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STUDY OF FINANCIAL TECHNOLOGY: THE INFLUENCE OF RISK PERCEPTION, FINANCIAL LITERACY, AND TRUST ON INVESTMENT DECISION

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Abstract: *The rapid advancement of technology in the 21st century has significantly transformed daily life, including the development of Indonesia's technology-based financial industry known as financial technology (Fintech). Generation Z increasingly utilizes Fintech platfor ms for investment activities. This study aims to analyze the influence of risk perception, financial literacy, and trust on investment decision-making among Generation Z in Yogyakarta. The research employed a correlational design with multiple regression analysis to examine the relationships between variables. Data wer collected through a structured questionnaire consisting of 36 items, with 240 respondents participating, exceeding the minimum required sample size. Data analysis was conducted using SPSS versi 25. The findings indicate that risk perception has a significant negative effect on investment decisions, while financial literacy positively influences informed decision-making. Trust in Fintech platforms also plays a crucial role in encouraging investment participat ion. This study importance of enhancing financial education & trust to support sustainable behavior among Generation Z in the digital era.*

Abstrak: Perkembangan teknologi yang pesat pada abad ke-21 telah secara signifikan mengubah kehidupan sehari-hari, termasuk perkemban gan industri keuangan berbasis teknologi di Indonesia yang dikenal sebagai financial technology (Fintech). Generasi Z semakin memanfaat kan platform Fintech untuk kegiatan investasi. Penelitian ini bertujuan untuk menganalisis pengaruh persepsi risiko, literasi keuangan, dan kepercayaan terhadap pengambilan keputusan investasi Generasi Z di Yogyakarta. Penelitian ini menggunakan desain korelasional dengan analisis regresi berganda untuk menguji hubungan antarvariabel. Data dikumpulkan melalui kuesioner terstruktur yang terdiri dari 36 butir pertanyaan dengan jumlah responden sebanyak 240 orang, melebihi jumlah sampel minimum yang dipersyaratkan. Analisis data dilakukan menggunakan SPSS versi 25. Hasil penelitian menunjukkan bahwa persepsi risiko berpengaruh negatif dan signifikan terhadap keputusan investasi, sedangkan literasi keuangan berpengaruh positif terhadap pengambilan keputusan yang lebih informatif. Kepercayaan terhadap platform Fintech juga berperan penting dalam mendorong partisipasi investasi. Penelitian ini menekankan pentingnya peningkatan pendidikan keuangan dan kepercayaan guna mendukung perilaku investasi yang berkelanjutan di kalangan Generasi Z pada era digital.

INTRODUCTION

The start of the 21st century has witnessed rapid technological advancements, fundamentally altering the fabric of our existence. The once-elusive internet has seamlessly woven itself into the tapestry of our daily lives, transitioning from a luxury to an indispensable utility. The transformative impact of the internet and related technologies is unmistakable, significantly influencing various sectors, including healthcare, industrial automation, and personal communications (Shakeri et al., 2020). Indonesia stands as a testament to this digital revolution, boasting over 210 million internet users (Nurhayati-Wolff, 2024). This staggering statistic underscores the pervasive influence of digital technology across the archipelago, with nearly three-quarters of the population accessing the internet by early 2022 (Nurhayati-Wolff, 2024).

This exponential rise in technological adoption has paved the way for innovative solutions, notably in the realm of financial technology, or Fintech. Financial technology, commonly known as Fintech, is a sector that applies new technological advancements to improve and automate the delivery of financial services. At its core, Fintech helps companies, business owners, and consumers better manage their financial operations, processes, and lives by using specialized software and algorithms on computers and smartphones (McKinsey & Company., 2024). From mobile banking to investment platforms, Fintech has redefined the landscape of financial services, offering unprecedented convenience and accessibility. This transformation is driven by the innovative solutions Fintech provides, which enhance the efficiency and ease of financial transactions and services through mobile apps and digital platforms (Selvam et al., 2023). Nurdin, Azizah, and Rusli explain that in Indonesia, the Fintech industry is dominated by the payment sector (38%), lending sector (31%), personal finance and wealth management (8%), with the remainder comprising other sectors. In investment activities, Fintech plays a significant role, providing an alternative for investors seeking practical, efficient, convenient, and economical financial solutions (Nurdin et al., 2020).

In investment activities, Fintech plays a significant role, providing an alternative for investors seeking practical, efficient, convenient, and economical financial services (Otoritas Jasa Keuangan, 2023). According to the Otoritas Jasa Keuangan, P2P lending is an investment and funding alternative where fund owners can directly lend to borrowers with higher returns (Kumar et al., 2023). Conversely, borrowers can apply for loans directly from fund owners with easier terms and faster processes compared to traditional financial institutions. This investment promises significant annual returns, but

it is important to consider the risk profile and tolerance before investing, as well as the management strategy. Therefore, the first step in starting an investment in P2P lending is to fully understand its risks to avoid investing without comprehending the level and type of risks involved.

