Unlocking the Investment Mindset: Exploring the Determinants of Capital Market Participation Among Gen Z

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A B S T R A C T

The Indonesian capital markets have undergone a notable transformation, shifting from a savings-oriented society to one that is increasingly investment-oriented. This shift is particularly evident among Generation Z, who now constitute the majority of investors. In the Berau Regency of East Kalimantan Province, there has been a significant rise in individual stock ownership, reflecting a growing investment interest, especially among younger demographics. This study, conducted using Structural Equation Modeling (SEM) analysis with SmartPLS, examined 203 participants from the Generation Z population in Berau Regency. The findings indicate that financial literacy—encompassing knowledge of personal finance, savings, loans, insurance, and investment—along with financial behavior, plays a critical role in shaping an individual's investment preferences. Additionally, investment expertise was found to be advantageous for investors. However, minimum capital requirements and return on investment were not significant factors influencing investment preferences. In contrast, risk perception positively impacted investment preferences, with considerations spanning financial, social, performance, time, and psychological factors. These results provide valuable insights into the factors influencing investment interest in the capital market, particularly among young investors. To enhance the objectivity and applicability of future research, it is recommended to account for respondents' characteristics, geographical conditions, and more representative samples, as these factors may yield different outcomes.

A B S T R A K

Pasar modal Indonesia telah mengalami transformasi yang signifikan, beralih dari masyarakat yang berorientasi pada tabungan menjadi masyarakat yang semakin berorientasi pada investasi. Perubahan ini terutama terlihat pada Generasi Z, yang kini menjadi mayoritas investor. Di Kabupaten Berau, Provinsi Kalimantan Timur, terdapat peningkatan yang signifikan dalam kepemilikan saham individu, mencerminkan minat investasi yang semakin meningkat, khususnya di kalangan demografi yang lebih muda. Penelitian ini, yang dilakukan dengan menggunakan analisis Structural Equation Modeling (SEM) melalui SmartPLS, melibatkan 203 partisipan dari populasi Generasi Z di Kabupaten Berau. Temuan penelitian menunjukkan bahwa literasi keuangan—yang mencakup pengetahuan tentang keuangan pribadi, tabungan, pinjaman, asuransi, dan investasi—bersama dengan perilaku keuangan, memiliki peran penting dalam membentuk preferensi investasi individu. Selain itu, keahlian dalam investasi terbukti memberikan manfaat bagi investor. Namun, persyaratan modal minimum dan tingkat pengembalian investasi tidak ditemukan sebagai faktor yang signifikan dalam memengaruhi preferensi investasi. Sebaliknya, persepsi risiko memiliki dampak positif terhadap preferensi investasi, dengan mempertimbangkan faktor keuangan, sosial, kinerja, waktu, dan psikologis. Hasil penelitian ini memberikan wawasan yang berharga mengenai faktor-faktor yang memengaruhi minat investasi di pasar modal, khususnya di kalangan investor muda. Untuk meningkatkan objektivitas dan relevansi penelitian di masa depan, disarankan untuk mempertimbangkan karakteristik responden, kondisi geografis, dan sampel yang lebih representatif, karena faktor-faktor ini dapat menghasilkan temuan yang berbeda.

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1. INTRODUCTION

Many individuals use investment as a strategy to safeguard their assets and wealth. Indonesia offers a diverse range of investment options, including gold, land, deposits, Bank Indonesia (BI) certificates, bonds, warrants, stocks, and more. According to Firdaus and Ifrochah (2022), stocks provide the highest returns among these investment options. Over the past four years, Indonesia has experienced a cultural shift from prioritizing savings to embracing investment, driven by the recognition of the potential rewards associated with investing. As illustrated in Figure 1, data from the Indonesia Central Securities Depository (Kustodian Sentral Efek Indonesia, or KSEI) shows a significant increase in the number of capital market investors during this period. In December 2020, the number of investors in the Indonesian capital market stood at approximately 3,880,753. By December 2021, this figure had risen to 7,489,337, and by December 2022, it had further increased to 10,311,152. By the end of 2023, the number of investors had reached 12,168,061 (KSEI, 2024).

Samsul Hidayat, President and Director of KSEI, commented on these findings, highlighting the encouraging growth in capital market participation despite economic volatility. He noted that this trend reflects a growing awareness of financial literacy among individuals, as investments are increasingly recognized for offering higher returns compared to traditional savings (Cnbcindonesia.com, 2023). The capital market plays a vital role in a nation's economy by complementing economic and financial activities. It serves an economic function by connecting two key parties: investors with surplus funds and issuers in need of medium- to long-term financing (Hartono, 2016). By providing additional funding for companies, the capital market facilitates business expansion, which in turn contributes to increased corporate revenue and improved community welfare (Belisca et al., 2022).

Data from KSEI further reveals that the majority of investors in the Indonesian capital market belong to the Generation Z demographic, as shown in Figure 2. As of December 2023, the total number of investors in the Indonesian capital market was 12,168,061. Of these, 56.43% were under the age of 30, while 23.58% were between the ages of 31 and 40. This indicates that the largest proportion of investors comes from Generation Z and Millennials. However, despite their numerical dominance, Generation Z investors hold the lowest total asset value. In December 2023, the combined asset value of investors under the age of 30 was IDR 50.03 trillion. In comparison, investors aged 31–40 held assets worth IDR 113 trillion, while those aged 41–50 collectively owned assets valued at IDR 175.02 trillion. Investors aged 51–60 had a total asset value of IDR 255.71 trillion, while those aged 60 and older held the largest combined assets, amounting to IDR 974.25 trillion (KSEI, 2024).

As shown in Table 1, over the past four years (2020–2023), Berau Regency in East Kalimantan Province has experienced the highest growth in individual stock ownership among the 10 regencies in the province. Individual stock ownership in Berau increased by an average of 37.07% per year during this period, significantly outpacing the average growth in other regencies in East Kalimantan. These figures suggest that individuals in Berau are increasingly recognizing the importance of investing in the capital market, reflecting a growing interest in investment, particularly among the younger generation in the region.

