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Original Article

Determinants of Interest and Investment Decisions in the Capital Market for the Millennial Generation in Bali Province

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Abstract: *The millennial generation is interested in investing in the capital market because they see the large capital market phenomenon as an opportunity to prepare long-term funds and update information in the economic sector. This research aims to analyze the influence of risk tolerance, financial literacy, and social interaction on investment interest in the capital market for the millennial generation in Bali Province. Furthermore, this research also aims to analyze the influence of risk tolerance, financial literacy, social interaction, and investment interest on investment decisions in the capital market for the millennial generation in Bali Province. The population of this research is all investors domiciled in Denpasar Bali who invest in shares in the capital market. Considering that the population size is unknown, the sample size is determined using the Cochran formula so that a sample of 100 people can be determined. Purposive sampling was the method used for the sample process. The SEM-PLS analysis technique was used to analyze the data. The analysis's findings demonstrate that social interaction, financial literacy, and risk tolerance all positively and significantly influence the millennial demographic's interest in investing in Bali Province's capital market. Risk tolerance, financial literacy and investment interest have a positive and significant influence on investment decisions in the capital market for the millennial generation in Bali Province. However, risk tolerance is proven to have no significant influence on investment decisions in the capital market for the millennial generation in Bali Province*.

Keywords: *Financial Literacy, Investment Decisions, Investment Interest, Risk Tolerance, Social Interaction*.

I. INTRODUCTION

Psychological variables influence behavior when making decisions, and taking a chance can be seen as a choice. Regarding investments, there are two paradigms: the first views investments as desires, and the second views investments as needs. In addition to using estimates or the potential of their investment instruments, people who also invest heavily consider psychological elements while generating interest and making decisions (Mishra, 2018). Investment activities can be defined as expenditures made by individuals or companies to purchase goods or securities with the aim of increasing the value of assets in the future (Hartono, 2017). One of the investment instruments that many investors choose to invest their capital in is shares. Share sales are carried out by banks and companies called securities, namely companies that carry out business activities as securities brokers (Financial Services Authority, 2020).

Demographic data on stock investors in the capital market according to KSEI (2023), stock investment activities are dominated by people in the age range < 30 to 40 years who are included in the millennial generation. The millennial generation, also known as Generation Y are people born around the beginning of 1980 to 1995. Most of the millennial generation has graduated from college, entered the world of work, and are of productive age, so they have control over financial attitudes and behavior. personal (Rudiwantoro, 2018). The increase in capital market investors can be caused by Work from Home (WFH) or working from home, which causes the millennial generation to experience unstable businesses or disrupted work, thus increasing awareness of the long-term benefits of investment (Karatri et al., 2021).

Interest in investing in the capital market is a positive response for an individual to invest in stock instruments because it is considered a profitable investment instrument. This investment interest shows a person's desire or interest in investing in financial instruments traded on the capital market, which is also related to investment aspects, financial analysis and capital market dynamics (Rusdi et al., 2023). The formation of interest in investing in the capital market will then lead to investor decision behavior to channel their funds into investment instruments, especially in the form of shares (Lim et al., 2020).

Choosing an appropriate investment will increase the possibility of obtaining maximum profits, but investors are faced with risks. The higher an investor's risk tolerance, the more interested and brave they will be in making decisions, and vice versa (Mankuroane et al., 2022). Measuring someone's comprehension of financial ideas and their capacity and assurance to handle their personal finances by making wise short-term judgments are two aspects of financial literacy. Someone with a good understanding of financial literacy tends to have an interest and make better investment decisions (Nadhifah and Anwar, 2021).

Social interaction through motivation and social pressure is an external factor that can influence investment interest due to encouragement from those closest to you. Social interaction refers to the image of people communicating and sharing investment-related information. The exchange of information between one investor and another investor regarding an investment instrument that occurs during social interaction can form interest and direct investment decisions for each individual as an investor (Wahyuni and Kristanto, 2022).