Indonesia's Fintech sector has experienced meteoric growth, expanding six-fold over the past decade (Invest Indonesia, 2023). This trend is particularly pronounced in Indonesia, a nation witnessing a Fintech boom driven by high digital penetration and a largely underserved banking population. The Indonesian Fintech landscape has evolved rapidly, with a six-fold increase in the number of Fintech players over the last decade, culminating in a diverse ecosystem encompassing lending, payments, and wealth management (Maryaningsi et al., 2024). Notably, the wealthtech sector has seen significant growth, with over 9 million retail investors engaging in digital trading and wealth management services as of 2021. This surge in Fintech adoption among Generation Z Indonesians reflects a broader shift towards digital solutions that offer convenience, accessibility, and a sense of empowerment over personal finances. In Yogyakarta, the heart of Java known for its vibrant culture and youthful energy, the allure of Fintech has captured the imagination of Generation Z, who are increasingly drawn to digital platforms for their investment endeavors(Kumar et al., 2023).

With the presence of Fintech, this technology presents significant opportunities for investment in Indonesia, particularly in the capital market. Fintech can also create a more inclusive financial environment to enhance access and quality of financial services and increase Fintech adoption among the population. The presence and potential of Fintech continue to rise annually, with its various advantages attracting investors, which in turn influences the expansion of economic activities (Aeni et al., 2024). Fintech in its application to the capital market also plays a role in introducing new innovations in financial services, such as robo-advisors, a hallmark of Fintech. According to Maryaningsi, Vidiati, Selasi, and Pratama, Fintech in Indonesia focuses on three main areas: digital payments, peer-to-peer lending, and investments (Maryaningsi et al., 2024). The use of digital payment platforms such as Gopay, OVO, and Dana is widespread. Peer-to-peer lending, which is regulated by the OJK and currently performing well, includes platforms like KoinWorks, Modalku, and Investree (Finansialku, 2022). Popular investment platforms, as reported by Bisnis.com, include Bibit, E-mas, and Ajaib (Rahardyan, 2021). Amidst this digital renaissance, the decision-making process surrounding Fintech-based investments depends on a trifecta of pivotal factors: risk

perception, financial literacy, and trust. The perception of risk plays a pivotal role in shaping individuals' attitudes towards the inherent uncertainties of financial assets (K & Kumar, 2014). Risk represents an uncertainty in return perceived by users. It can also be interpreted as the loss from the difference between the actual return and the expected return. When discussing Fintech, Nurdin, Azizah, and Rusli explain that users initially perceive the risk of cybercrime (Nurdin et al., 2020). Cybercrime can endanger every transaction conducted by consumers and threaten the security of each user's personal data. This threat is not limited to the leakage and misuse of personal data, which can cause losses for users. From the consumer's perspective, despite the significant attention this technology has received, the intention to use Fintech for daily activities remains uncertain/questionable (Li et al., 2023). Consumers may hesitate to adopt Fintech mainly due to the significant and unavoidable risks (Liao et al., 2010) . The unexpected risks associated with Fintech usage can be detrimental to customers.

Trust emerges as the anchor of Fintech adoption, underpinning users' confidence in the security and reliability of digital platforms, particularly in an era fraught with cybersecurity threats and data breaches (Aldboush & Ferdous, 2023). Fintech business is a trust relationship between users and developers. Data breaches, data misuse, data falsification, and similar issues can damage the trust between both parties. This trust is crucial because interactions between Fintech users and developers occur virtually without direct meetings (Nurdin et al., 2020). Moreover, one's level of financial literacy empowers investors with the requisite knowledge to navigate the intricate maze of investment options, enabling them to make informed decisions aligned with their financial goals (Seraj et al., 2022). Fintech often offers innovative investment products such as peer-to-peer lending, robo-advisors, and cryptocurrency. Adequate financial literacy helps individuals understand these types of products, along with their risks and potential benefits. Additionally, investing through Fintech often involves the storage and exchange of personal and financial data. Good financial literacy helps individuals choose secure platforms and understand how to protect their sensitive information. Financial literacy helps investors understand the risks associated with Fintech investments, such as liquidity risk, market risk, and operational risk. This enables investors to make more informed decisions and better manage their portfolios.