The researchers selected Berau Regency as the focus of this study not only because it has the highest growth in stock ownership in East Kalimantan Province but also due to the accessibility of reliable respondents in the area. In the future, the researchers aim to expand their studies to other regions to gain a broader understanding of investment trends across Indonesia.

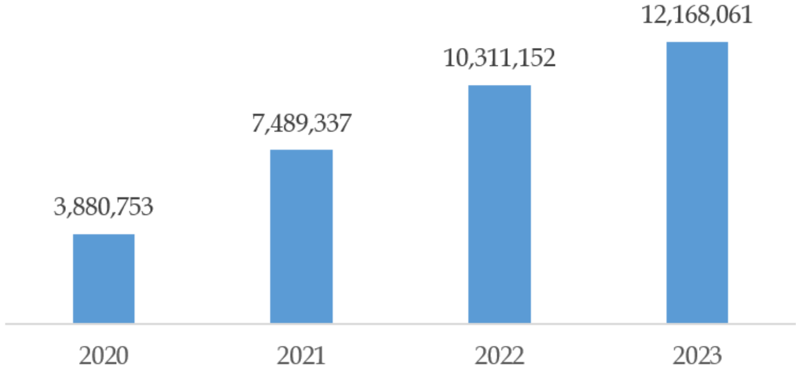

Figure 1. Capital market investors' expansion in the past four years (KSEI, 2024)

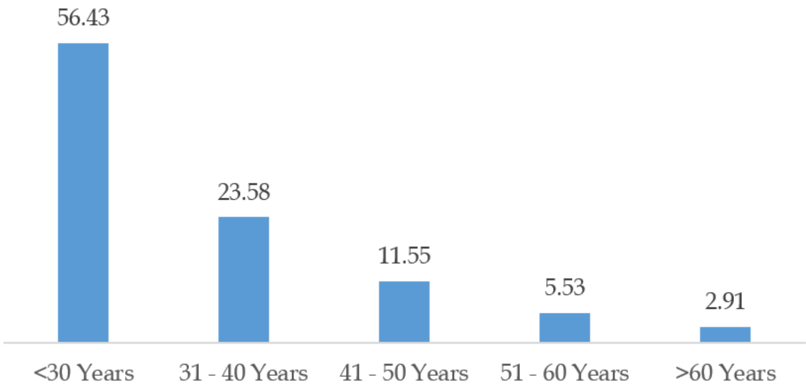

Figure 2. Percentage of investors in Indonesia's capital market as of December 2023 (KSEI, 2024)

Table 1. Individual stock ownership statistics for East Kalimantan Province

No	Regency	Year				Average increase
		2020	2021	2022	2023	
1	Berau	1,903	5,214	9,663	15,356	37.07%
2	Kutai Barat	1,124	2,664	4,946	5,244	5.68%
3	Kutai Kartanegara	10,950	11,760	12,616	13,046	3.30%
4	Kutai Timur	3,737	6,837	7,905	8,577	7.83%
5	Mahakam Ulu	44	96	175	197	11.17%
6	Paser	2,264	4,590	5,293	6,304	16.04%
7	Penajam Paser Utara	1,672	3,356	4,481	5,822	23.03%
8	Balikpapan	31,343	33,819	34,161	35,118	2.73%
9	Bontang	5,259	6,675	7,040	9,043	22.15%
10	Samarinda	18,951	19,662	21,475	22,533	4.70%

Source: Processed data from the Directorate of Statistics and Capital Market Information (2024)

Investor participation plays a crucial role in driving Indonesia's economic growth. Numerous studies have examined the factors that influence individuals' willingness to participate in the capital market. For instance, Wi and Anggraeni (2020) and Agestina et al. (2020) identified trust, financial literacy, motivation, and returns as key factors influencing investment decisions in the capital market. However, their findings indicated that financial knowledge and risk perception do not significantly affect investment interest. Similarly, Asari and Kurnianingsih (2022) found that financial literacy, investment knowledge, financial behavior, and risk perception have the potential to shape individuals' inclination to invest in the capital market. In contrast, research by Nada and Syaiful (2022) concluded that investment knowledge and risk perception do not influence investment interest, but the minimum investment amount does. Annisa et al. (2021) reported that factors such as minimum capital, risk, and investment returns do not impact investment interest, while investment knowledge has a significant effect on capital market participation.

Despite the abundance of similar studies, gaps remain in the existing research. This study seeks to address these gaps by introducing new variables that have not been thoroughly explored in previous research. Specifically, it examines the determinants of investment interest in the capital market, particularly among young investors. The variables considered in this study include financial literacy, investment knowledge, financial behavior, minimum capital, investment returns, and risk perception. By incorporating these factors, the research aims to provide a more comprehensive understanding of the drivers of investment interest. The primary objective of this study is to explore the determinants of capital market participation among Generation Z, with the goal of uncovering insights into their investment mindset. This research is distinctive in its approach, as it integrates Signaling Theory, an interdisciplinary economic framework, with the Theory of Planned Behavior, a psychological model. By combining these theoretical perspectives, the study offers a unique contribution to the understanding of investment behavior among young investors and seeks to generalize its findings for broader application.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

2.1. Financial Literacy and Investing Interest

Financial literacy refers to an individual's ability to effectively manage personal finances (Paranita & Agustinus, 2020). It encompasses the knowledge and awareness of factual information, concepts, principles, and technical tools that enable individuals to make informed financial decisions (Wi & Anggraeni, 2020). According to Asari and Kurnianingsih (2022), financial intelligence is defined as the combination of essential knowledge and the practical skills required to apply that knowledge effectively. In essence, financial literacy involves both the understanding and the skillset necessary to manage and improve one's financial situation. Research has consistently demonstrated a positive relationship between financial literacy and investment interest. Wi and Anggraeni (2020) found that financial literacy directly influences an individual's willingness to invest. Similarly, Kumari (2020) and Asari and Kurnianingsih (2022) confirmed that financial literacy has a significant and favorable impact on investment inclinations.

