CHAPTER I

INTRODUCTION

1.1 Background

Investment plays a crucial role in driving economic growth and promoting global economic integration. When conducted within a suitable regulatory environment, investment can enhance financial stability, support the adoption of new technologies, and improve living standards. Investors can increase their financial literacy, better understand the relationships between their income, expenses, assets, and liabilities, and make informed financial choices. Investing can help preserve the value of money as living expenses rise, as opposed to cash savings that eventually lose value due to inflation (Thangavelu, 2023). Over the long term, investing can also reduce the impact of weekly market fluctuations

Fortunately, we are witnessing a significant technological advancement in this era, which has profoundly impacted various aspects of human life, including the financial sector. It is crucial for individuals to develop digital financial literacy (DFL) to gain a competitive edge and make better financial decisions. Higher financial literacy increases the likelihood of financial market investing and risk-reducing decision making (Utami et al., 2021). For an investor to venture into crypto assets, they must possess a high level of risk aversion, solid financial knowledge, prior experience with high-risk financial instruments, and a strong appetite for risk.

The Fourth Industrial Revolution (IRR) is a time of rapid technological advancement that is reshaping almost every aspect of human existence, particularly economic activity (Long et al., 2022). One such area of economic activity is cryptocurrency investment, which is currently experiencing a boom in development. The public is quickly adopting cryptocurrency as a preferred investment tool, with Indonesia's millennial and Z generations being especially drawn to it. 21,052 men in their 20s who are either students or recent graduates of universities and work as entrepreneurs make up the majority of Indodax Indonesia users, according to a 2021 survey conducted by Tokenomy (Widarjo et al. 2023). This pattern suggests that young professionals and students in Indonesia are becoming more interested in investing in cryptocurrencies.

In Indonesia, the world of digital investments has drawn younger people who trade cryptocurrencies. Blockchain technology has helped make cryptocurrency a viable investment choice. Cryptocurrency exchanges are crucial as platforms for investments. Despite the unpredictability of the global economy, Indonesia's crypto asset market is expanding. Most of Indonesian cryptocurrency investors in 2022, according to Bappebti data, were young people between the ages of 18 and 24 (28.2%) and 25 and 30 (28.5%). It's interesting to note that among cryptocurrency investors, students made up the majority (23.5%) (Pramudita, 2023). In 2022, transactions involving crypto assets were primarily made with amounts under Rp 500,000 (64.6%), with only approximately 4.1% of transactions exceeding Rp 100 million.

The value of cryptocurrency transactions increased to Rp 13.8 trillion in February 2023 from Rp 12.14 trillion in January 2023, a 13.7% increase (Pramudita, 2023). Since the start of 2023, the number of transactions—particularly those involving Bitcoin—has kept increasing. Rising interest rates, banking crises, and a slowdown in US inflation all have an impact on this growth. Tokocrypto benefited greatly from a thriving cryptocurrency market as well; in February 2023, trading volume increased by over 14% over the prior month. Young people can quickly learn about cryptocurrency thanks to easy access to educational platforms, which will aid them in making informed investment decisions. Not surprisingly, young people make up the bulk of cryptocurrency traders and investors.

In the digital age, the millennial generation has become a significant driver of the investment industry. Known for their strong technological background, young people in

Indonesia demand quick, easy-to-use, and portable products. The current situation is markedly different from a few years ago when internet access and personal device usage were less advanced. The rapid technological advancements, particularly the emergence of blockchain and the Internet of Things (IoT), have led to substantial changes (Kharche et al., 2024). Blockchain technology, in particular, has become the foundation for cryptocurrencies. The digital currencies Bitcoin, Ethereum, and Litecoin are among the most well-known.

Cryptocurrencies operate independently of banks or any other governmental authorities. This lack of regulation and external safety oversight presents one of the major risks associated with digital currencies. The cryptocurrency market operates continuously, including on weekends and holidays, making it susceptible to hacking and fraud. Another common issue with cryptocurrencies is liquidity, which can lead to rapid and significant price fluctuations. Despite the perception that stocks are risky, Bitcoin, as an intangible asset, is currently considered one of the riskiest investments. Due to the substantial risks involved, success in cryptocurrency investing is often achieved by individuals with a strong financial background or financial literacy (Rifa, 2023).

