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Analysis of Differences in Levels of Financial Behavior towards Investment Preferences among Generation X and Generation Y in Urban Areas

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Abstract

The goal of this study was to see if there were any disparities in the amount of financial activity between men and women towards investment preferences between generation x and generation y in urban areas. The research methods used in this research are quantitative with comparative types. The respondents of the study used in this study were 60 respondents belonging to generation X and generation Y. The results of hypothesis testing using the t-test found that the t count value was -11,816 and the table value of df 59 was 2,000. So it is found that the value of t calculate is smaller than the value of the table t (-11,816 < 2,000). As a result, the null hypothesis was rejected and an alternate hypothesis was accepted. Based on the findings, it is possible to conclude that there is a difference in the level of financial behavior towards investment preferences between generation X and Generation Y in urban areas.

Keywords
Level of financial behavior; investment preferences; generation x; Generation y.

I. Introduction

Today investment activities are familiar in the community, both in the form of short-term and long-term investments, real and financial investments and so on. (Bernstein et al., 2013). As we have known before that investment is an activity to invest for a long period of time in the hopes of making a profit in the future or in the future. (Beckert, 2016). Investment is also one of the drivers of economic growth. Therefore, making investments is a first step to build a better economy. (Rodrik, 2014). Investment activities can also be done by anyone, even someone who does not understand investments can also make investments such as mutual funds and so on. (J. Rogers, 2014).

Sourced from several articles and news on social media, investment interest in Indonesia has continued to grow in recent times, this is reflected in the number of investors who continue to increase over time. As in the data available on the official website of the Financial Services Authority (OJK) recorded at the end of February 2021, the number of capital market investors has reached 4.51 million investors. Financial statements are basically a source of information for investors as one of the basic considerations in making capital market investment decisions and also as a means of management responsibility for the resources entrusted to them (Prayoga and Afrizal 2021) . Financial performance is a measuring instrument to know the process of implementing the company's financial resources. It sees how much management of the company succeeds, and provides benefits to the community. Sharia banking is contained in the Law of the Republic of Indonesia No.21 of 2008 article 5, in which the Financial Services Authority is assigned to supervise and supervise banks. (Ichsan, R. et al. 2021). From the end of 2020, the number is still 3.88 million investors, which means that in two months (January and February) the number of

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capital market investors has risen by 16.24%. The condition of increasing the number of investors also occurred in the mutual fund industry. Referring to data from the Indonesian Central Securities Custodian (KSEI), in 2018 there were 995,510 investors, then rose to 1.77 million at the end of 2019. Then in 2020 the number of mutual fund investors reached 3.18 million investors. Until 2021 the positive trend continues, recorded as of the end of February the number of mutual fund investors reached 3.83 million investors. (Septian, 2021).

Stock investors began to increase in number in the last 3 years (Dec 2015 - Dec 2017) about 159% growth in Single Investor Identification (SID). The average growth of SID before there was a prorgram Yuks Nenabung Saham (YNS) in the last 6 years (Dec 2012- Dec 2017) was about 36%. This shows that Sid given to stock investors as the sole identity number in conducting share buying and selling transactions in the Indonesian Capital Market increased from year to year. (Sitinjak, 2019).

Stock investment from an early age starts from students or students, because they can use their own name when they have reached the age of 17 years. At that age, young investors of generation X and Y can be responsible for decisions made in stock investment. (Wood, 2013). In addition to the growth of Single Investor Identification (SID), individual stock investors also experienced developments in their stock trading transactions. The growth of individual domestic stock investors was accompanied by high growth in stock trading transaction mean, although the growth of the Composite Stock Price Index (JCI) corrected at the beginning of May 2018. This is interesting to examine and research with the behavior of generation Z stock investors, as well as the behavior of previous generation individual stock investors (generation X and Y). (Horiza, 2019).