H1. A strong understanding of financial concepts has a positive and significant influence on an individual's willingness to invest.

2.2. Investment Knowledge and Investing Interest

According to Wi and Anggraeni (2020), human senses play a crucial role in perceiving and acquiring significant information from events. Investment knowledge, in particular, refers to an individual's comprehensive understanding of various investment products, including their functions and related information. It can also be viewed as a behavioral shift resulting from personal experiences. For potential investors, possessing a thorough understanding of the capital market is essential to avoid negative or detrimental emotions when making investment decisions. Research has shown that investment knowledge directly influences investment interest. Manik et al. (2021) found that investment knowledge has a significant impact on an individual's willingness to invest. Similarly, Asari and Kurnianingsih (2022) and Romadhon et al. (2022) confirmed that investment knowledge positively and significantly affects investment interest.

H2. Investment proficiency significantly influences and enhances investment interest.

2.3. Financial Behavior and Investing Interest

Financial management behavior refers to the skills and actions involved in effectively managing everyday financial resources, including planning, assurance, auditing, management, research, and maintenance (Asari & Kurnianingsih, 2022). Financial behavior, as defined by Purwantini et al. (2022), involves the systematic and efficient management of both financial and non-financial assets. Similarly, Nesia and Widayati (2022) describe financial behavior as an individual's approach to handling, managing, and utilizing their financial resources, reflecting a tendency to use money wisely. Financial behavior encompasses both the psychological and behavioral aspects of money management, as well as practical techniques such as planning, saving, monitoring, controlling, and preserving financial resources. Research by Fietroh and Andriani (2021) demonstrated that financial behavior positively influences investment tendencies. These findings are supported by Asari and Kurnianingsih (2022) and Nesia and Widayati (2022), who also concluded that financial behavior has a significant and favorable impact on investment preferences.

H3. Financial behavior has a positive and significant influence on investment interest.

2.4. Minimum Capital and Investing Interest

According to Agestina et al. (2020), investment capital plays a crucial role in facilitating industrial processes through purchasing or acquisition activities. The amount of capital required depends on the type of investment product being considered. Investments in stocks or non-fixed asset products typically involve lower costs compared to investments in fixed assets such as land, buildings, or machinery. The minimum capital refers to the initial deposit required to open or establish an account in the capital market (Lisdayanti & Hakim, 2021). Annisa et al. (2021) noted that the stock exchange provides the option of a minimum investment capital as a convenience for potential investors, enabling them to make immediate investments through the nearest available securities. However, Agestina et al. (2020) argued that lower capital amounts negatively affect investment enthusiasm. Similarly, Lisdayanti and Hakim (2021) and Nada and Syaiful (2022) found that insufficient capital has a detrimental impact on investment interest, supporting these findings.

H4. The imposition of a minimum capital requirement negatively affects the level of investor interest.

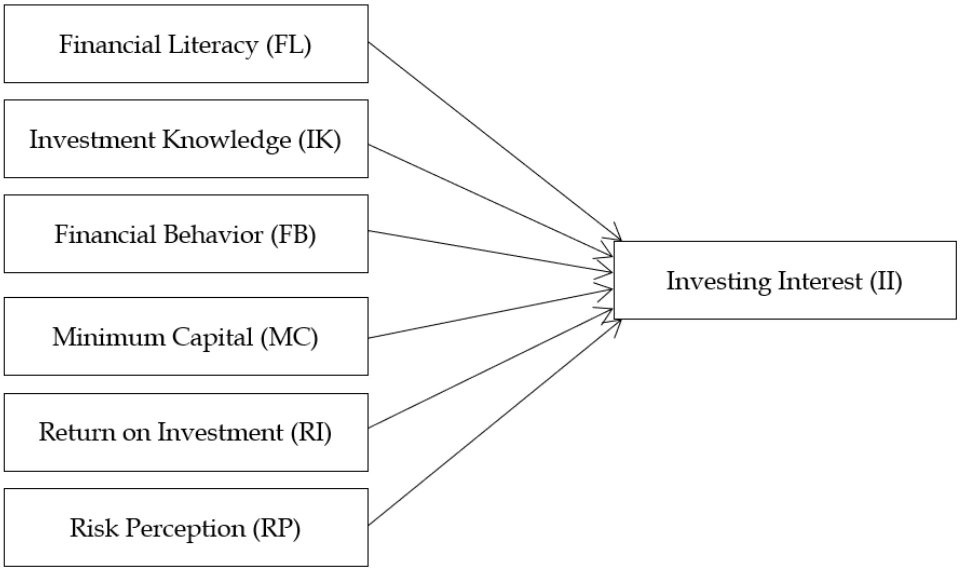

Figure 3. Conceptual framework

2.5. Return on Investment and Investing Interest

According to Wi and Anggraeni (2020), prospective investors expect a return on their investment based on projected profits. However, there is always the possibility that the actual profit rate may differ from the anticipated rate (Romadhon et al., 2022). Aryanti et al. (2022) define a return as the outcome of an investment activity, typically expressed as a percentage representing the profit or gain from the investment. If the return calculation produces a positive value, the investment generates a profit; conversely, a negative value indicates a loss. As a result, investors prioritize maximizing their return on investment. Research has shown that return on investment significantly influences investor interest. Wi and Anggraeni (2020) found that a higher return on investment positively impacts an individual's willingness to invest. Similarly, Romadhon et al. (2022) and Aryanti et al. (2022) confirmed the favorable and substantial effect of returns on investment interest.

H5. The return on investment has a favorable and significant impact on investment interest.

