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THE INFLUENCE OF SOCIAL MEDIA ON GEN Z INVESTMENT DECISIONS IN APPLICATION-BASED CAPITAL MARKETS

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Abstract

This study examines the influence of social media on Gen Z's investment decisions in the Indonesian application-based capital market, with Intention of Use as an intervening variable. Utilising a quantitative research approach, the data were analysed using Structural Equation Modelling (SEM) with Partial Least Squares (PLS) analysis. The independent variables include Perceived Usefulness, Perceived Ease of Use, Perceived Risk, and Investment Knowledge, while the dependent variable is Investment Decisions, which are mediated by Intention to Use. The findings reveal that Intention of Use significantly impacts Gen Z's investment decisions. Additionally, Perceived Usefulness, Perceived Ease of Use, and Investment Knowledge positively influence both investment decisions and the intention to use social media. Conversely, Perceived Risk has no significant effect on investment decisions or the intention to use social media. These results highlight the importance of social media as a strategic marketing tool for investment application developers. Developers are advised to focus on enhancing user experience and providing educational content to foster trust and knowledge, ultimately increasing Gen Z's engagement and investment decisions in the application-based capital market.

INTRODUCTION

Investment is an activity of managing current financial resources to gain future profits. (Subaida & Hakiki, 2021). Along with technological advancements, investment methods have evolved among the public. (Hidayat & Muntahanah, 2023). This is evident from the choice of digital platforms for investment activities such as Bibit, Ajaib, and other platforms registered and supervised by the OJK (Financial Services Authority). These investment platforms offer various conveniences for investors, including features that provide complete information about instruments traded in the capital market. With just a mobile device, an investor can make transactions in the capital market. (Hikmah & Rustam, 2020).

According to data from the Indonesian Central Securities Depository (KSEI), the number of investors in Indonesia increased significantly from January 2022 to July 2023. The total number of investors in the capital market reached 11.58 million by August 2023, a rise of 21.38 per cent compared to the previous year (KSEI, 2023). SEI data show that 58.39 per cent of capital market investors are aged under 30, indicating a strong presence of both Millennials and Gen Z in the investor population (Annur, 2023). Although the data do not explicitly distinguish between the two groups, the increasing proportion of young investors suggests a generational shift toward digital investment behaviour. This study focuses specifically on Generation Z to explore how social media influences their investment decisions in application-based capital markets**.**

These two generations also dominate the use of social media, electronics, and gadgets, which facilitate investment activities. (Toto & Risna, 2022). Although the number of investors has increased, KSEI reported that the Asset Under Management (AUM) for mutual funds decreased by 0.07 percent to Rp. 797 trillion. The frequency of mutual fund subscriptions and redemptions was recorded at 19.5 million times, representing a 13.07% decrease compared to September 2022. However, in terms of value, mutual fund subscriptions and redemptions increased by 3percents from Rp. 664 trillion in September 2022 (KSEI, 2023).

Overall, although the increase in transaction value may indicate that some investors still have high confidence and are making large-value transactions, the decrease in transaction frequency could be an indicator of declining confidence among a large number of investors, as AUM serves as a key consideration for investment choices. (MNC Sekuritas, n.d.). This highlights the importance of maintaining transparency, delivering consistent performance, and providing sufficient information to investors, thereby strengthening and enhancing their confidence, which in turn enables more informed investment decisions.

Although Indonesia's capital market is dominated by young people, research conducted by the OCBC NISP Financial Fitness Index aimed at measuring financial literacy among the youth showed that 85 percent of Indonesian youth's finances are declared unhealthy. As many as 46 percent of the young generation acknowledge having financial planning, but only 16 percent have emergency funds. Moreover, 86 percent claim to save regularly, but in reality, 43 percent still rely on family and relatives for emergency funds. (Savira & Ratu, 2024).

Millennials and Gen Z, although categorised as the young generation based on Law No. 40 of 2009 on Youth, which states that youth are individuals aged 18 to 35 years, cannot be equated in terms of characteristics, mindset, and actions, including financial behaviour. This is due to the different phases and developments experienced by these two generations, both in terms of lifestyle, environment, and technology. (Savira & Ratu, 2024).