Generation X, which is between Baby Boomers and Millennials, on average, start investing in stocks when entering the workforce. In this study around the age of 42 to 64 years. Some investors have a high fighting power to know how to invest in stocks with a smart phone. Some, still easily use the applications available on their respective smart phones. However, more generation X stock investors leave more to the Investment Manager (MI) in managing their stock investments. (Ang, 2014). Investors in generation Y, it's easier to use the various apps available in the App Store or Play Store. Generation Y has behaviors that are more likely to find out from various sources, even doing various simulations before infusing stocks with their real money. (Mercure et al., 2019). Various behaviors are demonstrated by each generation through virtual trade transactions conducted by researchers (through experiments in 2012 and 2016). Experimental data collected in order to see the pattern of strategies they form in making buying, selling, and holding shares. (Frydman et al., 2014).

In the present we are entering a digital era that allows everyone to do everything through technology that has become a daily necessity. Many segments can synergize directly with digital developments, for example in the economic, cultural, educational, tourism, communication, and so on. (Fatmawati, 2021). This is seen with the number of companies that stand and develop by utilizing tenology facilities. Current technological developments also provide facilities for investors to freely choose how to invest. Information about the types and ways to invest can be easily found on internet media. (Bodie & Kane, 2020).

Investment is one of the development instruments needed by a country in order to improve the welfare of its people, including the State of Indonesia. (M. Rogers et al., 2020). Having a bright future is one of most people's life goals, especially to be financially independent. There are many ways to make it happen, one of which is by investing. (Goleman, 2017).

Based on the previous exposure of the problem, the goal of this research is to determine whether or not there is a difference in the level of financial behavior towards investment preferences between generation X and Generation Y in urban areas.

II. Review of Literature

2.1 Financial Behavior

The way a person treats, manages, and uses his or her money resources is referred to as financial conduct. (Griffin et al., 2016). Individuals who practice responsible financial conduct are more effective in managing their money in such ways as budgeting, saving, restricting spending, investing, and meeting their responsibilities on time. (Shih & Ke, 2014). Development is a systematic and continuous effort made to realize something that is aspired. Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired. In addition, development is also very dependent on the availability of natural resource wealth. The availability of natural resources is one of the keys to economic growth in an area. (Shah, M. et al. 2020)

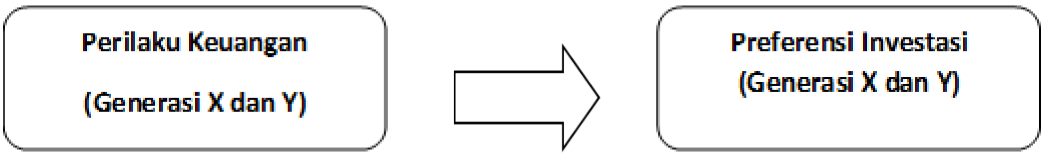
Financial behavior is the result of the structure of various sciences. The first structure of science is psychology where it analyzes behavioral processes and thoughts, how these psychic processes are affected by the physical, external human environment. The second structure of science is finance, including the form of financial system, distribution and use of resources. The last structure of science is a systematic sociology in which it contains about human behavior or groups where it emphasizes the influence of social relationships on the attitudes and behavior of society. (Nofsinger, 2017).

2.2 Preferensi Investasi

Investment preference is the composition between the assets owned and future investment options. Investment pretensions are one of the factors that affect a person's value, where investment preferences require the preference of allocating funds. (Blake et al., 2014).

Investment preferences are also called capital budgeting preferences, because most people prepare an annual budget consisting of capital investments. Investment preference begins with the identification of investment opportunities, known as capital investments. (Bierman & Smidt, 2014).

2.3 Research Hypothesis



Source: Author

***Figure 1**. Framework of Thought*

The frame of mind figure shows a significant difference between generation X and generation Y to the level of financial behavior.

Based on the research framework image, the following hypotheses are:
Hypothesis Zero: There is no significant difference in the level of financial behavior towards investment preferences between generation X and generation Y in urban areas.
Alternative Hypothesis: There is a significant difference in the level of financial behavior towards investment preferences between generation X and generation Y in urban areas.

III. Research Method

3.1 Research Design

The research design adopted in this study is quantitative. Quantitative research techniques are one sort of study in which the specifications are methodical, planned, and organized from the start of the research design to the end. (Richey & Klein, 2014) The type of quantitative research used is the comparative type. Comparative research is research conducted to compare a variable, between different subjects or different times and find a cause-and-effect relationship (Nardi, 2018).