2.6. Risk Perception and Investing Interest

Risk refers to the potential for an investment to result in a negative outcome or financial loss (Tandelilin, 2017). It is defined as the uncertainty surrounding the outcome of an investment (Belisca et al., 2022). Generally, higher levels of price fluctuation are associated with greater risk. Therefore, it is essential to thoroughly analyze the risks associated with investment activities before committing funds, in order to minimize the likelihood of financial losses or falling victim to fraudulent schemes. Investors must have access to accurate information to make informed predictions and evaluate both current and future financial and economic conditions (Manik et al., 2021). Prospective investors planning to allocate funds to stocks, bonds, deposits, or other investment instruments should have a clear understanding of the risks inherent in these types of investments. Research by Manik et al. (2021) found that risk perception negatively impacts investment interest. These findings are further supported by Belisca et al. (2022) and Shaik et al. (2022).

H6. The perception of risk has a negative impact on the interest in participating in investment activities.

Referring to the aforementioned explanation, the proposed conceptual research framework can be seen in Figure 3.

3. RESEARCH METHOD

This study adopts a quantitative approach, utilizing a self-administered survey distributed through a combination of Google Forms and paper-based questionnaires. Respondents evaluated the questionnaire using a Likert scale. The target population for this research consists of Generation Z individuals (born between 1997 and 2012) residing in Berau Regency, East Kalimantan Province. Berau was selected as the research location due to its notable growth in individual stock ownership. The inclusion criteria for the population required individuals to have completed at least secondary education, resulting in a total population of 47,893 individuals. Respondents were selected based on their completion of at least high school and their ability to comprehend the research questionnaire. To determine the sample size, the researchers applied Slovin's formula with a 7% margin of error, resulting in a sample size of 203 respondents. A proportional random sampling technique was employed to ensure the sample accurately represented the population. This method was chosen because the sample was homogeneous in terms of age categories. The data were analyzed using Structural Equation Modeling (SEM) techniques with the SmartPLS application. Table 2 provides a clear and concise operational description of the variables used in this study.

Table 2. Definition of variables in practice

Variable	Indicator	Questionnaire Items
Investing Interest (II) (Romadhon et al., 2022)	Interest (II.1)	I became interested in participating in the stock market due to the diverse and compelling information I acquired regarding the benefits of this form of investment.
	Desire (II.2)	Due to the favorable prospects of the investment activity, I am enthusiastic about investing.
	Believe (II.3)	I will confidently opt to invest in the stock market as I firmly believe it will pave the way for a promising future
Financial Literacy (FL) (Paranita & Agustinus, 2020)	Financial management for individuals (FL.1)	I consistently engage in the practice of comparing many options prior to making a purchase.
	Savings (FL.2)	I believe that having savings facilitates the fulfillment of future requirements.
	Loans (FL.3)	I have anxiety when I am burdened with a loan or debt.
	Insurance (FL.4)	In order to mitigate the financial impact of unforeseen emergencies, it is imperative for me to possess insurance coverage.
	Investment (FL.5)	I have a strong desire to allocate funds for the purpose of making investments.
Investment Knowledge (IK) (Nada & Syaiful, 2022)	Understanding of Financial Instruments in the Capital Market (IK.1)	As a potential investor, I possess a fundamental comprehension of capital market instruments.
	Analyzing the potential hazards associated with investments (IK.2)	I engage in investments in companies that have a low level of risk.
	Awareness of Return Rate (IK.3)	I am aware that the rate at which I invested in firms resulted in a quite high return.
	knowledge between investment risk and the rate of return (IK.4)	I perform a quantitative study to ascertain the anticipated return, with the objective of minimizing any potential losses.
	extensive knowledge of investing in diverse capital markets (IK.5)	I engage in investment activities with the anticipation of experiencing varying levels of profitability.
Financial Behavior (FB) (Fietroh & Andriani, 2021)	timely payment of bills (FB.1)	I make it a point to settle any outstanding payments promptly.
	Create financial budgets for expenses and expenditures (FB.2)	I consistently schedule reservations for expenditures on a weekly or monthly basis.
	monitor and record my daily, monthly, and miscellaneous expenses (FB.3)	regularly, either monthly or weekly, I diligently record the expenses I have incurred.
	Allocate financial resources for unforeseen expenses (FB.4)	I endeavor to keep a contingency fund for unforeseen expenditures.
	allocate funds consistenly (FB.5)	Regularly, I consistently allocate funds that are at my disposal.
	pricing comparisons prior to making any purchasing decisions (FB.6)	I consistently engage in a meticulous comparison of the product's price.
Minimum	Initial capital settlement	The BEI requires an initial capital of Rs 100,000, which makes it easi-

Variable	Indicator	Questionnaire Items
Capital (MC) (Annisa et al., 2021)	(MC.1)	er for me to invest by streamlining the investment process.
	Estimated funds for investment (MC.2)	I consistently take into account fund estimations before to executing a transaction.
	Financial gains from investments (MC.3)	I successfully managed my personal money by taking into account budgetary constraints and revenue considerations.
Return on Investment (RI) (Aryanti et al., 2022)	Benefits of material possessions (RI.1)	Investing in the capital market offers a more appealing and competitive rate of return in comparison to saving money in a bank.
	Benefits of a spiritual nature (RI.2)	My primary motivator to become a young investor is the prospect of earning a substantial income.
	Advantages of inward contentment (RI.3)	I not only enjoy the advantages of the outcome, but I also feel a deep satisfaction with the progress I will eagerly embrace.
Risk Perception (RP) (Belisca et al., 2022)	Financial Risk (RP.1)	I have a preference for selecting stocks that yield substantial returns.
	Social Risk (RP.2)	Acquiring wealth does not have great significance for me, and I believe that experiencing losses is a rational occurrence.
	Performance Risk (RP 6.3)	If the stock price decreases, I will continue to make investments.
	Time and Convenience Risk (RP.4)	I diligently observe variations in the stock price.
	Physical Risk (RP.5)	I neglect monitoring my investment and allow it to develop passively.
	Psychological Risk (RP.6)	The level of risk associated with my stock investment is irrelevant.