There are interesting findings from previous research indicating that the financial behaviour of Millennials is influenced by financial literacy, financial inclusion, and lifestyle factors. Meanwhile, in Gen Z, financial behaviour is only influenced by financial inclusion; in other words, financial literacy and lifestyle do not affect the financial behaviour of Gen Z (Savira & Ratu, 2024). This is supported by the responses of Gen Z respondents, who tend to be influenced by social media influencers,

whether it's trending products or popular entertainment of the day (Savira & Ratu, 2024). Other research also indicates that increasing marketing activity on social media will lead to an increase in impulse buying among Gen Z (Rumpun et al., 2024). Thus, it can be understood that social media has a significant influence on the behaviour of Gen Z.

According to a 2018 Credit Karma study, 39 per cent of Gen Z members go into debt to follow trends in their community. Furthermore, a 2019 IDN Research Institute study revealed that only 10.17 percent of Gen Z's income is allocated to savings. Investment, an essential part of financial management, remains low among Gen Z, with 69 per cent lacking an investment strategy. (Laturette et al., 2021).

Social media is also now utilised for investment purposes. A recent study by KPMG found that approximately 70 per cent of businesses clearly define and integrate their social media presence. (Humphries, 2019). Institutional investors recognise the unmatched importance of social media platforms, with 75% of institutional investors making investment decisions on these platforms. (Manson, 2020). Previous research also shows that monetary incentives and stock opinions on social media influence investment decisions. (Chen et al., 2019). Other research identifies the impact of online social media on investment decisions in Malaysia. (Ismail et al., 2018).

Previous research shows that out of 80 students, 70 percent believe social media influences investment interest among Gen Z, 10 percent state that they invest not because of social media, and the remaining 20 percent state that they have not decided to invest due to a lack of knowledge about investments. However, only 20 percent have decided to start investing in the capital market. (Firdhausa & Apriani, 2021). These findings suggest that while social media plays a role in stimulating Gen Z's investment interest, the actual investment behavior remains limited, indicating a gap between influence and action. This gap highlights the need for a deeper understanding of the psychological and behavioural mechanisms that bridge intention and decision-making.

To address this, the present study adopts the Technology Acceptance Model (TAM) and the Valence Framework (VF) as theoretical lenses. The TAM, introduced by Davis (1989), is based on the Theory of Reasoned Action by Fishbein & Ajzen (1975). TAM identifies two key determinants of user acceptance of technology: perceived usefulness (PU) and perceived ease of use (PEU). PU refers to the degree to which a person believes that using a particular system would enhance their performance, while PEU refers to the degree to which a person believes that using the system would be free of effort. A meta-analysis by King & He (2006) confirmed TAM as a robust predictor of behavioural intention in technology use. (King & J. He, 2006).

The Valence Framework (VF), rooted in consumer behaviour literature, emphasises cognitive-rational decision-making processes. It highlights the role of perceived benefit (PB) and perceived risk (PR) in shaping purchase and investment decisions. (Goodwin, 1996; Peter & Tarpey, 1975). Kim et al. (2008) demonstrated that PB and PR directly influence purchase intention and behaviour, and these constructs are transferable to the investment context. (Kim et al., 2008). In this study, PB is represented by PU from TAM, and PR is retained as a standalone construct, reflecting investors' perception of potential loss or uncertainty.

Investment knowledge is also an essential factor influencing investment decisions. It provides individuals with the foundation to assess risk and make informed decisions. (Romadon, 2023). When individuals lack investment knowledge, their decisions tend to be influenced by external cues, such as social media trends or the opinions of influencers. (Toto & Kartika, 2022).

Taken together, this study proposes that perceived usefulness (PU), perceived ease of use (PEU), perceived risk (PR), and investment knowledge influence Gen Z's investment decisions through the mediating role of intention to use social media. Although the available data include both Millennials and Gen Z, this research deliberately focuses on Generation Z as the unit of analysis to provide a more targeted understanding of how social media affects their investment decisions.

Therefore, this study aims to examine the influence of perceived usefulness, perceived ease of use, perceived risk, and investment knowledge on investment decisions among Generation Z, with the intention to use social media as a mediating variable.

Based on the theoretical framework and empirical gap described above, this study formulates the following hypotheses:

H_1: Perceived usefulness (PU) positively affects intention to use social media for investment.
H_2: Perceived ease of use (PEU) positively affects intention to use social media for investment.
H_3: Perceived risk (PR) negatively affects intention to use social media for investment.
H_4: Investment knowledge positively affects intention to use social media for investment.
H_5: Intention to use social media positively affects investment decisions.
H_6: Perceived usefulness (PU) positively affects investment decisions.
H_7: Perceived ease of use (PEU) positively affects investment decisions.
H_8: Perceived risk (PR) negatively affects investment decisions.
H_9: Investment knowledge positively affects investment decisions.