Research conducted by Mishra (2018), Dickason and Ferreira (2018), Fridana and Asandimitra (2020), and Naiwen et al. (2021) obtained the results that risk tolerance has a positive and significant effect on investment decisions. Different results were found by Lian et al. (2019), and Ainia and Lutfi (2019), namely that risk tolerance does not have a significant effect on investment decisions. Research conducted by Sivaramakrishnan et al. (2017), Mishra (2018), Kumari (2020), and Yundari and Artati (2021) obtained results that financial literacy has a positive and significant effect on investment decisions. Different results were found by Garg and Singh (2018) and Arianti (2018), namely that financial literacy did not have a significant effect on investment decisions. Research conducted by Wu and Zhao (2019), Yurttadur and Ozcelik (2019), Maharani and Hidayah (2021), and Darvin and Norton (2023) obtained results that social interaction had a positive and significant effect on investment decisions. Different results were found by Zahera and Bansal (2018) and Mistri and Japee (2020), namely that social interactions did not have a significant effect on investment decisions. Research on indirect influence through investment interest conducted by Yang et al. (2021) shows that investment interest is able to mediate the influence of risk tolerance on investment decisions. According to Aren and Hamamci (2019), investment interest can be used as a connecting factor in the influence of financial literacy on financial decisions. According to Lai (2019), the influence of interactions on investment decisions can be predicted through the intermediary of investment interest.

This research aims to test and explain (1) the influence of risk tolerance on investment interest in the capital market for the millennial generation in Bali Province; (2) the influence of financial literacy on investment interest in the capital market for the millennial generation in Bali Province; (3) the influence of social interaction on investment interest in the capital market for the millennial generation in Bali Province; (4) the influence of risk tolerance on investment decisions in the capital market for the millennial generation in Bali Province; (5) the influence of financial literacy on investment decisions in the capital market for the millennial generation in Bali Province; (6) the influence of social interaction on investment decisions in the capital market for the millennial generation in Bali Province; and (7) the influence of investment interest on investment decisions in the capital market for the millennial generation in Bali Province.

II. LITERATURE REVIEW AND METHODE

A) Theory of Planned Behavior

The Theory of Planned Behavior explains that individual behavior will emerge because of the intention to behave. A person's intention to behave can be predicted by three things, namely: (1) attitude toward the behavior or attitude towards behavior, which is the overall evaluation of a person regarding the positive or negative aspects of displaying a certain behavior; (2) subjective norm or subjective norm which is a person's belief regarding the demands of other people who are considered important to him and is willing to display certain behavior in accordance with the demands; (3) perceived behavioral control or perceived self-control, which is a person's perception of their ability to display a certain behavior (Lim et al., 2020). Perceived behavioral control refers to an individual's belief about whether he or she is able to make or manage investments well. Individuals who believe they have the knowledge and skills necessary to manage investments well will be more likely to consider making such investments.

B) Prospective Investment Decision Theory (Prospect Theory)

Prospective investment decision theory (prospect theory) is a theory developed by Daniel Kahneman and Amos Tversky in 1979. Prospective investment decision theory (prospect theory) describes how individuals evaluate and respond to risk and how to make investment decisions by taking into account psychological aspects such as relative assessment, sensitivity to losses, and different utility functions for gains and losses. Several main concepts in prospective investment decision theory (prospect theory), according to Ogunlusi and Obademi (2019), namely (1) Assessment relative to a reference; (2) Losses matter more than gains; (3) Different utility functions for gains and losses; and (4) Attitude towards risk.

C) Investment

Investing is the process of putting money or capital into several funds or other resources now in order to reap a variety of rewards later on. Delaying current consumption to be used in effective production over a predetermined amount period in the hopes of generating money or profits is another definition of investments (Tandelilin, 2017). Investment always involves risk, so investment decision-making must carefully consider risks and potential profits (Ruggie and Middleton, 2019). According to Fahmi (2016), investment can be classified into two namely, direct investment and indirect investment. Investments can be made in the capital market, for example, in the form of bonds, warrants, mutual funds, options, futures, shares, etc.

D) Investment Interest

Investment interest is a person's interest in finding out, spending time studying investment, and even considering and deciding to invest. Regarding the traditional economic system, individuals invest for a variety of reasons, such as satisfying liquidity requirements, saving for the future with the hope of earning a higher return, making retirement plans, or even engaging in speculation (Mankuroane et al., 2022). The desire to learn about various investment options, including their risks, returns, performance, and other details, is known as investment interest (Nicolini and Haupt, 2019). The first step in the decision-making process for investments is investment interest, which can then be followed by evaluating and purchasing investment products that suit individual needs and goals (Paul and Benito, 2018).

E) Investment Decisions

An investment decision can be interpreted as a decision to invest capital with a number of assets in the hope of obtaining reciprocity in the form of profits in the future. Behavior in investment decisions refers to decision-making regarding the allocation of resources, especially funds or capital because investment decisions are related to the continuity between risk and profit (Ruggie and Middleton, 2019). Investment is a commitment to a certain amount of funds or other resources determined at this time, with the aim of achieving a certain amount of profit or profit in the future (Tandelilin, 2017). The types of investments that can be chosen include shares, bonds, property, mutual funds, deposits and other financial instruments. Investment decisions can be made by individuals or groups who want to utilize their funds to generate profits in the future (Riyanto, 2016).