Source: Romadhon et al (2022), Paranita & Agustinus (2020), Nada & Syaiful (2022), Fietroh & Andriani (2021), Annisa et al (2021), Aryanti et al (2022) and Belisca et al (2022).

Table 3. Demographic profile of survey participants

Characteristics	Amount	Percentage
1. Age		
18 Years	10	4.9%
19 Years	31	15.3%
20 Years	37	18.2%
21 Years	45	22.2%
22 Years	35	17.2%
23 Years	16	7.9%
24 Years	11	5.4%
25 Years	12	5.9%
26 Years	5	2.5%
27 Years	1	0.5%
Total	**203**	**100%**
2. Gender		
Male	100	49.3%
Female	103	50.7%
Total	**203**	**100%**
3. Last Education		
High School	171	84.2%
Diploma	3	1.5%
Undergraduate	29	14.3%
Total	**203**	**100%**
4. Job		
College	155	76.4%
Work at Company	27	13.3%
Business	17	8.4%
Not Working yet.	1	0.5%
Others	3	1.5%
Total	**203**	**100%**

4. DATA ANALYSIS AND DISCUSSION

4.1. Demographic Profile of Survey Participants

Table 3 shows that the largest proportion of participants (22.2%) falls within the age range of 21 to 45. This finding suggests that the study primarily focuses on individuals under the age of 21 who are familiar with digital technologies and capable of efficiently accessing a wide range of information. Additionally, individuals in this age group are often skilled at multitasking, which may influence their cognitive processes and subjective evaluations when completing surveys. In terms of gender distribution, 103 participants (50.7% of the total) identified as female, indicating that the majority of respondents were women. It was hypothesized that women, due to their greater emotional sensitivity and attention to detail, might provide more thorough responses to the questionnaire compared to men, who may rely more on logical reasoning. Regarding educational background, 171 participants (84.2%) reported having a high school education. This suggests that individuals with a higher level of education, particularly in human resources, are actively supporting Generation Z in the Berau district. As for employment status, the majority of respondents—155 individuals (76.4%)—were students. This indicates that the participants' educational background and current student status align closely with the research objectives. Such alignment ensures that their responses are representative of the study's subject matter and reflect the conditions relevant to the research context.

4.2. Results of the descriptive analysis of the variables

The data presented in Table 4 can be interpreted as follows: responses within the range of 4.20–5.00 are categorized as "very high," those in the range of 3.40–4.19 are classified as "high," responses between 2.60–3.39 are considered "sufficient," the range of 1.80–2.59 is categorized as "low," and responses within 1.00–1.79 are classified as "very low." Higher scores for each variable indicator reflect greater agreement with the corresponding questionnaire statement. For data analysis, this study employs structural equation modeling using partial least squares (SEM-PLS). To assess the model's fit, both the outer model and the inner model are evaluated.

Table 4. Results of the descriptive analysis of the variables

Variable	Items	Respondent's Answer					Mean
		STS	TS	N	S	SS	
Investing Interest (II)	II.1	3 (1.5%)	5 (2.5%)	60 (29.6%)	101 (49.8%)	34 (16.7%)	3.78
	II.2	7 (3.4%)	18 (8.9%)	42 (20.7%)	100 (49.3%)	36 (17.7%)	3.69
	II.3	4 (2.0%)	15 (7.4%)	75 (36.9%)	77s (37.9%)	32 (15.8%)	3.58
Financial Literacy (FL)	FL.1	7 (3.4%)	9 (4.4%)	41 (20.2%)	64 (31.5%)	85 (40.4%)	4.01
	FL.2	9 (4.4%)	7 (3.4%)	26 (12.8%)	69 (34.0%)	92 (45.3%)	4.12
	FL.3	6 (3.0%)	1 (0.5%)	34 (16.7%)	57 (28.1%)	105 (51.7%)	4.25
	FL.4	0 (0%)	7 (3.4%)	53 (26.1%)	94 (46.3%)	49 (24.1%)	3.98
	FL.5	6 (3.0%)	6 (3.0%)	48 (23.6%)	96 (47.3%)	47 (23.2%)	3.85
Investment Knowledge (IK)	IK.1	4 (2.0%)	8 (3.9%)	94 (46.3%)	66 (32.5%)	31 (15.3%)	3.55
	IK.2	14 (6.9%)	18 (8.9%)	77 (37.9%)	71 (35.0%)	23 (11.3%)	3.35
	IK.3	4 (2.0%)	9 (4.4%)	75 (36.9%)	92 (45.3%)	23 (11.3%)	3.60
	IK.4	4 (2.0%)	11 (5.4%)	55 (27.1%)	104 (51.2%)	29 (14.3%)	3.70
	IK.5	7 (3.4%)	13 (6.4%)	43 (21.2%)	93 (45.8%)	47 (23.2%)	3.79
Financial Behavior (FB)	FB.1	6 (3.0%)	2 (1.0%)	45 (22.2%)	66 (32.5%)	84 (41.4%)	4.08
	FB.2	1 (0.5%)	9 (4.4%)	86 (42.4%)	72 (35.5%)	35 (17.2%)	3.65
	FB.3	8 (3.9%)	16 (7.9%)	100 (49.3%)	49 (24.1%)	30 (14.8%)	3.38
	FB.4	4 (2.0%)	12 (5.9%)	42 (20.7%)	79 (38.9%)	66 (32.5%)	3.94
	FB.5	5 (2.5%)	7 (3.4%)	64 (31.5%)	83 (40.9%)	44 (21.7%)	3.76
	FB.6	8 (3.9%)	6 (3.0%)	44 (21.7%)	91 (44.8%)	54 (26.6%)	3.87
Minimum Capital (MC)	MC.1	2 (1.0%)	7 (3.4%)	104 (51.2%)	71 (35.0%)	19 (9.4%)	3.48
	MC.2	2 (1.0%)	13 (6.4%)	71 (35.0%)	92 (45.3%)	25 (12.3%)	3.62
	MC.3	4 (2.0%)	14 (6.9%)	59 (29.1%)	93 (45.8%)	33 (16.3%)	3.67
Return on	RI.1	0 (0%)	14 (6.9%)	96 (47.3%)	67 (33.0%)	26 (12.8%)	3.52