RESEARCH METHODS

This research is a quantitative study process method. The analysis technique employed is Structural Equation Modelling (SEM) using Partial Least Squares (PLS). The independent variables used in this study are Perceived Usefulness (X_1), Perceived Ease of Use (X_2), Perceived Risk (X_3), and investment knowledge (X_4). The dependent variable is investment decisions (Y), and Intention of Use (Z) as an intervening variable.

The types of data and data sources used in this research consist of primary and secondary data. The primary data source for this research was obtained through questionnaires distributed to the relevant respondents using Google Forms. The questionnaire consists of two parts. The first part concerns the respondent's identity, birth year, and the investment application used. The second part contains 18 questionnaire items. The construct items are scored from 1 to 5, with options ranging from "strongly disagree" to "strongly agree" using a Likert scale.

The secondary data sources for this research include data, files, documents, and information related to the analysis of factors influencing the impact of social media on investment decisions among Gen Z in the stock market using application-based platforms.

This research focuses on individual investors from Generation Z as the population. The sampling method used is non-probability sampling, which does not provide an equal opportunity for every element or member within the population (Zikmund et al., 2013: 392). The non-probability sampling technique employed is convenience sampling. The data in this study were obtained through the use of questionnaires, a data collection method in which respondents are given a list of written statements to answer (Bell et al., 2015: 11).

While this method offers practical advantages in terms of accessibility and speed, it also presents limitations in terms of selection bias and low representativeness of the broader Gen Z population in Indonesia. This limitation is acknowledged as a potential source of bias and will be further discussed in the study’s limitations section. Thus, the findings of this study should be interpreted with caution, particularly in terms of generalizability.

Google Forms was used to create the questionnaire and to simplify data collection. The questionnaire link was distributed via various social media platforms, including Telegram, Instagram, WhatsApp, and X (formerly Twitter). The link was disseminated from May 1st to May 25th, 2024. After this period, the researcher received 101 responses, but 13 responses were discarded because they

came from respondents who were not part of Generation Z. Therefore, the total number of valid responses used was 88.

To provide a richer context to the sample, demographic information was also collected, including respondents' year of birth to confirm their classification as Gen Z, and the investment application used to verify their status as application-based capital market investors. This study found that the majority of respondents were born in 2001 (20 people) and 2000 (19 people), with the most commonly used investment application being Bibit (23 respondents), followed by Ajaib (12), and Bareksa (7). However, this study did not collect data on respondents' geographic locations, which is acknowledged as a limitation in understanding the full diversity of Gen Z investors across Indonesia.

Table 1.
Operational Definition of Variables

NAME VARIABLES	DEFINITION OF VARIABLES	INDICATOR	SOURCES
Investment decision (ID)	The process of deciding to allocate both internal and external funds by the investor.	Perceived benefits, risks, and trust.	(Azizah et al., 2023; Kim et al., 2008)
Intention to Use (IU)	The assessment of a customer's evaluation of a product or service and their tendency to continue using that product or service.	Intention to repurchase, Willingness to recommend to others, Tendency to switch.	(Jelitalia & Rahmiati, 2021)
Perceived Risk (PR)	The individual's recognition of uncertainty and potential adverse consequences acts as a function of the uncertainty regarding possible outcomes and the potential dissatisfaction with consumption.	Security/Privacy Risk, Convenience, and Performance Risks.	(Jelitalia & Rahmiati, 2021; Wang et al., 2024)
Investment Knowledge (IK)	The information, facts, assumptions, news, and rumours that investors need as guidance for making decisions and taking investment actions.	Capital Market Knowledge, Return Knowledge, and Risk Knowledge.	(Azizah et al., 2023)
Perceived Usefulness (PU)	Described as the optimism of customers in the financial industry regarding improvements through the use of a particular system. It involves enhancing their work efficiency, such as through the ease of online transactions and payments.	Job Performance, Effectiveness, and Usefulness.	(Davis, 1989; Jelitalia & Rahmiati, 2021)
Perceived Ease of Use (PEU)	The perception that a technology will be simple to use and not require excessive effort.	Easy to learn, easy to operate, and provides efficient time use.	(Davis, 1989; Jelitalia & Rahmiati, 2021)