As young investors in Yogyakarta navigate the labyrinth of the digital economy, their attitudes towards risk, financial understanding, and trust in Fintech platforms collectively influence their investment decisions. These factors not only determine their

propensity to invest but also shape the contours of their investment portfolios, thus sculpting the local financial landscape. Furthermore, a nuanced understanding of these influences holds profound implications for policymakers, financial institutions, and educators seeking to empower young investors with the tools and knowledge necessary to navigate the complexities of the modern financial landscape, thereby fostering a culture of financial resilience and empowerment. Given this context, it becomes essential to explore how the emergence of financial technology (Fintech) interacts with the behavioral and cognitive dimensions of young investors. While the introduction highlights the growing significance of financial technology, risk perception, financial literacy, and trust in shaping investment behavior, the following literature review delves deeper into how Fintech redefines these relationships. By examining prior studies on Fintech adoption, financial literacy, and investment behavior, this section aims to establish a theoretical foundation for understanding how young investors in Yogyakarta engage with digital financial platforms and make informed investment decisions in an increasingly technology-driven economy.

The rise of Fintech has been hailed as a transformative force in the financial landscape, democratizing access to financial services and streamlining operations (Chen & Zhang, 2020; Gomber et al., 2017). Fintech is an industry that aims to provide financial services by leveraging modern technology software. It is also a new financial service model that evolves through innovations in information technology (Journal of Banking and Financial Technology, 2021). However, the success of Fintech platforms hinges on individual factors, including financial literacy, risk perception, and trust. Simultaneously, risk perception plays a pivotal role in shaping individuals' attitudes towards financial investments. Higher perceived risks often lead to more conservative investment behaviors, highlighting the psychological barriers individuals face when assessing investment opportunities. Research indicates that risk perception significantly influences investment decisions, with factors such as socio-economic status, domain knowledge, and personal traits playing key roles in determining one's risk tolerance (Olsen, 2014). Additionally, a study by Sobaih and Elshaer expanded on the Theory of Planned Behavior, illustrating how financial knowledge and subjective norms impact risky investment intentions, emphasizing the mediating effects of perceived behavioral control and risk-taking behaviors (Sobaih & Elshaer, 2023). This nuanced understanding underscores the necessity of considering socio-cultural factors and individual characteristics when evaluating financial decision-making contexts, as highlighted by Singh and

Bhattacharjee, who identified key influences on stock market risk perception in different demographic groups (Singh & Malik, 2019). Therefore, recognizing these dynamics is crucial for developing strategies that address the psychological and cultural barriers to investment. Financial literacy stands as a foundational pillar influencing individuals' financial decision-making processes. Studies show that higher levels of financial literacy empower individuals to make informed investment choices aligned with their financial goals (Lusardi & Mitchell, 2014). Additionally, financial education programs play a crucial role in improving financial literacy levels. Research by Fernandes et al. highlights the importance of educational interventions in enhancing investors' decision-making abilities (Fernandes et al., 2014). More recent research continues to emphasize the critical role of financial literacy in promoting sound financial behavior and overall financial well-being (Lusardi & Mitchell, 2023; Messy & Monticone, 2023).

Trust emerges as a critical factor influencing the adoption and utilization of Fintech platforms. Studies indicate that trust acts as a linchpin, underpinning users' confidence in the security and reliability of digital financial services. Trust significantly influences both the intentions to use and the actual use of Fintech services, highlighting its pivotal role in Fintech adoption (Selvam et al., 2023). Furthermore, research highlights the role of user experience and interface design in building trust in Fintech platforms, indicating that usability and transparency are essential factors for fostering trust among users (MPDI, 2023). The peak of these factors; financial literacy, risk perception, and trust, ultimately shapes individuals' investment decisions. As young investors in Yogyakarta navigate the digital financial landscape, their attitudes towards these variables collectively influence their investment preferences and behaviors. Recognizing the interconnected nature of these factors is crucial for policymakers, financial institutions, and educators in devising targeted interventions to empower investors and foster a culture of financial resilience and empowerment.

Risk perception is a pivotal factor in investment decisions, as it influences investors' behavior towards different financial assets. The hypothesis H1 is supported by the findings that individuals' perceived risks associated with various investment options can deter or encourage investment behaviors among Generation Z in Yogyakarta. This is supported by Huber and Huber's study, which found that the scaling of the vertical axis in charts significantly affects people's risk perception (Huber & Huber, 2019). A narrower scale leads to a higher perceived riskiness of an asset, even if the underlying volatility remains the same. This perception of riskiness, in turn, influences investment

propensity, with perceived profitability often outweighing perceived risk in decision-making processes. The implications of this study are particularly relevant for Generation Z, who are known to be visual learners and may rely heavily on digital representations of financial data.

H1: Risk Perception has a negative influence on Investment Decision among Generation Z in Yogyakarta.

