
(Research/Review) Article

The Influence of Financial Technology and Financial Literacy on Investment Decisions through Financial Knowledge in Gen Z in Denpasar City

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Abstract: This study aims to analyze the influence of financial technology and financial literacy on investment decisions through financial knowledge among Generation Z in Denpasar City. The population and sample in this study consisted of all Generation Z in Denpasar City, with a sample of 100 respondents determined using the Slovin formula. Data collection was carried out through questionnaires, interviews, and documentation. Data analysis was carried out using partial least square (PLS). The results of the study show that financial technology has a positive and significant influence on the investment decisions of Generation Z in Denpasar City, financial literacy has a positive and significant influence on the investment decisions of Generation Z in Denpasar City, financial knowledge has a positive and significant influence on the investment decisions of Generation Z in Denpasar City, financial technology has a positive and significant influence on financial knowledge among Generation Z in Denpasar City, financial literacy has a positive and significant influence on financial knowledge among Generation Z in Denpasar City, financial technology has a positive and significant influence on investment decisions through financial knowledge among Generation Z in Denpasar City, and financial literacy has a positive and significant influence on investment decisions through financial knowledge among Generation Z in Denpasar City.

Keywords: Financial Knowledge; Financial Literacy; Financial Technology; Generation Z; Investment Decisions.

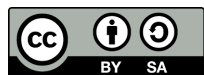
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1. Introduction

Investment decisions are a strategic step in allocating financial resources to obtain future profits. Investment decision-making requires careful consideration of the risks, opportunities, and expected rate of return so as to support the achievement of individual financial well-being (Jogiyanto, 2022). Along with the development of technology and increasing public awareness of financial management, investment activities in Indonesia have experienced quite rapid growth.

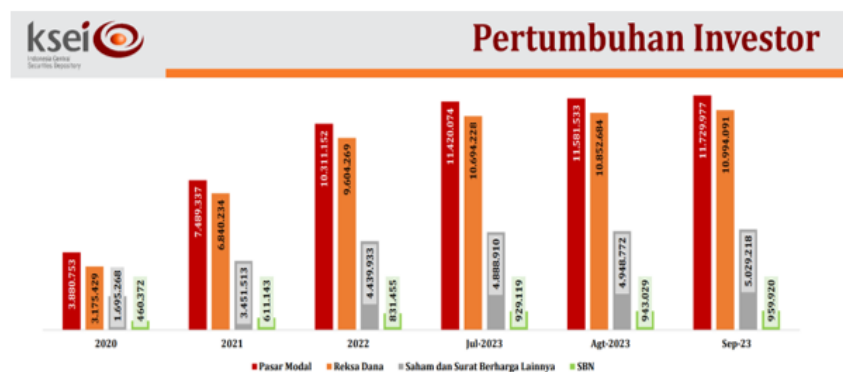


Figure 1. Pertumbuhan Investor.

The development of the capital market in Indonesia has shown a very positive trend in recent years. KSEI data (2024) shows that the number of Indonesian capital market investors has reached more than 14 million investors by 2024. This increase shows the increasing public awareness of the importance of investment as a financial management instrument. Based on age group, investors under 30 years old or Generation Z dominate the number of capital market investors with a percentage of 55.07%, followed by the age group of 31-40 years old at 24.27%. This condition shows that the younger generation has a great contribution to the development of the investment industry in Indonesia.

The same phenomenon also occurs in the province of Bali, especially the city of Denpasar. KSEI data shows that the number of Generation Z investors in Denpasar City has increased from 38,871 investors in 2021 to 59,067 investors in 2024. Despite the increase, this number is still relatively low when compared to the total population of Generation Z in Denpasar City which reaches more than 181 thousand people. During the 2021–2024 period, the average proportion of Generation Z who have become investors is only 26.72%. This condition indicates that most Generation Z still does not participate in investment activities, so investment decisions in this age group still need to be improved.

At the regional level, especially in Denpasar City, the number of investors from Generation Z also showed an increase during the 2021–2024 period. However, this growth has not been consistent and is still relatively low when compared to the total existing Generation Z population. This condition shows that investment decisions in the group are not optimal, both in terms of the number of participation and the quality of investment decision-making. This is important to learn more considering that Generation Z is a productive age group that will play a big role in the economy in the future.

Generation Z is known as the digital generation who have extensive access to technology and information, including in the financial sector. Easy access to various digital platforms should encourage increased investment activities. But in reality, this convenience has not been fully followed by rational investment behavior. Most Generation Z still tend to be oriented towards consumption and short-term satisfaction compared to long-term financial planning (Dewi, 2020). This condition suggests that there is a gap between the availability of technology and the ability of individuals to make informed and sustainable investment decisions.