Source: Research Data, 2024

RESULT AND ANALYSIS

Based on the respondents' birth year distribution, the majority of Gen Z investors in this study were born in 2000 (19 respondents) and 2001 (20 respondents). This indicates that most respondents are in their early twenties, an age group that is typically productive and actively exploring digital financial tools. Other birth years, such as 1998, 1999, 2002, and 2003, also contributed a fair number of respondents, ranging from 7 to 9 individuals. The lowest representation came from those born in 2005 (4 respondents), who likely represent new investors who have just reached the legal age for investing.

Meanwhile, the distribution of investment applications used by respondents reveals that Bibit is the most dominant platform (26.1 percent, or 23 users), followed by Ajaib (13,6 percent, or 12 users), and Bareksa (8 percent, or seven users). Other platforms, such as Tanamduit, Reksadana, and Stockbit, each accounted for 5,7 percent of usage. Applications like POEMS, Pluang, and IDX Mobile were used by around 3–4percents of respondents. This pattern reveals a strong preference for user-friendly platforms that are widely popular among Gen Z investors.

In structural equation modelling, it is crucial to assess whether the estimated path coefficients are statistically significant. This is commonly assessed through the bootstrapping technique, which generates estimates of standard errors to calculate t-statistics. Significance is determined by comparing the computed t-value with the critical value from the t-distribution table at a given significance level, typically $\alpha = 0,05$ (5 percents), corresponding to a critical value of 1,96 (two-tailed test) (Joseph F. Hair et al., 2017). The hypothesis values in this study will be calculated and presented as follows.

Table 2.
Hypothesis Testing Results

Hypothesis	Impact	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
H1	**IU -> ID**	0,253	0,259	0,087	2,932	0,003
H2	**PR -> ID**	0,108	0,108	0,067	1,605	**0,109**
H3	**PR -> IU**	0,121	0,126	0,108	1,126	**0,260**
H4	**IK -> ID**	0,274	0,269	0,071	3,875	0,000
H5	**IK -> IU**	0,215	0,212	0,090	2,385	0,017
H6	**PEU -> ID**	0,283	0,281	0,081	3,510	0,002
H7	**PEU -> IU**	0,341	0,344	0,108	3,148	0,002
H8	**PU -> ID**	0,187	0,183	0,073	2,574	0,010
H9	**PU -> IU**	0,243	0,234	0,109	2,239	0,025

Source: Research Data, 2024

The results of hypothesis testing provide several key insights. First, Intention to Use (IU) social media significantly influences Investment Decision (ID), with higher IU associated with a greater likelihood of investing ($T = 2.932$, $p = 0.003$). In contrast, Perceived Risk (PR) does not significantly affect either ID ($T = 1.605$, $p = 0.109$) or IU ($T = 1.126$, $p = 0.260$), indicating that risk perception is not a strong predictor of these outcomes. This aligns with previous findings suggesting that PR has a limited impact on the intention to engage in investment through online platforms. (Haque et al., 2022). This may also reflect the growing sense of digital trust and risk normalisation among Gen Z, who are accustomed to app-based financial services. CNBC Indonesia report (2023) highlights that young investors in Indonesia tend to prioritise accessibility and user experience over traditional risk concerns when making investment decisions (CNBC Indonesia, 2023).

Investment Knowledge (IK) demonstrates a significant and positive effect on both ID ($T = 3.875$, $p = 0.000$) and IU ($T = 2.385$, $p = 0.017$), indicating that individuals with higher investment knowledge are more inclined both to use social media in the context of investment and to make actual investment decisions. Similarly, Perceived Ease of Use (PEU) significantly predicts both ID ($T = 3.510$, $p < 0.001$) and IU ($T = 3.148$, $p = 0.002$), supporting the notion that usability enhances behavioural intention and decision-making. Perceived Usefulness (PU) also has a significant positive

impact on ID (T = 2.574, p = 0.010) and IU (T = 2.239, p = 0.025), emphasizing the role of perceived benefits in shaping users' investment-related behaviors (Davis, 1989). This is in line with CNBC Indonesia's (2023) findings, which indicate that ease of use and digital onboarding are key drivers behind Gen Z's preference for investment applications (CNBC Indonesia, 2023).