Financial literacy is a crucial determinant of investment decisions, particularly among younger generations who are navigating an increasingly complex financial landscape. The hypothesis H2 suggests that financial literacy positively influences investment decisions among Generation Z in Yogyakarta. This is substantiated by research indicating that individuals with higher financial literacy are more likely to engage in investment activities and make informed financial choices (Lusardi & Mitchell, 2023). A study published in the Journal of Financial Literacy and Wellbeing emphasizes that financial literacy not only enables savvy financial decisions but also enhances financial wellbeing, making individuals less susceptible to framing effects and more comfortable using basic financial instruments. Another study focusing on undergraduates in Sri Lanka found that financial literacy significantly influences investment decisions, with financial skills being the most significant dimension (Kumari, 2020). These findings are relevant to Generation Z in Yogyakarta, as they highlight the importance of financial education in shaping investment behavior and decision-making processes.

H2: Financial Literacy positively influences Investment Decision among Generation Z in Yogyakarta.

Trust is a cornerstone in the investment decision-making process, influencing how investors perceive the reliability and integrity of financial markets and institutions. Hypothesis H3 posits that trust significantly influences investment decisions among Generation Z in Yogyakarta. This is supported by a study by Ryan and Buchholtz, which suggests that trust acts as an antecedent to the risk variable in investor decision-making models (Ryan & Buchholtz, 2001). The research indicates that shareholders' trust in management and the market is essential, as investment involves both financial and ethical risk. The level of trust can determine the extent to which investors are willing to engage in the market and commit their capital to various investment opportunities. This is particularly relevant for Generation Z, who may rely heavily on digital platforms and social proof when making investment decisions. Investment decisions among Generation Z in Yogyakarta are shaped by the complex interaction of risk perception, financial

literacy, and trust. Considering the intertwined nature of these factors, it is hypothesized that there exists a significant positive relationship between the combined effect of risk perception, financial literacy, and trust on investment decision-making among Generation Z in Yogyakarta (H4). The hypothesis (H4) proposes that these three factors; risk perception, financial literacy, and trust simultaneously influence the investment decisions of Generation Z in Yogyakarta, suggesting that a comprehensive understanding of these variables is pivotal for predicting investment behaviors.

H4: Risk perception, financial literacy, and trust simultaneously influence investment decisions among Generation Z in Yogyakarta.

Based on the explanation above, the research framework for this study is as follows:

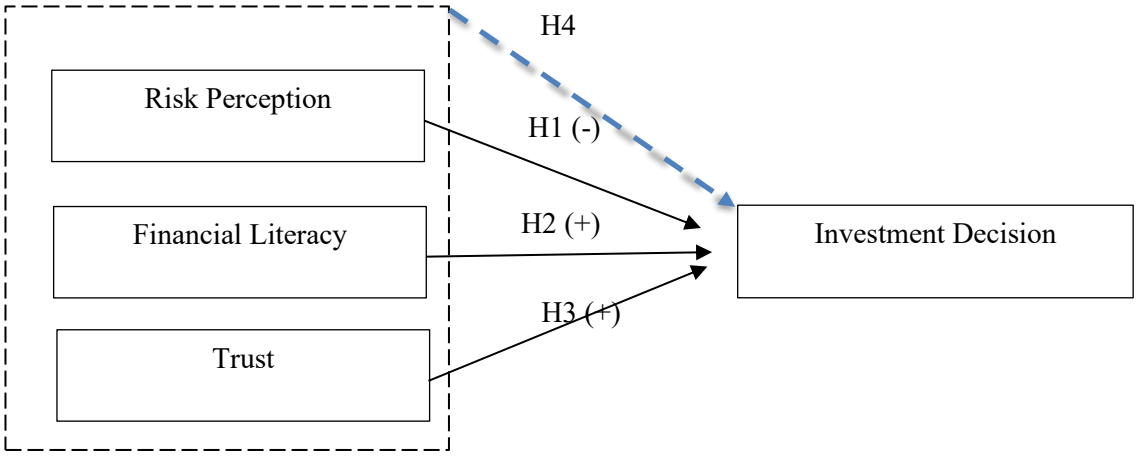

Figure 1. Research Framework

Source: Processed by the researcher, 2024

METHOD

This study employs a correlational research design to examine the influence of risk perception, financial literacy, and trust on the investment decisions of Generation Z individuals in Yogyakarta. Correlational research is characterized by its focus on investigating the relationships between variables without any manipulation. The aim of this study is to understand how changes in risk perception, financial literacy, and trust relate to the investment behaviors of young investors, especially in the context of financial technology (Fintech) adoption.

The choice of a correlational research design is appropriate for this study as it enables the analysis of relationships between variables while acknowledging that causality cannot be established (Priyono, 2016). Through this design, the research seeks

to ascertain the extent to which risk perception, financial literacy, and trust are associated with investment decisions among Generation Z individuals in Yogyakarta.

