CHAPTER 1
INTRODUCTION

1.1 Background

In the financial literature, many researchers have confirmed that a person's financial behavior is influenced by financial knowledge or literacy. Theoretically, Robb & Woodyard (2011) state that financial literacy is a part of financial knowledge about how financial markets work and should result in people making more effective decisions. Programme for International Student Assessment (2014) suggests financial literacy as knowledge and understanding of financial concepts and risks, along with the skills, motivation, and confidence to apply this knowledge and understanding to make effective financial decisions. Other studies, such as Kurniadi et al. (2022), state that a person can manage finances well, assuming a high level of financial literacy. Lack of financial knowledge also makes it difficult for someone to invest. Supported research by Yushita (2017), an essential mission of the financial literacy program is to provide education in the field of finance to Indonesian people so that they can manage their finances intelligently so that the lack of knowledge about the financial industry can be overcome, and the public is not easily deceived in investment products. Which offers high returns in the short term without considering the risks.

Two financial behaviors that have also become the focus of many researchers are shopping behavior and investment behavior. Mowen (2008) found that fulfilling one's life needs is driven by the social needs of the surrounding environment, which influence consumer behavior and ultimately create a new lifestyle known as shopping behavior or, in other words, shopping behavior. If not balanced with sound financial management, this practice can lead to high levels of consumerism and hurt financial management.

Based on empirical research from Chaturvedi & Khare (2012) suggests that age, education, occupation, and individual income level influence a person's investment behavior. Generation Y, better known as the millennial generation, are people born in 1980-1995. Meanwhile, Generation Z was born in 1996-2012. The most apparent difference between millennials and Generation Z is the presence of technology. Millennials grew up using DVD players, large computers, cell phones with black and white screens, and more. Meanwhile, Generation Z already has full access to smartphones, Wi-fi, streaming application services, and various other technological conveniences Youngontop, (2022); Djuandita, (2022).

The results of the September 2020 census, Indonesia's population is 270.20 million people and the majority of Indonesia's population is dominated by Generation Y (millennials) and Generation Z, which reach 25.87 and 27.94 percent, respectively. of the entire population Badan Pusat Statistik (2021). The pattern of people's life in the past is slowly changing with the pattern of life of today's younger generation, where the lifestyles of the younger generation, both generations Y and Z, vary from the way they spend money to buy goods and go on adventures. This will affect the behavior patterns of both generations regarding waste if Generation Y and Generation Z do not have a strong understanding of a good and correct financial situation. Someone with good self-control can avoid extravagant behavior and rush in making choices because they always think about the consequences before acting Chalimah et al. (2019).

Internet adoption is a necessary condition for online shopping. Over the decade studied, Internet adoption across both generations increased by about 30 percentage points. Gen Y and Gen Z grew up at a time when information and communication technology was developing. Thus this generation is 'digital natives' Bennett et al. (2008). The biggest online buyers are millennials, surveys show that 50% of buyers are millennials by age Marketeers (2018). This happens because the internet connection influences a lifestyle that is always connected to the internet and leads to online purchases. In addition, the Budiati et al. (2018) stated that during the current pandemic there was an increase in investors from millennials because of the ease of transacting online, in line with this, there has been an increase in awareness of financial literacy in the millennial generation.

Financial literacy or knowledge is needed in shopping and investing behavior, so that consumption activities require wise decision-making so that needs can be met properly. This is done so that people avoid excessive consumptive habits. Therefore, the way that can be done to avoid consumption habits is the need for knowledge of financial literacy to manage finances which in practice makes a person consider decisions in using his money.

In investment behavior According to research by Hilgert et al. (2003), financial management and investment methods require knowledge of financial literacy. The most important thing for someone when planning an investment is to have sufficient financial knowledge so that their financial decisions have precise and clear objectives. Financial literacy is information to predict investment opportunities. Therefore, knowledge of various products, financial services, risk awareness related to financial products, customer protection, and financial management skills is required. From this explanation it can be seen that financial literacy knowledge is not only used when carrying out consumption activities but is also very necessary when investing.