Consequently, the hypotheses that PR affects ID and that PR affects IU are rejected. Meanwhile, all other hypotheses are supported. These results are consistent with the study by Haque et al. (2022), which found that PR does not significantly affect the intention to use online social networks for investment purposes. (Haque et al., 2022). The Convergent Validity values in this study will be calculated and presented as follows.

Table 3.
Convergent Validity Testing Results

	PU	PEU	PR	IK	ID	IU
PU.1	0,877					
PU.2	0,884					
PU.3	0,852					
PEU.1		0,779				
PEU.2		0,850				
PEU.3		0,760				
PR.1			0,880			
PR.2			0,796			
PR.3			0,834			
IK.1				0,924		
IK.2				0,888		
IK.3				0,803		
ID.1					0,851	
ID.2					0,898	
ID.3					0,835	
IU.1						0,825
IU.2						0,890
IU.3						0,903

Source: Research Data, 2024

Regarding measurement model evaluation, convergent validity was tested using the outer loadings of each construct indicator. According to Anderson & Gerbing (1988), an indicator is considered valid if its loading factor exceeds 0.70, although loadings between 0.50 and 0.60 may be acceptable in exploratory research. Items with loading values below 0,50 are typically removed from the model. (Anderson & D.W. Gerbing, 1988). In this study, all indicators passed the validity threshold, with outer loadings exceeding 0.70, confirming that the measurement items are appropriate for further analysis. In addition, convergent validity was assessed using the Average Variance Extracted (AVE), with all constructs exceeding the recommended threshold of 0.50 (Fornell & Larcker, 1981; Haque et al., 2022). The Average Variance Extracted (AVE) values in this study will be calculated and presented as follows.

Table 4.
Average Variance Extracted (AVE) Testing Results

	Average Variance Extracted (AVE)
ID	0,742
IU	0,762
IK	0,762
PEU	0,635
PR	0,701
PU	0,759

Source: Research Data, 2024

Presented in Table 4, it is evident that the Average Variance Extracted (AVE) values for all constructs exceed the threshold of 0.50, confirming that each indicator demonstrates adequate convergent validity and can be reliably retained for further structural testing. (Fornell & Larcker, 1981; Haque et al., 2022).

Following convergent validity, discriminant validity was assessed using the Fornell-Larcker Criterion. This approach involves comparing the square root of AVE (√AVE) for each construct with the correlations between that construct and other latent variables in the model. A construct is said to possess sufficient discriminant validity when its √AVE is greater than the correlations with any other construct in the model.

These values are automatically calculated and displayed in the Fornell-Larcker output of SmartPLS 3.0, as shown in Table 4. The results indicate that all constructs satisfy this criterion, thereby confirming that each construct is empirically distinct from the others. This validation reinforces the robustness of the measurement model. The Discriminant Validity values in this study will be calculated and presented as follows.

Table 5.
Discriminant Validity (Fornell-Larcker Criterion) Testing Results

	ID	IU	IK	PEU	PR	PU
ID	0,862					
IU	0,823	0,873				
IK	0,744	0,633	0,838			
PEU	0,818	0,708	0,633	0,797		
PR	0,778	0,634	0,641	0,581	0,873	
PU	0,784	0,681	0,649	0,682	0,589	0,871

Source: Research Data, 2024

Presented in Table 5, the square root of the Average Variance Extracted (AVE) for each construct is greater than the inter-construct correlations. This finding provides empirical evidence that the latent constructs in the structural model exhibit adequate discriminant validity, as per the Fornell-Larcker criterion. This confirms that each construct is more strongly associated with its own indicators than with those of other constructs in the model. (Fornell & Larcker, 1981; Haque et al., 2022)

In addition to the Fornell-Larcker assessment, discriminant validity was further evaluated using the Cross-Loading method. This approach examines whether the loading of each indicator on its associated construct is higher than its loadings on other constructs. The following are the results from the Cross Loading analysis:

Table 6.
Cross Loading Testing Results

	PU	PEU	PR	IK	ID	IU
PU.1	**0,877**	0,623	0,637	0,611	0,739	0,629
PU.2	**0,884**	0,596	0,529	0,415	0,620	0,528
PU.3	**0,852**	0,562	0,522	0,495	0,679	0,612
PEU.1	0,740	**0,779**	0,746	0,615	0,756	0,641
PEU.2	0,440	**0,850**	0,379	0,358	0,590	0,525
PEU.3	0,393	**0,760**	0,319	0,372	0,576	0,502
PR.1	0,702	0,594	**0,880**	0,737	0,752	0,611
PR.2	0,393	0,473	**0,796**	0,365	0,477	0,432
PR.3	0,483	0,509	**0,834**	0,441	0,596	0,519
IK.1	0,581	0,537	0,548	**0,924**	0,689	0,626
IK.2	0,567	0,467	0,637	**0,888**	0,676	0,546
ID.1	0,817	0,720	0,792	0,749	**0,851**	0,719
ID.3	0,553	0,727	0,481	0,611	**0,835**	0,605

	PU	PEU	PR	IK	ID	IU
IU.2	0,507	0,574	0,480	0,506	0,693	**0,890**
IU.3	0,599	0,599	0,481	0,470	0,712	**0,903**

Source: Research Data, 2024

As presented in Table 6, the correlation between each latent variable and its corresponding indicators is higher than the correlations between that latent variable and the indicators of other constructs. This finding confirms that the latent constructs exhibit greater internal consistency within their respective measurement blocks than with items outside their construct domains. Additionally, all cross-loading values exceed the threshold of 0.50, indicating that each indicator loads more strongly on its associated construct than on others. This pattern reinforces the evidence of discriminant validity, suggesting that the constructs are empirically distinct and that the measurement model is well-specified. (Joseph F. Hair et al., 2017).

The final stage of outer model evaluation involves testing reliability using Composite Reliability (CR) and Cronbach's Alpha. These measures are used to assess the internal consistency and stability of the measurement instruments. If all constructs exhibit CR and Cronbach's Alpha values of ≥ 0.70, this indicates that the measurement model demonstrates satisfactory reliability (Hair et al., 2019). The results of this study show that all latent variables meet these thresholds, suggesting that the questionnaire used is consistent and the constructs are measured reliably. The Composite Reliability and Cronbach's Alpha values in this study will be calculated and presented as follows.

Table 7.
Composite Reliability and Cronbach's Alpha Testing Results

	Cronbach's Alpha	Composite Reliability
ID	0,827	0,896
IU	0,844	0,906
IK	0,842	0,906
PEU	0,716	0,839
PR	0,790	0,876
PU	0,841	0,904

Source: Research Data, 2024

The results of the Composite Reliability and Cronbach's Alpha assessments indicate that all latent constructs exhibit values exceeding the minimum threshold of 0.70, as displayed in the corresponding table. These results confirm that the measurement model demonstrates acceptable internal consistency and that the indicators used in the questionnaire are both reliable and stable across constructs. (Joseph F. Hair et al., 2017). Therefore, it can be concluded that the instrument employed in this study is statistically sound and consistent for further analysis.

Following the evaluation of the outer model, the next step is to assess the inner (structural) model, which examines the relationships between latent constructs. This evaluation is commonly performed using three leading indicators: the Coefficient of Determination (R^2), the effect size (f^2), and Predictive Relevance (Q^2). These metrics allow researchers to assess the explanatory power, relative impact of predictor variables, and the model's predictive accuracy, respectively (Joseph F. Hair et al., 2017). The R^2 values in this study will be calculated and presented as follows.

Table 8.
R-Square (R2) Testing Results

	R Square	*R Square Adjusted*
ID	0,880	0,873
IU	0,620	0,601

Source: Research Data, 2024

The R^2 value for the Investment Decision (ID) construct is 0.880, indicating that approximately 88.0 percent of the variance in ID can be explained by the model. This reflects a high explanatory power, suggesting that the combination of Intention to Use, Perceived Usefulness, Perceived Ease of Use, and Investment Knowledge plays a dominant role in shaping investment decisions among the sample population. The Adjusted R^2 value of 0.873 supports the robustness of the model, with only a minimal decrease after controlling for the number of predictors and sample size.

Similarly, the R^2 value for Intention to Use (IU) is 0.620, showing that the exogenous constructs account for 6.,0 percent of the variation in IU. This highlights that technological features (such as ease of use and usefulness) and cognitive variables (such as investment knowledge) have a significant influence on Gen Z's behavioural intention to engage with digital investment platforms. This is supported by findings from CNBC Indonesia (2023), which emphasized that ease of access, digital financial literacy, and application usability are key drivers of Gen Z's investment adoption. (CNBC Indonesia, 2023).