Correlational research is particularly relevant in the field of financial decision-making, as it allows researchers to assess the interplay between psychological factors (such as risk perception), cognitive factors (like financial literacy), and behavioral factors (such as trust) in influencing individuals' investment choices and behaviors. Furthermore, this research design allows for the simultaneous examination of multiple variables, thereby offering a comprehensive understanding of the factors that influence investment decisions among young investors in the digital age (Hoffmann & Shefrin, 2014).By employing a correlational approach, the study aims to enrich the existing body of literature on Fintech adoption and investment behavior among Generation Z individuals, providing insights that could assist policymakers, financial institutions, and educators in their efforts to promote financial resilience and empowerment among young investors.

The population in this study encompasses the entirety of Generation Z residing in the Special Region of Yogyakarta. As per projections by the Central Bureau of Statistics of the Special Region of Yogyakarta, the Generation Z demographic is estimated to reach 1.2 million individuals by the year 2024. This study aims to generalize findings to this extensive group, which represents a significant portion of the local population and a key demographic for financial technology adoption. The sample size for this research has been determined based on several scholarly recommendations. An ideal sample size should be 100 or more to ensure the representativeness and reliability of the results. Hair et al. suggest that the minimum sample size should be at least five times the number of questionnaire items to be analyzed (Hair et al., 2019). Given that the questionnaire for this study comprises 36 questions, a minimum sample size of 180 is deemed necessary to achieve data saturation and ensure robust statistical analysis (Lusardi & Mitchell, 2014).

This study employs purposive sampling, a non-probability sampling technique where the selection of participants is based on specific characteristics and criteria relevant to the research question (Casteel & Bridier, 2021). This method is particularly useful when targeting a subset of the population that possesses the attributes of interest, such as financial literacy levels, risk perception, and trust in financial technology among Generation Z. The Likert scale is used to explore respondents' opinions on a statement (Priyono, 2016). In conducting this research, the steps undertaken include observing the research object, compiling the study background, reviewing the literature, collecting and

analyzing data, and interpreting findings to draw conclusions and make recommendations. Specifically, in data analysis, this study employs descriptive analysis to describe the levels of risk perception, financial literacy, trust, and investment decisions among Generation Z in Yogyakarta. Classical assumption tests are conducted to assess data normality, multicollinearity, and heteroscedasticity. Additionally, multiple linear regression analysis is used to explore the simultaneous relationships of several independent variables on the dependent variable. The software used for this research is SPSS version 25.

Data were collected over a three-month period, from July - October 2024, through an online survey distributed to young investors in Yogyakarta. The questionnaire employed closed-ended questions designed to capture participants' perceptions and attitudes toward financial behavior and Fintech adoption. All items were measured using a five-point Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = neutral (moderately agree), 4 = agree, and 5 = strongly agree. This scale was chosen to reflect varying levels of agreement while maintaining clarity and consistency across constructs.

RESULTS AND DISCUSSION

Results

The respondents in this study belong to Generation Z, with a total of 230 respondents divided into three sections: screening questions, respondent profiles, and research questions. The characteristics of the respondents in this study are as follows:

Table 1. Respondent Characteristics

Characteristics of the Research Respondents		
Respondent Characteristics (Majority)		Highest Percentage
Gender	Female	58%
Age	23 Years Old	17%
Last Education Level	Bachelor's Degree/Associate Degree/Equivalent	34%
Earnings per Month	Rp. 2.500.000 – Rp. 3.500.000	27%
Occupation	Private Sector Employee	32%
Origin District	Sleman	30%
Type of Investment	Capital Market (Bonds/Government Bonds/Government Securities/Indonesian Retail Bonds/Mutual Funds/Stocks)	34%
Investment Duration	More than 1 year – 3 years	48%

Source: Processed by the researcher, 2024

Based on the research results, the characteristics of the respondents can be presented as follows: the majority of respondents in this study are female, comprising 58% of the total sample. In terms of age, the 23-year-old age group dominates with a

percentage of 17%. The majority of respondents have completed their last education at the undergraduate level, reaching 34%. A total of 27% of respondents have a monthly income between 2.5 million to 3.5 million rupiah. Geographically, Sleman Regency is the dominant origin of respondents with a percentage of 30%. In terms of investment type, the capital market is the main choice, with 34% of respondents opting for it. A total of 45% of respondents have investment experience of more than 1 to 3 years. These characteristics reflect the profile of the majority of respondents involved in this study, providing a representative picture of the researched population.