One of the factors that is suspected to influence investment decisions is financial technology (fintech). Financial technology is an innovation in the financial services sector that utilizes digital technology to provide ease of access to financial services, including investment

(Pribadiono, 2022). The presence of fintech allows individuals to obtain investment information in real time, conduct market analysis, and carry out investment transactions quickly and efficiently through digital devices. Various studies have found that financial technology has a positive effect on investment decisions because it is able to increase the convenience, speed, and accessibility of investment services (Ariwangsa et al., 2024; Rahman, MA, Hossain, MS, & Karim, 2024). However, other research shows that financial technology does not have a significant influence on investment decisions (Rahman et al., 2024). The difference in the results of the study shows that there is still a gap in research that needs to be studied further.

In addition to financial technology, financial literacy is also an important factor in investment decision-making. Financial literacy describes an individual's ability to understand financial concepts, manage financial resources, and make effective and responsible financial decisions (Mu'at, 2024). Individuals with a high level of financial literacy tend to have a better ability to assess the risks and benefits of an investment instrument so that they are able to make more rational investment decisions. Previous research has shown that financial literacy has a positive effect on investment decisions (Seraj et al., 2022; Kumari, 2022). However, several other studies have found that financial literacy does not have a significant effect on investment decisions (Adil et al., 2022; Nguyen & Le, 2024). The different findings indicate the need for further research to elucidate the relationship between financial literacy and investment decisions.

To explain the relationship more comprehensively, this study included financial knowledge as a mediating variable. Financial knowledge is an individual's ability to understand financial information, concepts, and principles that can be used as a basis for financial decision-making (Huston, 2022). Good financial knowledge allows individuals to understand various investment instruments, manage risk, and make optimal use of financial technology. Previous research has shown that financial knowledge has a positive effect on investment decisions (Sugiasuti et al., 2024; Wangi, A., & Baskara, 2022). However, some studies have found different results so that further studies are still needed on the role of financial knowledge in mediating the relationship between financial technology, financial literacy, and investment decisions.

Based on the phenomenon of the low level of investment participation of Generation Z in Denpasar City and the inconsistency of previous research results, this research is important to be conducted. This study aims to analyze the influence of financial technology and financial literacy on investment decisions through financial knowledge in Generation Z in Denpasar City. The results of the research are expected to make a theoretical contribution to the development of financial and investment behavior literature, as well as an input for financial institutions, regulators, and investment service providers in increasing Generation Z investment participation through strengthening financial literacy and knowledge.

2. Introduction or Related Works or Literature Review

Financial Technology

Financial technology (fintech) is a combination of technology and financial services that present modern innovations to facilitate financial activities (A. Pribadiono, 2022). Its utilization can be seen from the intensity, frequency of use, and number of applications used to support the implementation of tasks. In addition, fintech also includes the development of

companies that change the way individuals conduct financial transactions such as payments, loans, remittances, and investments (Chishti, S., & Barberis, 2021).

Financial technology (fintech) creates an ecosystem that supports startup growth through relatively low start-up costs and global market access based on digital platforms, thus enabling innovation and disrupting traditional business models. Fintech also does not come from one theory, but is the result of the development of information and communication technology (ICT) combined with economic and financial theories related to innovation and efficiency.

Types of Financial Technology

Rasyid (2021) states that some types of financial technology are as follows: a) Crowdfunding. b) Peer-to-peer (P2P) lending services. c) E-wallets. d) Payment Gateway. e) Investment. f) Digital bank. g) Insurance.

Financial Literacy

Financial literacy is an individual's ability to manage and utilize their financial resources through knowledge, skills, and beliefs to achieve life and welfare goals (Mu'at, 2024). This ability is important because there are still many individuals who are not able to manage finances and make economic decisions properly due to a lack of understanding of financial concepts. Financial literacy is not only related to knowledge, but also affects a person's attitude and behavior in making decisions and managing finances wisely (Safitri & Wahyudi, 2022).

In addition, financial literacy is a must for every individual to be able to face trade-off conditions, which are situations when a person has to choose between several financial interests (Arianti, 2023). Financial literacy also reflects the relationship between knowledge, skills, beliefs, attitudes, and behaviors in the effective use of financial products and services (Nusa & Martfianto, 2021). Thus, individuals who have a good level of financial literacy tend to be able to manage their finances more wisely and have healthier financial conditions.

Financial Literacy Aspects

According to Irman (2022) as follows: a) Aspects of how to earn money. b) Aspects of how to manage money. c) Aspects of how to save money/wealth. d) Aspects of how to use money.

Financial Knowledge

Financial knowledge is the ability of individuals to understand financial concepts and terms and apply them in daily financial management behaviors (Huston, 2022). This ability helps a person make the right financial decisions, both short-term and long-term, as well as face economic conditions and market competition.