3.2 Population and Sample

The inner population obtained in this study were respondents who had financial investments. The sample used was as many as 60 respondents belonging to Generation X numbering 12 and generation Y numbering 48. In this study, the authors used random samples in the determination of samples or respondents..

3.3 Instrumen Penelitian

This research instrument is a questionnaire based on original data created by the authors. Scale measurement using likert scale. Statistical data analysis used is descriptive and inferential statistics where the data is tested for normality first to determine parametric or non-parametric statistical analysis. Then the research data is carried out hypothesis testing using comparative hypothesis testing.

IV. Result and Discussion

4.1 Overview of Respondents

The questionnaire was conducted for 1 week in the period January 24, 2022 to January 31, 2022. Respondents are the most included workers in generation X and Y. From the results of the spread of questionnaires obtained 60 respondents who returned the results of filling out questionnaires.

a. Gender of Respondents

There were 60 persons that responded, both men and women. Table 1 shows the characteristics of respondents for this study based on gender:

Table 1. Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Man	27	45.0	45.0	45.0
	Woman	33	55.0	55.0	100.0
	Total	60	100.0	100.0	

Based on the table above it is seen that respondents in this study were dominated by women, namely 33 respondents or by 55%. While male respondents as many as 27 respondents or as many as 45%.

b. Respondent's Level of Education

Table 2 shows the characteristics of the participants based on their degree of education:

Table 2. Respondent's Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	S1	45	75.0	75.0	75.0
	S2	11	18.3	18.3	93.3
	S3	1	1.7	1.7	95.0
	SMA	3	5.0	5.0	100.0
	Total	60	100.0	100.0	

Based on the table of education levels of respondents obtained. There is the highest level of education of S1 education, which is 75% amounting to 45 respondents. Then followed by the second most S2 education respondents, which was 18.3% amounting to 11 respondents.

4.2 Generation of Respondents

The characteristics of respondents by generation are presented in table 3 below

Table 3. Generation of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	X	12	20.0	20.0	20.0
	Y	48	80.0	80.0	100.0
	Total	60	100.0	100.0	

From table 2 above it is seen that most of the respondent generation is generation Y, which is 80% of the respondents. While the smallest number of respondents from generation X, which is 20% amounted to 12 respondents.

4.3 Respondents' Workplaces

Table 4 shows the information about the respondents depending on their workplaces:

Table 4. Respondents Workplace

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Balikpapan	2	3.3	3.3	3.3
	Bandung	18	30.0	30.0	33.3
	Batam	1	1.7	1.7	35.0
	California, USA	1	1.7	1.7	36.7

	Jakarta	29	48.3	48.3	85.0
	Lampung	1	1.7	1.7	86.7
	Manila	3	5.0	5.0	91.7
	Medan	3	5.0	5.0	96.7
	Tangerang	1	1.7	1.7	98.3
	Tangerang Selatan	1	1.7	1.7	100.0
	Total	60	100.0	100.0	

Of the 60 data where respondents worked obtained. There are the most respondents from the city of Jakarta, which is 48.3% of 29 respondents. Then followed by the second most respondents, namely from the city of Bandung, which was 30% amounting to 18 respondents.

4.4 Respondent's Income

Respondents' characteristics based on income are presented in the following table 5:

Table 5. Respondent's Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< Rp.3.000.000	6	10.0	10.0	10.0
	> Rp. 15.000.000	19	31.7	31.7	41.7
	Rp. 11.500.000 - Rp. 14.999.999	10	16.7	16.7	58.3
	Rp. 3.000.000 - Rp. 7.499.999	13	21.7	21.7	80.0
	Rp. 7.500.000 - Rp. 11.499.999	12	20.0	20.0	100.0
	Total	60	100.0	100.0	

Based on the respondent's income table obtained. There are respondents who earn more than Rp. 15,000,000 the first most, which is 31.7% amounting to 19 respondents. Then followed by the second most respondents, namely those with incomes of Rp. 3,000,000 to Rp. 7,499,999, which is 30% amounting to 13 respondents.