F) Risk Tolerance

Risk in investment can be defined as the possibility of loss or uncertainty in investment results. The higher the risk of an investment, the higher the potential profit that can be obtained, but also the greater the potential loss that may occur (Chavali and Mohanraj, 2017). Risk tolerance, especially related to investment activities, is a person's level of comfort in taking risks in investing. This relates to a person's ability as an investor to bear losses that may occur from the chosen investment (Badriatin, 2022). Before starting an investment, investors need to evaluate their risk tolerance and choose investments that suit their risk profile so that investors can achieve their investment goals better and reduce the potential for unwanted losses (Dickason and Ferreira, 2018). In selecting risk tolerance, there are differences resulting from various factors such as age, employment status, income earned, and level of welfare (Rudiwantoro, 2018).

G) Financial Literacy

Financial literacy relates to knowledge about individual financial management, which includes investment decisions, funding, and how to properly manage assets (Yundari and Artati, 2021). Literacy can be obtained from practical and active knowledge. When someone is literate, then that person is more expert in finance and perhaps more competent (Nicolini and Haupt, 2019). Both official and informal schooling can impart financial literacy. Formal education includes courses taken outside of the classroom, seminars, and high school or college programs. In the meanwhile, one can get informal sources from their personal experience or people in their immediate vicinity, such as parents, friends, and coworkers (Nadhifah and Anwar, 2021). Financial literacy is very important to improve the financial well-being of individuals and society as a whole (Lotto, 2020).

H) Social Interaction

Social interaction is generally defined as a dynamic reciprocal relationship involving relationships between individual people, between human groups and between people and human groups. Social interaction, specifically related to investment activities, refers to the image of people communicating and sharing information related to investment. The exchange of information between one investor and another investor regarding an investment instrument that occurs during social interaction can form interest and direct investment decisions for each individual as an investor (Wahyuni and Kristanto, 2022). Social interactions, relationships between humans or social relations are based on communication practices, so that communication is the basis of society's existence. Social interaction is the influence of reciprocal relationships between one individual and another individual in various areas of life together, for example, aspects of economic, political and legal life that can influence, change or improve the behavior of other individuals (Yang et al., 2021). Social interactions in investment can influence investor behavior and investment decisions depending on the quality of the information provided and the level of influence held by other people (Wu and Zhao, 2019).

I) Millennial Generation

The millennial generation is a social group born between 1980 and 1995 (Chan & Lee, 2023). The millennial generation is also known as Generation Y and is often considered a generation that has grown up in the digital and information era with the significant influence of technology in their daily lives (Lee and Kim, 2021). Some general characteristics that are often associated with the millennial generation are extensive use of technology, creativity, adaptability, and interest in social and environmental values (Cuandra, 2020). The millennial generation is considered an important social group in various aspects of modern life, including economics, politics and culture (Rosdiana, 2020).

J) Conceptual Framework

This study aimed to investigate and elucidate the impact of risk acceptance, knowledge of finance, and social relationships on the millennial generation's interest in and decisions about capital market investments in Bali Province. This concept is based on the Theory of Planned Behavior, which can explain investment interests and decisions. Based on the Theory of Planned Behavior, a person's intention to behave can be predicted by three things, namely attitude, subjective norms, and perceived behavioral control. Individuals who believe they have the knowledge and skills necessary to manage investments well will be more likely to consider making such investments. If someone has a bolder attitude towards risk, then they are more likely to make investments with high uncertainty or consequences (Dickason and Ferreira, 2018). Based on the Theory of Planned Behavior, individuals who have better knowledge and understanding of investment tend to feel more confident and have greater control over their investment behavior (Kumari, 2020). If someone is in an environment that views investing as a positive or even valued behavior, that individual is more likely to make investment decisions (Yang et al., 2021). Based on theoretical studies and supported by previous research regarding the basic relationship between risk tolerance, financial literacy, social interaction, investment interest and investment decisions, the research framework is described as follows.