In addition, financial knowledge also plays a role in preventing financial problems that are not only caused by low income, but also errors in management, such as credit use and lack of planning (Krishna, 2023). This knowledge is important to meet daily needs and plan ahead, so that the decisions taken become more effective.

In its development, financial knowledge has also been applied through education and daily life practices, such as income management and financial planning (Basri, 2021). Individuals with good financial knowledge tend to be wiser in managing finances and achieving well-being.

Investment Decisions

Investing is the activity of investing over a certain period of time in an instrument such as stocks or securities with the aim of obtaining future profits (Dewi, 2020; Shah, 2022). Investment decisions are individual decisions in choosing the best investment alternatives to generate profits and ensure future prosperity (Darwati, T., Nurjanah, N., & Kusumawati, 2022).

However, the investment decision-making process is not simple as it requires adequate information and a good understanding of financial literacy before making an investment choice (Arianti, 2021). In addition, investment decisions are individual and entirely depend on each investor's consideration of various factors that can affect investment results (Badriatin, T., Rinandiyana, L.R., & Marino, 2022).

Investment Decision Indicators

According to Juniantasari (2021), investment decisions can be measured by the following indicators (Juniantasari, 2021) : a)Rationale. b)Intuitive. c)Dependents.

3. Materials and Methods

This study uses a quantitative approach with the aim of analyzing the influence of financial technology and financial literacy on investment decisions with financial knowledge as a mediating variable. The research design refers to the procedures for collecting, processing, and analyzing data systematically (Creswell, 2010). The research variables consisted of financial technology (X1) and financial literacy (X2) as exogenous variables, financial knowledge (M) as the mediation variable, and investment decisions (Y) as endogenous variables.

The research was conducted in Denpasar City with a population of 181,839 people for Generation Z (bps.go.id). The sampling technique used simple random sampling with the Slovin formula, so that a sample of 100 respondents was obtained.

The data used consists of primary and secondary data. Primary data was obtained through questionnaires with a Likert scale of 1–5, while secondary data was obtained from related documents such as KSEI and BPS data. In addition to questionnaires, data collection techniques are also supported by interviews, documentation, and observations.

The research instrument was tested through validity and reliability tests. The validity test was conducted using Pearson's correlation with a cut-off value of ≥ 0.3 , while the reliability test used Cronbach's Alpha ≥ 0.6 (Ghozali, 2022). The test results show that all instruments are valid and reliable.

The data analysis technique uses Structural Equation Modeling (SEM) based on Partial Least Square (PLS). The analysis was carried out through two stages, namely the evaluation of the measurement model (outer model) by looking at the convergent validity, discriminant validity, and reliability of the composite, and the evaluation of the structural model (inner model) by looking at the R-squared and Q-squared values (Ghozali, I., & Latan, 2022). Hypothesis testing was carried out using the bootstrapping method using the $p \leq 0.05$ value criterion.

Mediation effect testing refers to (Hair, J.F., Hult, G.T.M., Ringle, C.M., & Sarstedt, 2022) by analyzing the direct and indirect influences between variables to determine whether mediation is full or partial.

4. Results and Discussion

Within the scope of this study, hypothesis testing includes the analysis of direct and indirect relationships. To examine the proposed hypothesis, the results obtained from data processing using SmartPLS 3.0 are presented in a graphical illustration, see Figure 4.1 for a visual representation.

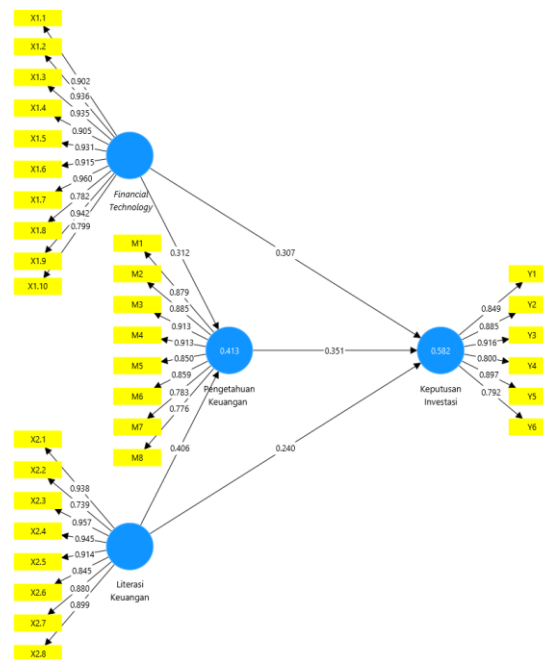


Figure 2. Diagram Pathway relationship between financial technology, financial literacy and financial knowledge and investment decisions.