Furthermore, financial literacy and behaviour significantly influence Gen Z's investment decisions, while financial experience has little effect. This reinforces the significance of Investment Knowledge in the model and may explain the high explanatory power of ID despite the insignificance of perceived risk or prior experience. (Tubastuvi et al., 2024). Devina et al. (2024) similarly found that behavioural biases, such as overconfidence and herding, when moderated by financial literacy, have a substantial influence on Gen Z investment behaviour, particularly in digital contexts. (Felycia Sugianto et al., 2024). Complementing this, Setyadi et al. (2025) reported that, although their sample was predominantly millennial, financial literacy positively influenced investment decision-making, while emotional biases such as regret aversion and overconfidence were not significant—further reinforcing the idea that cognitive and informational factors may override emotional or risk-based considerations, including among younger investor subgroups. (Setyadi et al., 2025).

For example, Perceived Ease of Use and Investment Knowledge yield moderate f^2 values, indicating their meaningful contribution to predicting Investment Decision. These results align with recent studies showing that Gen Z investors are heavily influenced by platform usability and cognitive familiarity with online financial tools, while often downplaying risk-based judgments. Such traits reduce cognitive friction and foster greater confidence in making investment decisions via digital channels. (CNBC Indonesia, 2023; Felycia Sugianto et al., 2024; Setyadi et al., 2025; Tubastuvi et al., 2024). The f^2 values for each exogenous variable in relation to both IU and ID will be detailed in the subsequent section.

To assess the contribution of each exogenous variable, effect size (f^2) analysis was also conducted. The f^2 statistic reflects the change in R^2 when a particular predictor is omitted from the model. Based on Joseph et al. (2017) guidelines, an f^2 of 0.35 or higher suggests a significant effect, values between 0.15 and 0.35 represent a moderate effect, and values between 0.02 and 0.15 are considered small. (Joseph F. Hair et al., 2017). The f^2 values in this study will be calculated and presented as follows.

Table 9.
f2 Effect Size Testing Results

	ID	IU
IU	**0,204**	
IK	**0,306**	0,063
PEU	**0,267**	0,139
PR	0,043	0,017
PU	0,120	0,068

Source: Research Data, 2024

The interpretation of the f^2 values in this study offers several insights into the strength of the relationships among the constructs. Based on the guideline provided, f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively. (Joseph F. Hair et al., 2017). In the context of Investment Decision (ID), Intention to Use (IU) has an f^2 value of 0.204, suggesting a medium effect, which confirms its substantial contribution in explaining variance in ID. Similarly, Investment Knowledge (IK) demonstrates a medium impact on ID with an f^2 of 0.306, underscoring its critical role in shaping investment decisions. This supports prior findings, which reported that financial literacy and behaviour significantly influence Gen Z's investment actions more so than experience or risk perception. (Tubastuvi et al., 2024).

Perceived Ease of Use (PEU) also has a medium effect on ID ($f^2 = 0.267$), reaffirming the importance of technological usability in shaping investment behaviour. This finding is consistent with those of Devina et al. (2024), who emphasised that overconfident Gen Z investors often rely on intuitive digital experiences rather than extensive analytical evaluations. (Felycia Sugianto et al., 2024). In contrast, Perceived Risk (PR) exhibits only a weak impact on ID ($f^2 = 0.043$), indicating that risk perceptions do not substantially affect investment decisions within the sample. (Felycia Sugianto et al., 2024). A similar pattern was observed by Setyadi et al. (2025), who found that emotional biases, such as regret aversion and overconfidence, had no significant influence on investment decisions, particularly among younger subgroups. (Setyadi et al., 2025).

Perceived Usefulness (PU), with an f^2 of 0.120, also falls into the weak category, suggesting that while PU is statistically significant, its individual contribution to ID is modest compared to PEU or IK. When evaluating predictors of Intention to Use (IU), Investment Knowledge (IK) records a weak effect ($f^2 = 0.063$), as do PU ($f^2 = 0.068$) and PEU ($f^2 = 0{,}139$), which approaches the medium threshold. These results indicate that cognitive and technological aspects continue to contribute meaningfully to behavioural intention, albeit with more modest effect sizes.

Perceived Risk (PR), on the other hand, shows a very weak influence on IU ($f^2 = 0{,}017$), confirming its limited predictive utility. These findings collectively support the assertion that Gen Z investors base their intention and decision-making more on perceived usability and familiarity than on risk aversion.

