3]. The number of significant increases in public investment intention is a thing which is good for the economy.

Millennials are the generation with birth years 1981-2000 [4], meaning that in 2022 when a research survey is conducted, the age of the millennial generation is 22-41 years. Based on data from KSEI, it was found that the most significant number of investors as on 2022 were investors with an age range of less than 30 years (included in the millennial age range), namely 58.71% and investors with an age range of 31-40 years (also included in the millennial age range), namely 22.46%.

The topic of investment intentions in the millennial generation is interesting to discuss because the millennial generation is a generation exposed to easy access to information and communication technology. An increase in the number of investors and ease of access to information is still followed by the risk of investment fraud cases occurring. Quoted from [5], it was said that there were 16 cases of fraudulent investments from 2019 to 2022 which are being investigated by the police. The results of this study can be used to avoid the fraudulent investment phenomenon spreading on social media.

A high rate of return on investment can make investors interested in investing, but investors will also be faced with risks. Investment risk is uncertainty in achieving investment objectives [6]. For this reason, rethinking risk is not enough to invest. It is necessary to do careful calculations and consideration of these risks. Risks can still be minimized by analyzing the situation and trying to process the information obtained to make the right decision [2]. [7] stated that some were still not interested in investing due to the notion that investment had quite a considerable risk.

Perception is an impression obtained by an individual through the five senses and then analyzed, interpreted and then evaluated so that the individual gains meaning. Risk perception is an uncertainty of the results obtained from the investment objective because the investment has a grace period to earn profits or obtain losses in the future. Risk perception is formed from social conditions, so it depends on characteristics, psychology and conditions that surround it [8]

[7] stated that risk perception has a negative effect on investment intentions. This aligns with [9] statement that risk perception significantly affect investment intention. Whereas [6] and [10] found that risk perception did not affect investment intentions.

Financial literacy is needed to avoid the risk of fraud and investment risk. Financial literacy is closely related to individual knowledge about finance so they can better manage their finances. Investment knowledge and understanding are needed, especially for investors, to avoid investment losses. [1] stated that financial literacy affects investment intentions. This is in line with [9–11], which state that financial literacy has a positive and significant effect on investment intentions.

2. Literature Review

The Theory of Planned Behavior put forward by [12] is a theory that explains the attitudes of individuals that can influence interests or decisions to be made. The behavioural theory assumes that intention or interest is the main factor influencing individuals to carry out a behaviour or action, where three factors influence human attention: attitude, subjective norms, and behavioural control. The intention is a cognitive representation of a person's readiness to behave. Investment intention is assumed to be able to capture the motivational factors that influence a person's behaviour or behaviour in investing [7]. Investment Intentions are a feeling of being attracted to investment activities which are not coercion but because of a strong desire and interest in achieving its goals, namely investment returns Indicators of investment intentions can be in the form of a desire to find out about an investment, take a moment to learn more about investments and try investing. A person's intentions in investing can be influenced by knowledge and literacy about investment, returns, and risk perception [13].

A perception is an event that has been experienced and interconnected, obtained by associating some information and interpreting the message [2]. Risk perception is a state of behaviour arising in a person making decisions at uncertain times, in this case, uncertainty in achieving investment objectives. [6] stated that if someone perceives a risk, that person will have the right decision in investing.

H1 = Risk perception has a significant effect on investment intentions

Understanding and knowledge of investment is an understanding of good investment information about the condition of an investment, the type of an investment, and so on, so that investors know the benefits of investment and avoid losses in investing [6] for this reason, it is necessary to carry out financial literacy related to investment. So that the more a person has good knowledge and financial literacy about investment conditions, the more investment intentions will arise. Thus, individuals with sound financial literacy can quickly analyze investment paths and invest correctly. This can influence individuals to make investments. The indicators used to measure financial literacy are knowledge of how to invest, knowledge of types of investment, knowledge of the good and bad effects of investment, knowledge of investment principles, and knowledge of where to invest information.

H2 = Financial literacy has a significant effect on investment intentions

From the explanation above, the research framework in the study is described as follows:

3. Research Method

This study uses a survey method through a questionnaire via Google forms which is distributed online. The form of the questionnaire used is a Likert scale as a rating

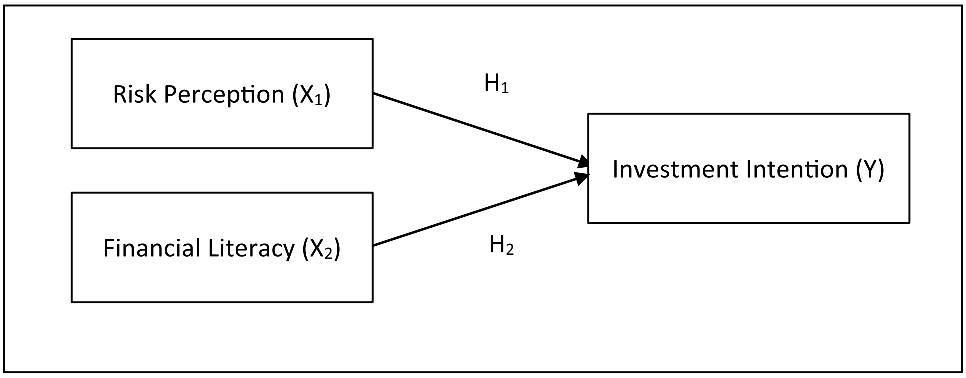

Figure 1: Research framework

measurement scale. Each item is given a score from 1 to 5 scale of response anchors, where 1 = strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree and 5 = Strongly Agree.