Based on the results of data processing carried out with the SmartPLS 3.0 program. As shown in Figure 2, it is possible to create a table regarding the relationships between variables, as shown in Table 1 as follows.

Table 1. Relationships Between Variables.

			Original sample (O)	T statistics	P values	Ket
<i>Financial Technology</i>	Keputusan Investasi	=>	0.307	3.765	0.000	Diterima
Literasi Keuangan	Keputusan Investasi	=>	0.240	2.579	0.011	Diterima
Pengetahuan Keuangan	Keputusan Investasi	=>	0.351	3.872	0.000	Diterima
<i>Financial Technology</i>	Pengetahuan Keuangan	=>	0.312	2.747	0.007	Diterima
Literasi Keuangan	Pengetahuan Keuangan	=>	0.406	3.843	0.000	Diterima

Based on the table, it can be explained as follows:

The Influence of Financial Technology on Investment Decisions

The results of the analysis showed a middle path coefficient of 0.307 with a statistical t-coefficient of 3.765 and a significance value of $0.000 < 0.05$, showing that financial technology has a positive and significant influence on investment decisions. The results of this test prove hypothesis 1 (H1), which states that financial technology has a positive effect on the investment decisions accepted.

The Influence of Financial Literacy on Investment Decisions

The results of the analysis showed a path coefficient of 0.240 with a t-statistical coefficient of 2.579 and a significance value of $0.011 < 0.05$, showing that financial literacy has a positive and significant influence on investment decisions. The results of this test prove hypothesis 2 (H2), which states that financial literacy has a positive effect on the investment decisions accepted.

The Influence of Financial Knowledge on Investment Decisions

The results of the analysis showed a middle path coefficient of 0.351 with a statistical t-coefficient of 3.872 and a significance value of $0.000 < 0.05$, indicating that financial knowledge has a positive and significant influence on investment decisions. The results of this test prove hypothesis 3 (H3), which states that financial knowledge has a positive effect on the investment decisions accepted.

The Influence of Financial Technology on Financial Knowledge

The results of the analysis showed a path coefficient of 0.312 with a t-statistic of 2.747 and a significance value of $0.007 (< 0.05)$, so it can be concluded that these variables have a positive and significant influence on financial knowledge. The test results prove hypothesis 4 (H4) which states that financial technology has a positive effect on accepted financial knowledge.

The Influence of Financial Literacy on Financial Knowledge

The results of the analysis showed a path coefficient of 0.406 with a t-statistic of 3.843 and a significance value of $0.000 (< 0.05)$, so that financial literacy has a positive and significant influence on financial knowledge. Thus, hypothesis 5 (H5) which states that financial literacy has a positive effect on financial knowledge is accepted.

Furthermore, the indirect effect testing in the study is shown through the *results of the total indirect effects* in Table 2.

Table 2. Total Indirect Effects Calculation Results.

	Original sample (O)	T statistics	P values	Ket
<i>Financial technology =></i> Pengetahuan keuangan => Keputusan investasi	0.109	2.179	0.032	<i>Partial Mediation</i>
<i>Literasi keuangan =></i> Pengetahuan keuangan => Keputusan investasi	0.142	2.783	0.006	<i>Partial Mediation</i>

The Influence of Financial Technology on Investment Decisions Through Financial Knowledge

The results of the analysis showed a path coefficient of 0.109 with a t-statistical coefficient of 2.179 and a significance value of $0.032 < 0.05$ which shows that financial technology has a positive and significant influence on investment decisions through financial knowledge. The results of this test prove hypothesis 6 (H6), which states that financial technology has a positive and significant effect on investment decisions through accepted financial knowledge.

The Influence of Financial Literacy on Investment Decisions through Financial Knowledge

The results of the analysis showed a path coefficient of 0.142 with a t-statistical coefficient of 2.783 and a significance value of $0.006 < 0.05$ which shows that financial literacy has a positive and significant influence on investment decisions through financial knowledge. The results of this test prove hypothesis 7 (H7), which states that financial literacy has a positive and significant effect on investment decisions through accepted financial knowledge.

5. Conclusion

Based on the results of research that has been conducted on Gen Z in Denpasar City, it can be concluded that financial technology, financial literacy, and financial knowledge have a positive and significant effect on investment decisions, respectively. This shows that the

better the use of financial technology, the level of financial literacy, and financial knowledge you have, the better the quality of investment decisions taken.

In addition, financial technology and financial literacy have also been shown to have a positive and significant effect on financial knowledge, which means that improvements in both variables will encourage an increase in financial knowledge in Gen Z. In addition, financial technology and financial literacy have a positive and significant influence on investment decisions through financial knowledge as a mediating variable. Thus, financial knowledge plays an important role in strengthening the relationship between financial technology and financial literacy on investment decisions in Gen Z in Denpasar City.

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