To evaluate the overall goodness of fit of the model, Predictive Relevance (Q^2) was assessed. Q^2 is used to examine the model's out-of-sample predictive capability through blindfolding procedures. According to Hair et al, a Q^2 value greater than zero indicates that the model has predictive relevance for the respective endogenous constructs. (Joseph F. Hair et al., 2017). In this study, the Q^2 values for both ID and IU were found to be greater than 0, affirming that the model possesses adequate predictive quality for behavioural investment decisions among Gen Z. The Q^2 values in this study will be calculated and presented as follows.

Table 10.
Q-Square Testing Results

	SSO	SSE	Q^2 (=1-SSE/SSO)
ID	264,000	102,893	0,610
IU	264,000	145,739	0,448
IK	264,000	264,000	
PEU	264,000	264,000	
PR	264,000	264,000	
PU	264,000	264,000	

Source: Research Data, 2024

The Q^2 value of 0.610 for the Investment Decision (ID) construct indicates that the model is capable of predicting 61.0 percent of the variation in ID beyond what is explained by the mean.

According to Joseph et al, a Q^2 value greater than 0 demonstrates that the model possesses predictive relevance, and a value above 0.50 is generally considered substantial in behavioural research. This finding reinforces the model's strength in capturing factors that influence investment decisions among Gen Z. (Joseph F. Hair et al., 2017).

However, for the constructs Investment Knowledge (IK), Perceived Ease of Use (PEU), Perceived Risk (PR), and Perceived Usefulness (PU), the Q^2 values could not be generated due to the Sum of Squares of Errors (SSE) equaling the Sum of Squares of Observations (SSO), recorded as 264.000. This suggests that the model does not improve predictive accuracy for these exogenous variables beyond the baseline (mean) model. In other words, the structural model does not add predictive power for these constructs, likely because they are treated as predictors rather than outcomes in the path model. This is expected in PLS-SEM, as Q^2 values are typically computed only for endogenous (dependent) constructs.

Despite this, the substantial Q^2 value for the ID construct confirms the model's ability to predict real-world investment behaviour in digital contexts. This is especially relevant for Gen Z investors, whose decisions are increasingly influenced by behavioural intentions, usability perception, and digital financial knowledge. (Felycia Sugianto et al., 2024; Setyadi et al., 2025; Tubastuvi et al., 2024).

Overall, the structural model demonstrates strong explanatory and predictive power, particularly for the Investment Decision construct. The combination of cognitive, behavioural, and usability-based predictors effectively captures the decision-making behaviour of Gen Z investors in Indonesia. The low contribution of Perceived Risk and behavioural biases reflects a generational shift in financial attitude, wherein young investors emphasise usability, perceived benefit, and literacy over conventional risk analysis. These insights offer practical implications for fintech developers, economic educators, and policy makers targeting digitally native investors.

CONCLUTIONS AND RECOMMENDATION

This study examined the impact of multiple factors on investment decisions among Gen Z investors in app-based stock markets, with a specific focus on the role of social media. Out of nine proposed hypotheses, seven were empirically supported, while two—specifically those related to Perceived Risk—were not. The results indicate that Intention to use social media significantly affects investment decisions, with Perceived Ease of Use and Investment Knowledge emerging as the most influential variables. Both of these variables demonstrated strong and consistent effects on both the intention to use and the actual decision to invest. Conversely, Perceived Risk did not show a statistically significant influence on either construct, suggesting that risk considerations may be less relevant for digital-native investors.

Based on these findings, the study offers several practical implications. Developers and marketers of Indonesian investment applications are encouraged to leverage social media not only as a promotional tool but also as a medium for financial education and awareness. Emphasising features related to usability, perceived usefulness, and content that enhances investment knowledge may be more effective in encouraging Gen Z participation in stock markets. The negligible role of Perceived Risk also implies that Gen Z investors are more responsive to user experience and value-based propositions than to conventional warnings about financial risk. Future studies are recommended to address these limitations by employing larger and more representative samples, possibly using stratified or random sampling techniques. In addition, longitudinal research designs may provide deeper insights into how Gen Z investment behaviours evolve, particularly in response to technological developments and market dynamics. Further investigation could also explore other

behavioural variables such as trust, financial anxiety, or digital literacy, which may serve as moderators or mediators in the investment decision-making process.

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