Variable	Items	Respondent's Answer					Mean
		STS	TS	N	S	SS	
Investment (RI)	RI.2	9 (4.4%)	4 (2.0%)	57 (28.0%)	86 (42.4%)	47 (23.2%)	3.78
	RI.3	1 (0.5%)	16 (7.9%)	66 (32.5%)	87 (42.9%)	33 (16.3%)	3.67
Risk Perception (RP)	RP.1	6 (3.0%)	6 (3.0%)	73 (36.0%)	73 (36.0%)	45 (22.2%)	3.71
	RP.2	9 (4.4%)	35 (17.2%)	68 (33.5%)	66 (32.5%)	25 (12.3%)	3.31
	RP.3	8 (3.9%)	42 (20.7%)	93 (45.8%)	36 (17.7%)	24 (11.8%)	3.13
	RP.4	4 (2.0%)	5 (2.5%)	80 (39.4%)	86 (42.4%)	28 (13.8%)	3.64
	RP.5	0 (0%)	14 (6.9%)	92 (45.3%)	73 (36.0%)	24 (11.8%)	3.53
	RP.6	15 (7.4%)	54 (26.6%)	86 (42.4%)	28 (13.8%)	20 (9.9%)	2.92

4.3. Outer Model Result

As shown in Figure 4, the researchers excluded construct items with loading factor values below 0.70, including FL.4, FL.5, IK.1, IK.2, FB.3, FB.4, MC.2, MC.3, RP.1, RP.2, and RP.6. These items were removed to prevent their inclusion in subsequent analyses, as the standard error could not accurately estimate the path coefficient for these items. The data in Table 5 indicate that all remaining construct indicators have loading factors and cross-loadings exceeding 0.70, confirming their validity. Additionally, each construct demonstrates strong reliability, with Cronbach's alpha and composite reliability values above 0.70, as well as an average variance extracted (AVE) value exceeding 0.50.

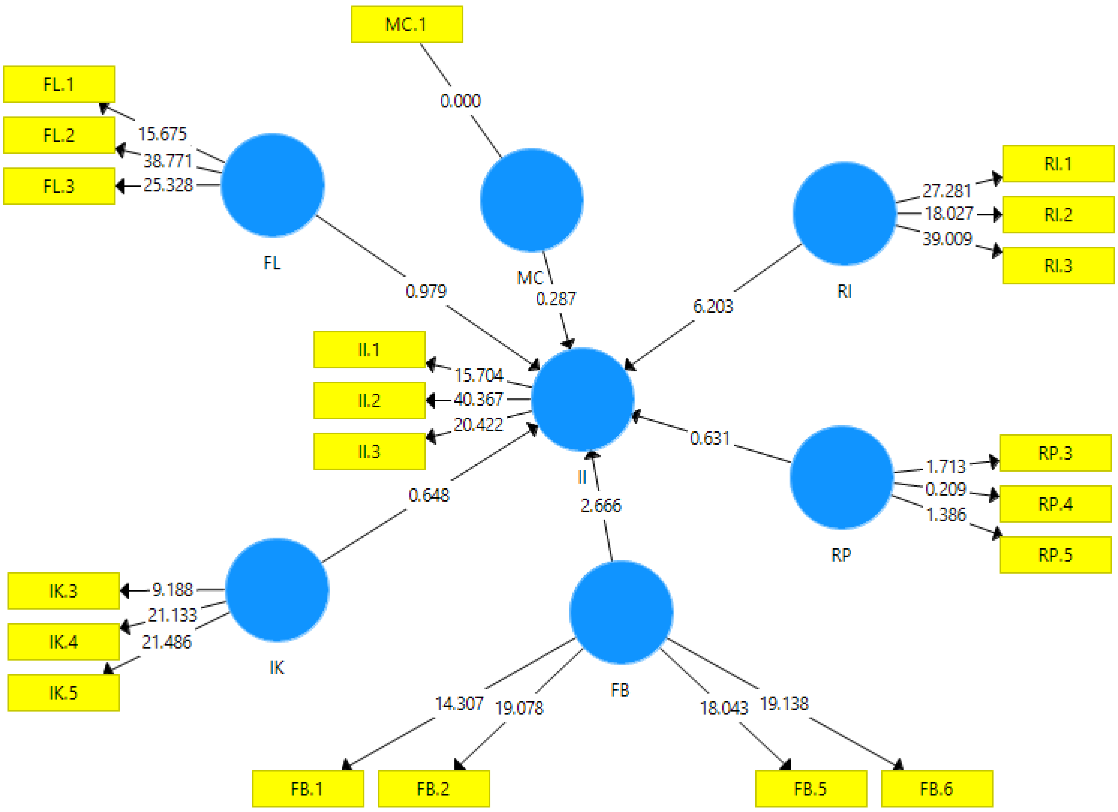

Figure 4. Construct item elimination

4.4. Inner Model Result

Table 6 indicates a moderate correlation of 60.8% among the variables of financial literacy, investment knowledge, financial behavior, minimum capital, return on investment, and risk perception of investment interest. As shown in Table 7, the SRMR value of 0.078 satisfies the requirement of being below the threshold of 0.080. Additionally, the validity of the research model is 65.8%, as reflected by the NFI score of 0.658.