Descriptive Analysis

Based on the existing questionnaire results, descriptive analysis is used to see how respondents respond to the three research variables. The descriptive analysis by 230 respondents is as follows:

Table 2 Descriptive Analysis Result

No	Research Variables	Scoring Category	Percentage
1	Risk Perception	Very Good	86.50%
2	Financial Literacy	Good	81.09%
3	Trust	Good	81.78%
4	Investment Decision	Very Good	86.25%

Source: Processed by the researcher, 2024

The interpretation of the existing percentage results is then categorized according to the value range as follows: 20% - 36% is categorized as very poor; >36% - 52% is categorized as poor; >52% - 68% is categorized as fairly good; >68% - 84% is categorized as good; and >84% - 100% is categorized as very good (Arikunto, 2013). Based on the results above, it can be seen that the risk perception is in the very good category with a percentage of 86.50%, which means that the Generation Z population in DIY has a very good level of risk perception. A very good risk perception refers to an individual's ability to accurately identify, evaluate, and manage potential risks in certain situations or decisions. This includes a deep understanding of potential risks, their possible impacts, and the steps that can be taken to minimize or effectively manage those risks. Individuals with a very good risk perception tend to have high precision and caution in making decisions, especially those involving potential risk aspects.

Generation Z's financial literacy is good at 81.09%. Very good financial literacy in Generation Z refers to a high level of understanding and skills in effectively managing finances among Generation Z. This includes a deep understanding of basic personal finance concepts such as budgeting, saving, investing, and debt management. Generation Z with very good financial literacy can make smart financial decisions, understand the

risks and potential returns of financial products, and plan their financial future well. Trust falls into the good category with a percentage of 81.78%, indicating that Generation Z's very good trust level refers to their ability to build and maintain trust with others in various life contexts. This includes confidence, openness, integrity, and the ability to maintain healthy and mutually beneficial relationships with others. Investment decisions are very good with a total percentage of 86.25%, indicating that Generation Z has a high ability to make smart and appropriate investment decisions. This figure reflects that most of Generation Z tends to conduct thorough analysis, considering risks and potential returns well before making investment decisions.

Validity and Reliability Tests

Validity testing refers to the extent to which an instrument or measurement tool measures what it is supposed to measure. In other words, validity assesses the degree to which a test or measurement tool aligns with the purpose or concept it aims to measure. Reliability testing refers to the consistency or dependability of measurement results over time, from one situation to another, or from one observer to another. In other words, it measures how accurate and stable an instrument or measurement tool is in measuring something.

In this study, validity was tested using a sample of 36 respondents and a significance level of 5%. Based on calculations using SPSS Ver. 25, all questionnaires showed Pearson correlation values above 0.05 and significance less than 0.05, indicating that all questions in the four variables can be considered valid. Using SPSS Ver. 25 for reliability testing, the Cronbach's alpha values for the variables were as follows: risk perception 0.732, financial literacy 0.993, trust 0.753, and investment decision 0.748, all exceeding the threshold of 0.6. Based on these results, it can be concluded that all questions in this study are reliable

Classical Assumption Tests

Before performing multiple regression, classical assumption tests were conducted, including tests for normality, heteroscedasticity, and multicollinearity. The normality test was conducted using the Kolmogorov-Smirnov test, and the results are as follows:

Table 3 Kolmogorov-Smirnov Result

	Unstandardized Residua
Kolmogorov-Smirnov-Z	1.341
Asymp.Sig (2-tailed)	.196

Source: Processed by the researcher, 2024

The data in the table above show the results of the normality test using the Kolmogorov-Smirnov test. The results of the moderation regression analysis indicate an Asymp. Sig (2-tailed) value of 0.196, which is higher than the established significance level of 5% (α = 0.05). Therefore, the analysed data can be considered to follow or be normally distributed. Next, the multicollinearity test is used to evaluate the level of correlation between the independent variables in the regression model. The purpose is to determine whether there are multicollinearity issues that might affect the validity and reliability of the regression coefficient estimates. The results of the multicollinearity test are as follows:

Table 4 Multicollinearity Result

Variables		Collinearity Statistics		Description
		Tolerance Score	VIF	
1	Risk Perception	,856	2,092	Multicollinearity is not present.
	Financial Literacy	,856	2,092	Multicollinearity is not present.
	Trust	,856	2,092	Multicollinearity is not present.
a. Dependent Variable: Investment Decision				

Source: Processed by the researcher, 2024

The multicollinearity test table shows that there are no multicollinearity issues among the two variables analyzed. This is indicated by the tolerance values of each variable being greater than 0.10 and the VIP values being less than 10.00. These results suggest a relationship between the independent variables and the dependent variable. The heteroscedasticity test assesses whether the regression model in this study shows differences in the variability of residuals between one observation unit and another. The testing was conducted using the Gletjser method with a significance level of 0.05. The results indicate that the risk perception variable has a significance level of 0.211, financial literacy of 0.144, and trust of 0.251, all of which are greater than 0.05. Based on these results, it can be concluded that there is no indication of heteroscedasticity, meaning the regression model meets the homoscedasticity assumption.

