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The Influence Of Digital Literacy, Financial Literacy And Social Media On Investment Decisions Of The Millennial Generation In Padang City

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Abstract – The aim of the research is to determine the influence of digital literacy, financial literacy, risk perception and social media on investment decisions of the millennial generation partially and simultaneously. The research population is all millennial generations in the city of Padang who are investors in the capital market. The sample was determined by purposive sampling according to Hair et al., as many as 120 people. Research data was collected using a Likert scale. All instrument tests and classical assumption tests are met before the data is processed and analyzed using multiple linear regression.

The results of hypothesis testing at a significance level of 5% show that digital literacy, financial literacy, risk perception and social media have a significant positive effect on investment decisions of the millennial generation in the city of Padang partially and simultaneously. Multiple linear regression equation $Y = 40{,}514 + 549{,}120X_1 + 37{,}368X_2 + 491.211X_3 + 354.178X_4 + e$.

Keywords – digital literacy, financial literacy, risk perception, social media and Investation decision

I. INTRODUCTION

Long-term financial management helps future financial planning by investing [1] in preparing capital. Investing in the Indonesian Stock Exchange (BEI) capital market is an investment alternative that is easily accessible to the public with long-term financial instruments such as bonds, shares, mutual funds and other derivative instruments to gain profits [2] . The increase in the number of individual investors in 2019-2022 was not followed by accurate investment decision making so that people suffered losses due to illegal investments because people were tempted by high interest rates [2] . Most investors are dominated by the millennial generation and generation Z. The millennial generation's investment decisions are easily fooled by influencers' invitations to invest illegally because financial literacy is still low so they need financial education [3] . Population aged 15 – 17 years have a financial literacy rate of only 16% and are financially vulnerable [3] .

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Risk perception is an individual's assessment of problems that have a negative impact so that concerns arise about the risks received [3] . Indonesian investors have not used good risk perception and full consideration in making investment decisions due to illegal investment. As many as 70% of the millennial generation's investment decisions in the West Sumatra capital market invest money in the capital market [3] however, investment decisions are not followed by a good level of digital literacy and financial literacy. West Sumatra's financial literacy level is quite low at 40.78% and the inclusion rate is 76.8% compared to Riau's financial literacy rate of 67.27% and inclusion rate of 85.19% [3] where financial literacy has a significant positive effect on investment decisions [4] . The millennial generation who uses social media actively and wisely results in better investment decisions [5] and has a significant positive impact on investment decisions [6] .

Based on the facts above, it shows that the investment decisions of the millennial generation are still not optimal, so the research problem formulation is: what is the influence of digital literacy, financial literacy, risk perception and social media on the investment decisions of the millennial generation partially and simultaneously. The aim of the research is to determine the influence of literacy digital, financial literacy, risk perception and social media on investment decisions of the millennial generation partially and simultaneously.

Literacy digital explains the concept of the digital era [7] as the ability to understand and use various information via computer devices. Digital literacy is the technical ability to operate a computer as a digital tool and adapt to activities mediated by digital technology including social practices [8] . The digital literacy indicators are as follows: cultural, cognitive, constructive, communicative, trustworthy, creative and socially responsible [8] . The cultural aspect is the most important element because it helps the cognitive aspect in assessing the development of digital literacy and the concept of digital literacy as an important basis for understanding technological, information and communication devices in line with the terminology developed as a *life skill* .

Financial literacy is the knowledge and ability to apply understanding of concepts and risks, skills to be able to make effective decisions to improve financial, individual and social welfare and participate in the community [9] . Financial literacy at the age of 15 years is knowledge and understanding of financial concepts and risks as well as skills, motivation, self-confidence to make effective financial decisions to improve individual/community financial welfare and participate in economic activities [10] . Financial literacy in students is knowledge for financial management in decision making [11] . The dimensions of financial literacy are knowledge, education and information about finance and its sources [12,13]. about banking, deposits, credit, insurance and taxes.

A hypothesis is a temporary answer to the problem being researched and a tentative statement is an assumption about what is being observed in an effort to understand it [14] . The research hypothesis is that digital literacy, financial literacy, risk perception and social media influence the investment decisions of the millennial generation partially and simultaneously.