Table 5. Outer Model Result

Variabel	Items	Loading Factor	Cronbach's alpha	Composite Reliability	AVE	Description
Financial Literacy (FL)	FL.1	0.746	0.729	0.847	0.650	Valid & Reliable
	FL.2	0.817				Valid & Reliable
	FL.3	0.741				Valid & Reliable
Investment Knowledge (IK)	IK.3	0.844	0.833	0.900	0.750	Valid & Reliable
	IK.4	0.872				Valid & Reliable
	IK.5	0.790				Valid & Reliable
Financial Behavior (FB)	FB.1	0.791	0.822	0.882	0.651	Valid & Reliable
	FB.2	0.808				Valid & Reliable
	FB.5	0.785				Valid & Reliable
	FB.6	0.790				Valid & Reliable
Minimum Capital (MC)	MC.1	0.768	1.000	1.000	1.000	Valid & Reliable
Return on Investment (RI)	RI.1	0.841	0.813	0.889	0.728	Valid & Reliable
	RI.2	0.844				Valid & Reliable
	RI.3	0.874				Valid & Reliable
Risk Perception (RP)	RP.3	0.729	0.769	0.864	0.680	Valid & Reliable
	RP.4	0.834				Valid & Reliable
	RP.5	0.783				Valid & Reliable
Investing Interest (II)	II.1	0.784	0.712	0.839	0.635	Valid & Reliable
	II.2	0.867				Valid & Reliable
	II.3	0.735				Valid & Reliable

Table 6. Inner model result

Variable	R Square Adjusted	Description
Investing Interest (II)	0.608	Moderate

Table 7. Goodness of fit result

Item	Saturated Model	Estimated Model
SRMR	0.078	0.078
d_ULS	1.558	1.558
d_G	0.745	0.745
Chi-Square	833.028	833.028
NFI	0.658	0.658

4.5. Results of Hypothesis Testing

The researchers assessed both the internal and external models, confirming that the model was valid, reliable, and well-fitted. Subsequently, they conducted hypothesis testing using the bootstrapping method in SmartPLS. The estimated output for the hypothesis test is presented in the following table. Table 8 provides a detailed interpretation of the results.

Table 8. Results of hypothesis testing

Variable Relationship	Original Sample	T Statistics	P Values	Hypothesis Description
Financial Literacy to Investing Interest	0.353	5.364	0.000	Accepted
Investment Knowledge to Investing Interest	0.381	4.721	0.000	Accepted
Financial Behaviour to Investing Interest	-0.141	1.728	0.085	Accepted (at Sig. 10%)
Minimum Capital to Investing Interest	0.082	1.380	0.169	Rejected
Return on Investment to Investing Interest	0.097	1.179	0.240	Rejected
Risk Perception to Investing Interest	0.165	2.389	0.018	Rejected

4.5.1. Financial literacy has a significant impact on investment interest

The study confirms that financial literacy has a significant impact on Generation Z's interest in investing. This finding aligns with previous research conducted by Wi and Anggraeni (2020), Kumari (2020), and Asari and Kurnianingsih (2022). Financial literacy refers to the knowledge and skills necessary to effectively manage and utilize money to improve an individual's overall well-being. It plays a critical role in financial decision-making, as it shapes an individual's attitudes and behaviors toward financial activities. Generation Z is particularly adept at embracing technological advancements, which enables them to better understand and analyze financial complexities. Their ability to manage personal finances has become a key factor driving their financial behavior. The study also notes that female participants constituted the majority of respondents, as they tend to exhibit greater emotional sensitivity and thoroughness in survey responses. In contrast, male respondents were observed to rely more on logical reasoning. Additionally, the study highlights that demographic factors, such as gender, influence financial literacy levels. In the Berau District, Generation Z demonstrates the highest levels of financial literacy, which is consistent with the theory of planned behavior. These findings underscore the critical role of financial literacy in shaping an individual's preferences or aversions toward financial activities.

4.5.2 Investment Knowledge Significantly Impacts Investing Interest

The study reveals that investment knowledge has a significant influence on investment interest, particularly among individuals from Generation Z. These findings are consistent with previous research by Manik et al. (2021), Asari and Kurnianingsih (2022), and Romadhon et al. (2022), which identified a strong correlation between financial literacy and investment decisions. This aligns with the theory of planned behavior, which suggests that an individual's perception of their ability to control their actions depends on their awareness of the resources required for that behavior. Generation Z, with their advanced understanding of investing, is more inclined to participate in capital market activities. A critical aspect of this process is understanding the potential gains and losses associated with an investment product before making decisions. The majority of the study's participants are students who have acquired investment knowledge through their social environments. Investment knowledge includes an understanding of key aspects such as valuation, risk levels, and return rates. Generation Z's ability to engage with others across various platforms further facilitates the acquisition of investment-related knowledge. In the Berau district, Generation Z demonstrates a notable level of investment understanding, including a foundational grasp of investment evaluation and return rates. However, they tend to prioritize assessing the risk levels of investments, as their average risk tolerance is relatively low.

4.5.3. Financial Behavior has a significant impact on Investing Interest

This research provides evidence that financial behavior influences investment interest among Generation Z, with a significance level of 10%. Financial behavior refers to an individual's approach to managing financial assets, often characterized by responsibility and effectiveness. Most participants agreed that making timely bill payments is essential for financial accountability, which aligns with the Theory of Planned Behavior. In contrast, subjective beliefs refer to the strong personal or societal convictions that support or oppose certain activities. The study also found that students with disabilities receive financial support specifically allocated for investment purposes, rather than for daily expenses or savings. However, the majority of respondents expressed neutral opinions regarding expenditure estimates, spending habits, and the practice of recording expenses on a daily, monthly, or other basis. This indicates that while some respondents document their income and expenses, they have limited awareness of the importance of allocating funds for investment as part of long-term financial planning. The analysis suggests that Generation Z's financial behavior has fostered enthusiasm for investing, although this enthusiasm may decline due to certain behavioral habits. Financial behavior, which encompasses the knowledge and skills required to manage money effectively and improve overall well-being, plays a critical role in shaping investment decisions.