4.5 Respondent's Investment Products

Based on the results of SPSS calculations, from 60 respondent income data obtained. There are respondents who invest in savings or savings, the most numbering 13 people, which is 21.7%. Then followed by the second most respondents who invested in the field of shares of 4 people, namely 6.7%.

4.6. Long-Time Investment Respondents

Table 6 presents the characteristics of participants considering the length of investment:

Table 6. Respondents Investment Duration

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	> 12 tahun	11	18.3	18.3	18.3
	0-4 tahun	37	61.7	61.7	80.0
	5-8 tahun	11	18.3	18.3	98.3
	9-12 tahun	1	1.7	1.7	100.0
	Total	60	100.0	100.0	

Based on the old table of respondents' investments obtained. There is a time span of respondent investment seen from the length of the investment that is from 0 to 4 years is the first most, which is 37% amounting to 37 respondents.

4.7. Results of Inferential Analysis

a. Normality Test

Table 7. Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Financial Behavior	.092	60	.200	.985	60	.650
Investment Preference	.127	60	.017	.964	60	.075
a. Lilliefors Significance Correction						

In the results of the data normality test using the Kolmogorov-Smirnova test it was found that the value of the financial behavior variable obtained a significance value of 0.200 and the value of the investment preference level variable obtained a significance value of 0.017. So it is found that the signification value of the two variables is greater than the signification value of 0.05. So it can be concluded that both variables are normal distribution, so hypothesis testing uses parametric analysis.

b. Uji Hipotesis

Table 8. Paired Samples Test

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Behavioral Finance – Investment Preference	-8.783	5.758	.743	-10.271	-7.296	-11.816	59	.000

The t count value is -11,816, and the table t value of df 59 is 2,000, according to the hypothesis test results using the t test. As a result, it is discovered that the value of t computes less than the value of the table t (-11,816 2,000). As a result, the hypothesis was rejected, and an alternate hypothesis was accepted. So it can be concluded that there is a difference in the level of financial behavior towards investment preferences between generation X and generation Y in urban areas.

The study used two variables in its comparative testing: financial behavior variables and investment preferences. According to the initial hypothesis tests, there is a difference between the levels of financial behavior toward investment preferences between generations X and Y in urban regions.

Based on an analysis of respondents' income data obtained. There are respondents who earn more than Rp. 15,000,000 the first most, which is 31.7%. Then followed by the second most respondents, namely those with incomes of Rp. 3,000,000 to Rp. 7,499,999 which is 30%. Then based on the respondent's income data obtained. There is a time span of respondents' investments seen from the length of their investments, namely from 0 to 4 years, is the first most, which is 37%. So in this case it can be interpreted that someone who has an income of more than Rp. 15,000,000 has a tendency to invest in his financial behavior. Investment behavior carried out by generation X and Y is widely done by these generations in years 0 to 4 years. In this study, respondents who invested in savings or savings were the most 13 people, which is 21.7%.

The results of the above test showed that the more someone knows the concept of financial behavior, the more able a person is to apply good financial behavior. This is in accordance with the opinion of Lusardi & Mitchell, which is good financial planning supported by adequate knowledge possessed by individuals (Lusardi & Mitchell, 2014). People who know the basic principles of finance will have a good retirement plan, have greater wealth and are better at avoiding consumptive money (Ningtyas, 2019). This is because they are able to use money wisely so that it has an impact on adding economic benefits for themselves. Similarly, in terms of investment, one must have sufficient financial literacy in determining the vision and mission and steps to determine the financial goals to be achieved (Lusardi & Mitchell, 2014). By having good financial knowledge, individuals can choose a variety of investment products and weigh which products are profitable for him.

In this study showed good financial behavior in generation X and Y. They began to realize that good financial behavior will lead to better future conditions as well. The effect of the level of financial behavior on investment behavior is not limited to gender and education level.

V. Conclusion

Based on the results, it is reasonable to conclude that there is a difference in the level of financial behavior towards investment preferences between generation X and generation Y in urban areas. The results of the hypothesis test using the t test found that the calculated t value is -11,816 and the table t value of df 59 is 2,000. So it is found that the value of t calculate is smaller than the value of the table t (-11,816 < 2,000). So it can be concluded that the rejection of the null hypothesis, whereas the alternative hypothesis was accepted.

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