Meanwhile, the novelty of this research is that the first research is the influence of financial literacy on shopping and investment behavior between generations Y and Z, for this reason this research will add generation as a moderating variable. Where previous research by Chen & Volpe (1998) explained that gender affects the level of student financial literacy. This study concludes that female students have a lower level of financial literacy than male students. Subsequent research by Arceo-Gómez & Villagómez (2017) found that the level of financial literacy of Mexican high school students aged between 15 and 18 years is in the low category. This is due to a lack of knowledge about financial literacy. So that in previous studies the majority used moderating variables such as education, gender, income, etc.

Furthermore, in previous financial literacy research, operational measurement in most financial literacy research focuses on cognitive dimensions. It relies on test measures of what people know or understand about financial concepts. Economists and other researchers most often take this objective approach to measure financial literacy by using a series of multiple choice test questions or true-false test questions embedded in a questionnaire that also includes questions about demographic characteristics and asks about financial behavior and activities based on research Hastings et al. (2013); Hilgert et al. (2003); Lusardi & Mitchell (2014).

Then the second novelty in this study will focus on two types of operational measurement of financial literacy, with the first part of the measure being an objective test based on right and wrong answers to test questions called actual financial literacy, the second part of the measure is a subjective evaluation and focuses on what people think they know about personal finance based on self-assessment of their financial literacy which is called perceptual financial literacy. Therefore, is there any influence on the measurement using the perceptual financial literacy variable on shopping behavior, where in previous research, this measurement was only obtained through one's financial knowledge through tests or objectivity? For this reason, I want to prove whether there is a difference in financial literacy between generations Y and Z if they were born in a different era in obtaining knowledge about financial literacy, which will later affect their consumption behavior and investment behavior. I hope that Generation Z will have better financial literacy so that they can minimize consumptive behavior and can test their impact on investment behavior by considering the period, risks, and goals behind taking the initiative to invest in this way so they can process financial information and make decisions good personal finances.

1.2 Problem Identification

Based on the background above, the research questions are:

1. Does financial literacy affect shopping behavior?
2. Does the effect of financial literacy on shopping behavior differ between generations Y and generations Z?
3. Are there differences in shopping behavior between Generation Y and Generation Z?
4. Does financial literacy affect the probability of investing?
5. Does the effect of financial literacy on the probability of investing differ between generations Y and generations Z?
6. Is there a difference in the probability of investing between Generation Y and Generation Z?

1.3 Research Objectives

1. To examine the effect of financial literacy on shopping behavior
2. To test whether there are differences in the effect of financial literacy on shopping behavior between generations Y and Z
3. To examine differences in shopping behavior between generations Y and Z
4. To test the effect of financial literacy on the probability of investing
5. To test whether there are differences in the effect of financial literacy on the probability of investing between generations Y and Z
6. To test the difference in the probability of investing between generations Y and Z

1.4 Research Benefits

This research is expected to provide the following benefits:

1. Theoretical Benefits

   The results of this research are expected to be helpful as a means to broaden insights and develop financial literacy that can influence shopping and investment behavior. Furthermore, it can also be helpful for parties who wish to continue related research.

2. Practical Benefits

   a. For Society

      This research is expected to be a consideration for the community to add insight into financial literacy, shopping behavior, and investment behavior and their interrelationships.

   b. For policy makers

      It is hoped that this research will serve as an additional reference and become a recommendation for the government regarding financial literacy, shopping behavior, and investment behavior, as well as its linkages to an increase in financial education in Indonesia, which in turn can increase the country's economic stability through investment and reduce consumptive behavior.

1.5 Writing Systematic

Chapter I: Introduction.

This chapter describes the background of the research, the problem identification, the research objectives, the research benefit, and the writing systematic.

Chapter II: Literature Review.

This chapter contains a theoretical framework that researchers can use to explain research findings and an overview of previous research that researchers can use to broaden their research expertise.

Chapter III: Research Methods.

This chapter describes the research design, variables and measurements, data collection methods, population, sample and sampling, as well as research analysis methods.

Chapter IV: Result and Discussion.

This chapter describes the research object, the research process, data analysis techniques, the results obtained from testing all hypotheses, and their interpretation of the methods used.

Chapter V: Closing.

This chapter describes the conclusions from the data analysis, the limitations of the study, and suggestions for further research.