The advent of the digital age and the pervasive usage of social media have become indispensable in influencing investment choices. Platforms such as X, LinkedIn, Instagram, and TikTok have created a digital investment landscape, enabling investors to access a vast array of online information sources quickly and efficiently. The impact of social media trends on Bitcoin investments is substantial, as influential individuals with large followings can sway opinions and establish trends in the cryptocurrency market (Rijanto et al. 2024). Trends in social media have a big impact on investing in Bitcoin. Prominent personalities with sizable fan bases frequently mold public perception and initiate fresh developments in the cryptocurrency industry. When these people support or criticize Bitcoin, it can cause big swings in its value depending on how their followers respond.

Digital literacy is a crucial component for Millennials and Generations Z when it comes to investing in Bitcoin. Research suggests that a component of digital literacy called financial literacy influences cryptocurrency investing behavior in a positive way. An investor can understand different tactics and plans for reducing future risks when they have a strong foundation in finance (Zhao et al. 2021).

This influence has been made possible by media’s global connectivity (Rani S et al. 2021). Though these platforms, people can share ideas, collaborate on projects, and exchange ideas. In addition to improving interpersonal relationships, this interaconnectedness has had a worldwide impact on political movements, economic trends, and cultural norms. Social media's influence on society is ever-growing as it shapes people's perceptions of and interactions with their surroundings. By June 2023, there were over 17 million registered cryptocurrency investors—a 9.3% increase from the same month the previous year. Indonesia ranked 20th out of 146 countries in the 2022 index of cryptocurrency adoption (Lucas, 2024).

Social media platforms can be used maliciously for things like pum-and-dump schemes, in which organized groups of people artificially raise the price of low-value cryptocurrencies through coordinated purchases, only to liquidate their holdings when the price peaks and leave unwary investors with large losses. Social media platforms provide investors with the ability to monitor sentiment towards certain firms or goods, analyze stock market movements, and stay up-to-date on financial news (Yang et al. 2016). Online forums for investing have grown in popularity as a source of knowledge and guidance for investors. These platforms' social features enable investors to exchange their views, expertise, and experiences, all of which may be helpful when making financial decisions. Observed that the financial sector has been using social media more recently, with an increasing number of investors depending on these channels to keep informed and make investment decisions (Guha et al. 2021) . Investors should be wary of remarks that appear too optimistic or pessimistic, diversify their sources, do extensive studies before drawing any conclusions about their investments based on social media buzz, and keep an eye on sentiment patterns as one analytical tool among many.

Using different social media platforms, it is easy to find information about investing advice in the Bitcoin market. Influencers on social media's impact: Social media influencers are now regarded by many investors as a reliable source of financial advice. Social media influencers possess substantial followings, and their suggestions and viewpoints have the power to sway investor decisions. According to research by Miniesy et al. (2022), social media influencers may have a big influence on investors' decisions since Twitter sentiment may be utilized to forecast stock market movements. The cryptocurrency market has a large number of irrational traders, which might partially indicate a mistake in the probability estimate and cause unanticipated swings in the price of Bitcoin. Market liquidity could potentially rise as a result. The other risk is that other investors follow that advice without doing their own research–an act called herding (Rahayu et al. 2020)

Investment decision-making is the process of concluding, selecting one or more options for investments, or participating in the transformation of inputs into outputs (Putri et al. 2019). In today’s world, having a sound investment plan is essential for everyone, as investing entails handling both current and future finances. Having a solid foundation in investment knowledge and being aware of appropriate investment procedures are essential for preventing losses while participating in the capital market (Rahayu et al. 2020).