II. RESEARCH METHODS

This type of explanatory research aims to investigate possible causal relationships that exist through certain data [14] . The type of research data is primary in the form of a questionnaire as a data collection tool using a 1-4 Likert scale. The research population is all millennial generations in the city of Padang who are investors in the capital market. The sample was determined by purposive sampling according to Hair et al., as many as 12 x 10 = 120 people. The data analysis method uses multiple linear regression, where previously everything must meet the instrument test and classical assumption test [14] **.**

III. RESULTS AND DISCUSSION

3.1. Instrument Test Results and Classical Assumptions

A summary of instrument tests and classical assumption tests as the first step in multiple linear regression analysis, the results are as follows in table 1:

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Table 1. Instrument Test Results and Classical Assumption Tests

Variable	Instrument Test		Classic assumption test		
	Validity	Reliability	Normality	Multicollinearity	Heteroscedasticity
Y	>0.30	Cronbach's alpha > 0.60	Asym.Sig (2 tailed) > 0.05	Tolerance > 0.10 and VIF < 10	Sig > 0.05
X_1	>0.30	Cronbach's alpha > 0.60	Asym.Sig (2 tailed) > 0.05	Tolerance > 0.10 and VIF < 10	Sig > 0.05
X_2	>0.30	Cronbach's alpha > 0.60	Asym.Sig (2 tailed) > 0.05	Tolerance > 0.10 and VIF < 10	Sig > 0.05
X_3	>0.30	Cronbach's alpha > 0.60	Asym.Sig (2 tailed) > 0.05	Tolrance > 0.10 and VIF < 10	Sig > 0.05
X_4	>0.30	Cronbach's alpha > 0.60	Asym.Sig (2 tailed) > 0.05	Tolerance > 0.10 and VIF < 10	Sig > 0.05

Source: Processed Primary Data, 2023

According to table 1 above, all research variable indicator items fulfill all instrument tests such as validity tests, reliability tests and all classical assumption tests such as normality tests, multicollinearity tests, heteroscedasticity tests. All research variable indicator items have validity test values > 0.30 and Cronbach alpha > 0.60. All indicators of the normality test value asym.Sig (2 tailed) > 0.05; multicollinearity tolerance test value > 0.10 and VIF < 10; heteroscedasticity test value sig > 0.05. So it is concluded that all research variable indicators are suitable for use as research measuring tools in accordance with the applicable provisions in inferential statistical tests.

3.2. Results of Multiple Linear Regression Analysis

The summary of multiple linear regression data analysis is as follows in table 2:

Table 2. Multiple Linear Regression Analysis

Multiple linear regression equation $Y = 40.514 + 549.120X_1 + 437.368X_2 + 491.211X_3 + 354.178X_4 + e$
t count (0.467) (0.332) (0.247) (0.219)
Sig. (0.000) (0.000) (0.000) (0.000)
F count (32,715)
Sig. (0.000)
R 0.781
R^2 0.611
Adjusted R^2 0.593

Source: Processed Primary Data, 2024

The multiple linear regression equation according to table 2 above is interpreted as follows:

a = 40,514 meaning that if there is no digital literacy, financial literacy, risk perception and social media then the investment decision of the millennial generation in the city of Padang will be 40,514

b_1 = 549,120, meaning that if digital literacy increases by 1 unit, the investment decision of the millennial generation in the city of Padang will be 549,120, assuming financial literacy, risk perception and social media remain the same.

b_2 = 437,368, meaning that if financial literacy increases by 1 unit, the investment decision of the millennial generation in the city of Padang will be 437,368 with the assumption that digital literacy, risk perception and social media remain the same.

b_3 = 491,211, meaning that if the perception of risk increases by 1 unit, the investment decision of the millennial generation in the city of Padang will be 491,211 with the assumption that digital literacy, financial literacy and social media remain constant.

$b_4 = 354{,}178$, meaning that if social media increases by 1 unit, the investment decision of the millennial generation in the city of Padang will be 354,178 with the assumption that digital literacy, financial literacy and social perception remain the same.

The influence of digital literacy is more dominant than the influence of financial literacy, risk perception and social media on the investment decisions of the millennial generation in the city of Padang. Digital literacy, financial literacy, risk perception and social media have a significant positive effect on investment decisions of the urban millennial generation, partially and simultaneously at a significance level of 0.05. The correlation between digital literacy, financial literacy, risk perception and social media with the investment decisions of the millennial generation in the city of Padang, the value of R = 0.781 is classified as moderate, the value of $R^2 = 0.611$, the remaining 0.389 is influenced by other factors not included in the research model. The investment decisions of the millennial generation in the city of Padang are explained by digital literacy, financial literacy, risk perception and social media. The value of Adjusted $R^2 = 0.593$, the remaining 0.407 is explained by other factors not included in the research model.

IV. CONCLUSION

Based on the results and discussion above, the following conclusions are obtained:

1. Digital literacy has a significant positive effect on investment decisions of the millennial generation in the city of Padang partially.
2. Financial literacy has a significant positive effect on investment decisions of the millennial generation in the city of Padang partially.
3. Risk perception has a significant positive effect on the investment decisions of the millennial generation in the city of Padang.
4. Social media has a significant positive effect on investment decisions of the millennial generation in the city of Padang partially.
5. Digital literacy, financial literacy, risk perception and social media have a significant positive effect on the investment decisions of the millennial generation in the city of Padang simultaneously.

A Confession

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Conflict of Interest

We, the research team, declare that there is no conflict of interest related to the results of this study.

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