Multiple Regression Analysis

This study utilizes multiple regression analysis to examine the impact of risk perception, financial literacy, and trust on the investment decisions of Generation Z in Yogyakarta, both individually and collectively. The following are the results of the multiple regression analysis conducted in this study:

Table 5
Multiple Regression Analysis Result

Variable	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
(Constant)	4.436	0.287	
Risk Perception (X1)	-0.445	0.047	0.217
Financial Literacy (X2)	0.376	0.071	0.313
Trust (X3)	0.573	0.067	0.322

Source: Processed by the researcher, 2024

From the table above, the multiple regression equation is obtained as follows:

Y = 4.436 - 0.445 X1 + 0.376 X2 + 0.573 X3

From the model, it is evident that there is a constant value of 4.436, indicating that the investment decision value (Y) will be 4.436 when all X variables have a value of 0. The financial literacy variable (X1) has a regression coefficient of -0.445, signifying that the influence of risk perception on investment decisions is negative and significant. This means that for every 1% increase in the risk perception variable, the investment decision decreases by 0.445, assuming other variables remain constant.

Furthermore, the financial literacy variable (X2) has a positive regression coefficient of 0.376, indicating that for every 1% increase in financial literacy, the investment decision increases by 0.376, assuming other variables remain constant. Lastly, the trust variable (X3) has a positive and significant regression coefficient of 0.573, showing that for every 1% increase in trust, the investment decision increases by 0.573, assuming other variables remain constant.

Coefficient of Determination Test

Next, a coefficient of determination test (R^2) was conducted to evaluate and predict the extent of the influence exerted by the independent variables on the dependent variable in this study. The results of the coefficient of determination test from this research are as follows:

Table 6 Coefficient of Determination Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.721	0.520	0.514	0.218

a. Predictors: (Constant), Risk Perception, Financial Literacy, Trust
b. Dependent Variable: Investment Decision

Source: Processed by the researcher, 2024

The results of the coefficient of determination test show that the R Square is 0.520 or 52%. This indicates that the independent variables in this study can explain 52% of

the variation in the dependent variable. In other words, the investment decisions made by Generation Z can be explained by the independent variables to the extent of 52%, while the remaining 48% is explained by other variables not included in the research model. These findings also confirm that the relationships between the variables are significant enough.

t-Test

The T-Test in this study was conducted to evaluate the influence of each independent variable on the dependent variable. The following are the results of the T-Test for the variables of risk perception, financial literacy, and trust on the investment decisions of Generation Z in Yogyakarta:

Table 7/ t-test Result

Model	t	Significancy Score
Risk Perception (X1)	-0.127	0.000
Financial Literacy (X2)	0.204	0.000
Trust (X3)	0.388	0.000

Source: Processed by the researcher, 2024

Based on the results of the T-Test above, the overall significance value is 0.000, which is less than 0.05. This indicates that partially, the variables X1, X2, and X3 have a significant effect on the investment decisions of the Generation Z population in Yogyakarta.

f-Test

The F-Test was conducted to observe the simultaneous effect of the independent variables on the dependent variable. The results of the test are as follows:

Table 8. f-test Result

F	Significancy Score
56,457	0.000[b]

Source: Processed by the researcher, 2024

The results of the F-Test show a significance level of 0.000b, which is smaller than alpha (0.05). Therefore, it can be said that all the independent variables simultaneously have a significant effect on investment decisions (Y).

Analysis and Discussion

The data used in this study are derived from primary data obtained from the distribution of questionnaires to Generation Z in Yogyakarta. The results of the classical assumption tests have been passed, and after regression analysis, it is evident that there is a negative effect of risk perception on investment decisions among Generation Z in

Yogyakarta. This result is seen from the t-test where the result is -0.127 and sig 0.000 < 0.05. This finding aligns with research by Hoffmann and Shefrin, which suggests that higher risk perception negatively influences investment decisions because it increases the perceived uncertainty and potential for loss, leading to more conservative investment behaviours (Hoffmann & Shefrin, 2014).

Risk perception negatively impacts investment decisions among Generation Z because the higher the risk perception, the lower the tendency for Generation Z to take risks in investments. In this context, risk perception can influence investment decisions inversely, where an increase in risk perception tends to reduce the interest in investing or leads to more conservative investment decisions. Generation Z may be more risk-averse due to fears of losses or unsatisfactory investment outcomes. High-risk perception can enhance feelings of uncertainty and reduce the desire to undertake risky investments.

The current study results indicate that financial literacy positively influences investment decisions by 0.204 with a significance level of 0.00 < 0.05, thus H2 is accepted. This finding is consistent with the research by Lusardi and Mitchell, which shows that financial literacy positively impacts investment behavior by enhancing the understanding of various investment instruments, risk management, and financial strategies (Lusardi & Mitchell, 2014). Generation Z with good financial literacy can better comprehend the risks and potential returns of different types of investments, aiding them in making more informed and knowledge-based investment decisions. With improved financial literacy, Generation Z can be more aware of investment opportunities that they might not have considered otherwise. They can identify investments that fit their risk profile and financial goals.