To understand how behavioral intention affects financial decision-making, one must have a solid understanding of the Theory of Planned Behavior (TPB) (She et al., 2024). TPB holds that a person's intention to participate in the financial world is influenced by their beliefs about investments, their perception of behavioral control over their financial choices, and their subjective norms that are influenced by social factors. Together, these variables affect how much time and effort people are willing to put into understanding financial markets and selecting wisely when making investments. People are more likely to adopt responsible financial practices when positive behavioral intentions are fostered, which improves long-term financial security and financial outcomes.

Furthermore, people's commitment to responsible financial management is further reinforced when they gain confidence in their ability to make investment decisions as they gain a deeper understanding of financial concepts (Preece et al., 2023). Consequently, investors' behavior can be greatly impacted by improving financial literacy through focused education and resources, which can result in more advantageous and successful investment strategies. Financial institutions and policymakers can reduce the risks associated with making unwise investment decisions and advance a more stable and prosperous economic environment by encouraging a culture of ongoing learning and well-informed decision-making.

Investors need to be able to use their financial literacy skills, including decision-making, in order to assess and sustain their financial well-being over the long run (Shaheen et al. 2022) . inancial literacy refers to the knowledge and abilities people need to manage and make financial decisions in order to lead wealthier lives. Indonesia's financial literacy index was approximately 38.03%, per the OJK's 2019 National Financial Literacy Survey (SNLIK) (Otoritas Jasa Keuangan, 202). This remains lower than other ASEAN countries such as Singapore (98%) and Malaysia (66%), Thailand (73%), and other countries.

Investors, especially those who are interested in cryptocurrencies, need to have a solid foundation in financial literacy in order to navigate cryptocurrency investing effectively. This information provides a comprehensive grasp of the risks associated with cryptocurrency investing, as well as the inner workings of blockchain technology and the mechanics of individual cryptocurrencies (Jugindar et al. 2024). Investors' lack of financial literacy in recognizing, assessing, and understanding the various investment types and the risks associated with making investment decisions exacerbates these kinds of challenges. Investors are expected to become more financially literate. Having a solid understanding of finance can aid investors in making better decisions and maximizing the value of financial goods (Siddiqua et al. 2022).

Previous study by Zhao et al. (2021) ave demonstrated a strong positive correlation between financial literacy and the ability to make informed investment decisions, which lends support to this. However, the average level of financial literacy among Indonesians still falls short of the government's target, so the issue is still a concern in the country (Adrianto, 2021). This highlights the importance of financial literacy in enabling people to make informed investment decisions that consider associated risks. Furthermore, investors can better appreciate the advantages of diversifying their investment portfolios and making sustainable investments when they possess a solid understanding of financial literacy (Ameur et al. 2024).

Having a solid grasp of and practice with digital literacy greatly aids in making informed investment decisions by increasing the likelihood of accessing accurate and relevant financial information. With strong digital literacy skills, investors can efficiently navigate and analyze vast amounts of data, identify credible sources, and understand complex financial instruments (Law Nancy et al. 2018). This proficiency helps them stay updated with market trends, critically evaluate investment opportunities, and make decisions based on comprehensive and timely information. As a result, their ability to mitigate risks and capitalize on potential returns is significantly enhanced, leading to more successful investment outcomes. Additionally, as technology continues to evolve, digital literacy remains an indispensable asset, empowering investors to adapt to new tools and platforms and maintain a competitive edge in the ever-changing financial landscape (Attaran Mohsen et al. 2019).

This generation is tech-savvy and prone to experimentation because they have a wide range of investment options available to them (Armansyah et al. 2023). The term "investing decision-making process" refers to the mental and emotional process through which an investor selects the optimal option from a variety of realistic scenarios. Determining where and how much money to invest to maximize returns for investors is part of making investment decisions. It is easier to make wise investment decisions when one has a firm understanding of and experience with digital literacy. This makes it more likely that financial data will be obtained.