4.5.4. Minimum Capital has an insignificant impact on investing interest

The study by Annisa et al. (2021) indicates that the minimum capital requirement does not significantly influence investment interest, as confirmed by the hypothesis test. While the stock exchange provides a minimum capital option for potential investors, Generation Z's enthusiasm for investing in the Berau district's capital market remains unaffected. According to the Theory of Planned Behavior, belief serves as the primary motivator behind an individual's actions, while perceived behavioral control refers to an individual's perception of their ability to perform a specific behavior. Currently, several financial instruments allow novice investors to build adequate investment portfolios with an initial capital of as little as IDR 100,000. However, the study's findings suggest that for Generation Z students, the minimum capital requirement is largely symbolic. Their perception of financial resources for investment is limited, which may act as a barrier to greater participation in the capital market. Although respondents are familiar with the Bursa Efek Indonesia (BEI), their understanding of it is superficial. The requirement to open an account has made investing more accessible, but most respondents provided neutral responses regarding its significance. The findings suggest that the specified minimum capital is not a major factor influencing investment decisions. Instead, the primary obstacle for Generation Z, particularly those who have not yet entered the workforce, is a lack of financial resources. Among female students, the study reveals that parents are the primary financial contributors, further supporting the conclusion that the minimum capital requirement does not significantly affect their interest in investing in the capital market.

4.5.5. Return on Investment has an insignificant impact on investing interest

The hypothesis test confirms that return on investment does not significantly influence Generation Z's interest in capital market investments. Whether the return on investment is high or low, it does not appear to affect their investment interest. This finding aligns with previous research, which suggests that information disseminated by corporations does not play a decisive role in shaping investment decisions. According to Ross's signaling theory, information is valuable for investors and business professionals; however, it does not seem to impact Generation Z's inclination to invest in capital markets. In the Berau district, Generation Z students view investments as more than just a means of generating profit. The Theory of Planned Behavior suggests that attitudes toward behavior and perceived self-control are key determinants of the intention to engage in that behavior, with interest serving as the primary motivator.

The study also found that most female respondents believe their financial experiences are insufficient to develop the self-discipline needed for their academic lives. Even when corporations report positive returns on investment, these respondents often lack the resolve to take action, which diminishes the influence of such information on their investment interest. Before making an investment, it is essential for investors to carefully evaluate the potential returns. However, most respondents provided neutral responses, indicating that they do not prioritize the material, spiritual, or personal benefits of investing. In conclusion, the Generation Z population in the Berau district demonstrates a solid understanding of return on investment, aided by their ability to embrace technological advancements and comprehend related financial concepts. However, when the economic climate stabilizes, their inclination to invest tends to decline, further reducing the impact of investment returns on their overall interest in investing.

4.5.6. Risk perception significantly impacts investment interest, particularly among Generation Z

Risk perception plays a significant role in shaping investment interest, particularly among members of Generation Z. Asari and Kurnianingsih (2022) emphasize that risk perception is a critical factor in determining an individual's willingness to invest. Risk, in this context, refers to the uncertainty surrounding the outcomes of future investments. When evaluating the potential return on investment, it is essential to also consider the associated risks. Investors face various types of risks, such as the possibility of a decline in stock prices, which could result in a lack of capital gains. Initially, students often overlook the importance of investment risk as a factor in capital allocation decisions. However, as their understanding of risk becomes more sophisticated, they are more likely to engage in capital market investments.

Signaling theory suggests that market participants interpret and evaluate information—such as announcements—as either positive or negative signals, which can influence stock trading volumes. Similarly, the Theory of Planned Behavior posits that individuals assess the perceived risks of their intended actions by considering their ability to control their behavior. Investment in the capital market inherently involves a degree of risk due to the systems and procedures involved. Developing a comprehensive understanding of potential investment risks fosters a stronger inclination to participate in investment activities. A significant number of individuals agree that successful investment requires thorough knowledge and preparation, making it impractical to act impulsively. As one's understanding of risk perception deepens, their interest in investing in capital markets tends to increase.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

A comprehensive understanding of financial principles—such as personal finance, savings, loans, insurance, and investments—has a significant influence on an individual's interest in investing. Individuals with higher levels of financial literacy are more likely to engage in investment activities. Possessing expertise in investment not only has a positive impact on decision-making but also holds substantial value for investors. As individuals gain knowledge about capital market instruments, investment risks, returns, and broader investment concepts, their interest in investing tends to grow.

Financial behavior also plays a role in shaping preferences for capital market investments. Interestingly, the minimum capital requirement does not appear to affect investment interest, suggesting that fluctuations in investment interest are not influenced by the level of minimum capital. When investment outcomes are unsuccessful, individuals often reassess their ability to manage their actions, particularly in relation to their perception of income—this is especially relevant for unemployed individuals. Furthermore, the return on investment does not significantly impact investment interest, indicating that high or low returns alone do not drive changes in investment preferences. In contrast, risk perception has a positive and significant influence on investment interest. A heightened awareness of risk—encompassing financial, social, performance, time, and psychological factors—leads to greater interest in investing. Developing a thorough understanding of potential investment risks and their outcomes increases the likelihood of engaging in investment activities.

The findings of this research provide a theoretical framework for conducting empirical studies on financial literacy, investment knowledge, financial behavior, minimum capital requirements, investment returns, and risk perception in relation to investment interest. These results can also serve as valuable evaluation material for identifying the factors that influence investment interest in the capital market, particularly among young investors. For young prospective investors, it is recommended to first build a foundational understanding of investing. This can begin with basic financial management to avoid errors in decision-making, especially in the capital market, which requires detailed fundamental analysis.

To gain a more impartial understanding of Generation Z's investment preferences, future researchers should carefully examine respondents' attributes, such as income levels, parental occupations, and family financial circumstances. Additionally, this study's lack of restrictions on the geographical conditions of participants may have led to potential misinterpretations of the research instrument, reducing the representativeness of the findings in relation to current geographic contexts. The absence of a representative sample also limits the ability to differentiate the investment behaviors of Generation Z, resulting in varied responses based on individual circumstances or status.

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