The research shows that H3 is accepted, indicating that trust positively influences investment decisions by 0.388 with a significance level of 0.000 < 0.05. This finding is in line with the study by Lee and Shin, which demonstrates that trust in Fintech platforms significantly affects investment decisions among younger generations (Lee & Shin, 2018). Generation Z who trusts Fintech platforms tend to have a better understanding of how the technology works. They feel comfortable using Fintech and experience benefits and satisfaction from using these platforms for their financial activities. Trusted Fintech platforms generally have good security systems and protect user data privacy. This provides higher confidence for Generation Z to use Fintech platforms for transactions and investments. Positive experiences with Fintech for previous investments can strengthen Generation Z's trust in these platforms. Smooth usage and satisfactory

investment results can increase their confidence in continuing to use Fintech as an investment choice.

CONCLUSION

The study explored the nuanced interplay between risk perception, financial literacy, and trust, and their collective impact on investment decision among Generation Z in Yogyakarta, with a particular focus on the burgeoning Financial Technology sector. Our findings highlight several critical insights and pave the way for our groundbreaking strategies to empower young investors in the digital age. The data reveals that higher perceived risks significantly deter investment behaviors among Generation Z. This underscores the necessity for comprehensive risk management education tailored to the digital financial environment. Enhanced financial literacy correlates positively with more informed and confident investment decisions. Young investors equipped with robust financial knowledge are better prepared to navigate the complexities of modern financial instruments, particularly those offered through Fintech platforms. Trust emerges as a pivotal factor in the adoption and utilization of Fintech platforms. Our findings suggest that building and maintaining trust through transparency, security measures, and user-centric designs are crucial for fostering confidence among young investors. The simultaneous influence of risk perception, financial literacy, and trust creates a dynamic framework that shapes investment behaviors. Understanding this interplay is essential for developing effective strategies to engage and support Generation Z investors.

Developing gamified financial education platforms that simulate real-world investment scenarios can significantly enhance the learning experience for young investors. These platforms can make learning about risk management, investment strategies, and financial planning engaging and accessible. By leveraging mobile technology, interactive apps can be created to offer personalized financial advice and real-time market analysis. This approach helps users understand the implications of their investment choices in a fun and intuitive way, making financial education more appealing and effective. Implementing VR-based training programs can further improve financial literacy among young investors. These programs immerse users in simulated high-risk investment environments, enhancing their decision-making skills by allowing them to experience and manage risk in a controlled setting. This provides a safe space for young investors to learn and apply risk management strategies without the fear of real-world losses, thereby building confidence and competence in handling financial challenges.

Utilizing AI to develop sophisticated risk assessment tools offers another innovative approach to financial education. These tools can provide personalized risk profiles and investment recommendations, enabling users to make informed decisions based on their unique risk tolerance. By analyzing vast amounts of data, AI-powered tools can offer insights tailored to individual preferences and financial goals, helping young investors navigate the complexities of the financial market with greater ease and accuracy. Promoting the use of blockchain technology can ensure transparency and security in financial transactions, thereby building trust among young investors. Blockchain's immutable ledger provides verifiable proof of transactions, reducing the risk of fraud. Educating young investors about the principles and benefits of decentralized finance can empower them with greater control over their investments and mitigate traditional financial risks. This knowledge is crucial for fostering a secure and trustworthy financial environment.

Creating social investment networks can foster a sense of community and collective learning among young investors. These networks allow users to share insights, strategies, and experiences, enhancing trust and collaboration. They also serve as platforms for mentorship and peer-to-peer education, providing valuable support and guidance for novice investors. By encouraging interaction and knowledge sharing, social investment networks can help young investors build a strong foundation in financial literacy and investment strategies. Encouraging the development of crowdsourced investment funds can democratize investment opportunities and reduce individual risk. This approach allows users to pool resources and invest collectively, benefiting from diversified investment portfolios and collective decision-making. Crowdsourced investment funds enable young investors to participate in the financial market with lower individual stakes, making it more accessible and less intimidating. This strategy can promote financial inclusion and empower a broader segment of the population to engage in investment activities.

By embracing these innovative strategies, policymakers, financial institutions, and educators can significantly enhance the financial resilience and empowerment of Generation Z. These suggestions not only address the current challenges but also position young investors to leverage the full potential of Fintech, fostering a robust and inclusive investment culture in the digital era. Through targeted education and the adoption of advanced technologies, young investors can be better prepared to navigate the financial landscape, contributing to a more dynamic and equitable economy.

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