Therefore, the focus of the research is on evaluating financial literacy, with a particular emphasis on digital issues and how they affect digital investment decisions, as well as comprehending the function and significance of social media. Therefore, it is imperative that research titles investigate how financial literacy, digital literacy, and social media affect investment decisions. An appropriate subtitle might be: "Exploring the Impact of Digital Literacy, Financial Literacy, and Social Media on Investment Decision-Making in the Cryptocurrency Market: A Study Comparative of Millennials and Generations Z."

1.2 Research Questions

Based on the description of the backgorund that has been put forwards, the problems that can be identified are as follows:

1. What does digital literacy affect investment decision-making in the cryptocurrency market?
2. What does financial literacy affect investment decision-making in the cryptocurrency market?
3. What does social media affect investment decision-making in the cryptocurrency market?
4. What do digital literacy, financial literacy, and social media affect investment decision-making and mediated by behavior intention in the cryptocurrency market?

1.3 Objectives of The Research

Objectives are useful as references and guidelines in conducting research. The objective of this research are as follows:

1. To know the affect of digital literacy on investment decision-making among millennials and the Z generation in cryptocurrency.
2. To know the affect of financial literacy on investment decision-making among millennials and the Z generation in cryptocurrency.
3. To know the affect of social media on investment decision-making among millennials and the Z generation in cryptocurrency
4. To know the affect of digital literacy, financial literacy, and social media on investment decision-making among millennials and the Z generation in cryptocurrency.

1.4 Contributions of The Research

The expected benefits of this research are:

1. Theoritical Use

    This research enriches academic literature by combining digital literacy, financial literacy, and social media into an all-encompassing framework to explain investment decision-making among Millennials Generation and Generations Z in the cryptocurrency market.

2. Practical Use

    a. For Writers

    This research provides additional knowledge for the authors and explores the relationship between theories studied during college with their applications.

b. For Academic Community

Providing insight and knowledge that contribute directly to academic, as well as serving as a foundational resource for students engaged in comprehensive research endeavors.

c. For Other Parties

The study's findings can be used by interested parties as a source of information and to further their understanding..

1.5 Scope of The Research

1.5.1 Conceptual Scope

The concept of this research provides a comprehensive structure for understanding the interplay between digital literacy such as using digital platforms (online banking, mobile apps, and others), financial literacy (understanding financial concepts and informed decisions about personal finance), and social media (refers to online platforms and interact with content) on investment decision-making among Millennials Generation and Generations Z in the cryptocurrency market.

1.5.2 Contextual Scope

This research is carried out for Millennial Generation and Generations Z in Indonesia. The questionnaire between August, 24th until August, 27th 2024. Researchers choose Indonesia because investment in cryptocurrency people are unfamiliar with underlying technology and concepts of cryptocurrencies, making it difficult for them to understand the investment opportunities and risks involved. Millennials Generation and Generations Z in over Indonesia can support this research to obtain samples that meet the criteria.

1.6 Writing Structure

The structure of the writing outlines the organization of this from this research, which is dvided into five chapters to provide a clearer and more detailed overview of the topics to be discussed in the conducted study, as follow:

CHAPTER I INTRODUCTION

This chapter introduces the research by discussing the background, problem formulation, research objectives, scope of the research and writing structure.

CHAPTER II LITERATURE REVIEW

It contains on the review of financila literacy, digital literacy, social factors, investment decision-making, cryptocurrency, Millennial Generation, Z Generation, and theory of planned behaviour.

CHAPTER III RESEARCH METHODOLOGY

Talk about population and sample, online questionnaires for data collection, SEM-PLS model for data analysis, and research design (the quantitative research strategy and framework).

CHAPTER IV RESEARCH RESULT

Review about the result by using SEM-PLS (realibility, internal consistency, R-squared, and others), explanation what the data show and explanation of statistical significance, effect sizes, adn relevance to the research questions. Discussion on how the results answer the resarch question. Recap of the main findings.

CHAPTER V CONCLUSION

Wrap up your research paper. Summary of finding, discuss implications, and offers recommendation for future research. Discuss any limitations encountered during the research process, explain how these limitations might have affected the results, and suggest ways future research can address these limitations. Provide a strong concluding statement that encapsulates the essence of the study.