The population of this study is the millennial generation in Indonesia. The total sample used in this research was 200 respondents who were taken by purposive sampling method based on the required criteria. The criterion is the millennial generation with an age range of 22-41 years when a research survey was conducted in 2022, based on [4], that generation was born in 1981-2000 and the millennial generation with at least one type of investment (gold, stocks, bonds, savings, mutual funds, time deposits, forex, crypto assets, property and others).

All data collected in this study were analyzed to answer the problems discussed with stages consisting of descriptive statistical analysis, data quality testing (Validity and Reliability Test), classical assumption testing and multiple linear regression analysis, where testing the hypothesis and looking at the coefficient of determination. Likewise, the mathematical model of the relationship between variables is expressed by the following formula:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

4. Results and Discussion

From the data quality test carried out, it was found that the problem items submitted had a valid value. The reliability experiment results also obtained all the numbers from the X and Y variables. It can be concluded that all of these instruments were reliable. The results of the regression test can be displayed in the table below:

TABLE 1: Estimation results.

Model	**B**	**Beta**	**Sig.**
Constant	18.005		<.001
Risk Perception (X_1)	0.113	0.212	0.004
Financial Literacy (X_2)	0.125	0.206	0.005
F Sig. F R Square Adjusted R Square	13.396 <.001 0.12 0.111		

Source: Data processed by the author (2022)

The multiple linear regression equation results show that all independent variable coefficient values have positive values. These results suggest that if one of the independent variables analyzed in this study increases, then the investment intention of the millennial generation also increases. The first hypothesis in this study tests the effect of risk perception on investment intentions. The regression test results obtained a positive coefficient value of 0.113, which means that if the risk perception variable increases by 1, investment intentions will increase by 0.113, assuming other variables are constant. The t-test results show a significance value of 0.004 <0.05, meaning that risk perception significantly affects investment intentions.

The second hypothesis in this study tests the effect of financial literacy on investment intentions. The multiple linear regression equation results show a positive coefficient value of 0.125. This means that if investment understanding increases by 1 unit, investment interest increases by 0.125 units assuming other variables are constant. The t-test results show a significance value of 0.005 <0.05, meaning that financial literacy significantly affects investment intentions.

The results of the simultaneous hypothesis test (F test), summarized in Table 1 above, show the F-value of 13,396 and the value of Sig. F of <.001. Because of the value of Sig. F is less than 0.05; it is stated that risk perception and financial literacy can explain investment intentions in the millennial generation.

Finally, the analysis results of the coefficient of determination (R-Squared) show a value of 0.12. The two independent variables analyzed in this study can explain investment intentions in the millennial generation by 12%. In contrast, the remaining 88% explain that other independent variables are still seen as influencing investment intentions in the millennial generation but are not included in the model of this research.

5. Finding and Conclusion

Millennials that are in productive time and supported by financial technology advancement, significantly online investment will increase their monetary inclusion and become a source of income through various investments. Investment intention is inseparable from the information and literacy obtained so that it creates a perception because investing, in addition to generating returns, will also raise risks.

Risk is a condition that investors are usually afraid of. Risk perception is formed socially due of many factors which form the basis of differences in decision-making regarding the possibility of loss [10]. Perceived risk is a person's assessment of a risky situation; this assessment is highly dependent on the psychological characteristics and circumstances of the person. This study found that risk perseption positively affects investment intention, meaning that the higher the risk perception that a person has, the higher the investment intentions. This study's results support previous studies conducted by [8] and [9].

Financial literacy in this study is an understanding of finance, both in the management and use of finance, by the millennial generation in Indonesia. Financial literacy is a when someone, including investors, increases their understanding of financial products and risks through information to improve financial behaviour that leads to better financial decisions [14]. The results of this study indicate that financial literacy has a significant positive effect on investment intentions, where respondents who know about good finance have an interest in investing and vice versa. This is in line with previous research by [9–11].

6. Implications, Limitations, and Suggestions

This research aims to look at the factors that can influence investment intentions in the millennial generation. The research results show that risk perception and financial literacy significantly affect investment intentions. This research is only limited to millennial generation respondents. Therefore, suggestions for further research can be taken from different generations to see the relationship between the variables studied if the respondent population is changed and added other variables that might be more explain investment intentions.

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