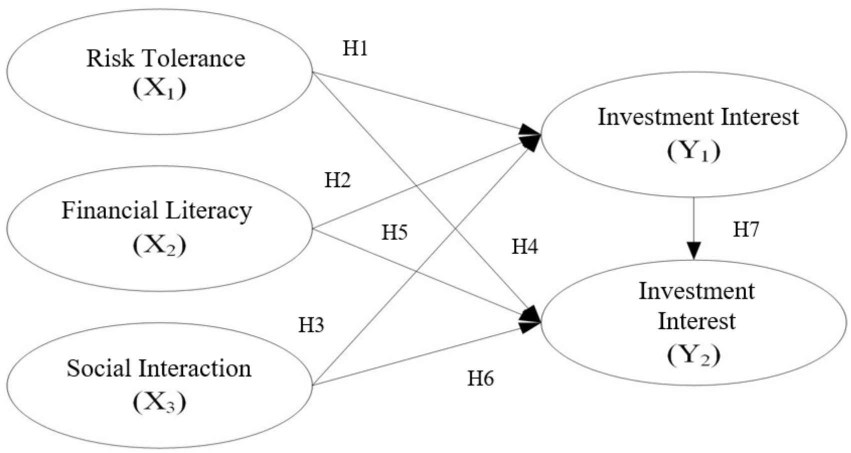

Fig. 1 Research Concept Framework

K) Research Methods

In order to measure numerical data and unbiased statistics, this study employs a quantitative approach. Specifically, scientific calculations are used to determine the proportion and frequency of responses provided by respondents based on a sample of individuals who were asked to complete a survey (Creswell, 2016). The research design used is associative research, which aims to test or measure the relationship between the independent variables and the dependent variable (Sugiyono, 2017). This research was conducted in Bali Province. The scope of this research includes the research objects studied, namely risk tolerance, financial literacy, social interaction, investment interest and investment decisions. The research was conducted on respondents who were stock investors in the capital market who were domiciled in Bali Province and aged from 29 years to 44 years old. The population used is all investors domiciled in Denpasar, Bali, who invest in shares in the capital market. Based on the unknown population size using a sampling error of 10% = 0.1, the number of samples taken in this study, according to the Cochran formula, was 100 respondents. Partial Least Square (PLS), a Structural Equation Modeling (SEM) equation model that employs a variance or component-based method is the data analysis technique used in this study.

III. RESULTS AND DISCUSSION

A) Results

a. Results of Statistical Tests of Influence Between Variables

An analysis of direct influence, indirect influence, and total influence can explain the relationship between study variables (also known as latent variables). The correlation coefficients of all arrows with a single terminus address direct effect, but the role of intermediary variables addresses indirect influence. The examination of the path coefficient values in Table 1 provides information about the direct influence between variables.

Table 1: ***Path Coefficient***

Description	*Original Sample*	*Sample Mean*	*Standard Deviation*	*T Statistics*	*P Values*
- Risk tolerance (X1) -> Investment interest (Y1)	0.283	0.280	0.091	3.090	0.002
- Risk tolerance (X1) -> Investment decision (Y2)	0.300	0.294	0.101	2.962	0.003
- Financial literacy (X2) -> Investment interest (Y1)	0.285	0.298	0.087	3.267	0.001
- Financial literacy (X2) -> Investment decisions (Y2)	0.301	0.296	0.113	2.652	0.008
- Social interaction (X3) -> Investment interest (Y1)	0.409	0.402	0.098	4.179	0.000
- Social interactions (X3) -> Investment decisions (Y2)	0.019	0.026	0.101	0.189	0.850
- Investment interest (Y1) -> Investment decision (Y2)	0.327	0.333	0.127	2.569	0.010

Based on Table 1, it can be explained that several direct influences are positive and significant, namely influences whose coefficients are positive, the t-value is more than 1.96, and the p-value is less than 0.05. However, there is also a direct influence which is positive but not significant, namely the influence of social interaction on investment decisions. Furthermore, related to the total indirect effect or total indirect effect between variables, can be seen from the analysis results shown in Table 2.

Table 2: Total Indirect Effects Value

Construct	*Original Sample*	*Sample Mean*	*Standard Deviation*	*T Statistics*	*P Values*
- Risk tolerance (X1) -> Investment interest (Y1) -> Investment decision (Y2)	0.092	0.096	0.055	1.668	0.096
- Financial literacy (X2) -> Investment interest (Y1) -> Investment decision (Y2)	0.093	0.096	0.041	2.283	0.023
- Social interaction (X3) -> Investment interest (Y1) -> Investment decision (Y2)	0.134	0.135	0.064	2.080	0.038

Table 3 describes a summary of the coefficients of direct influence, indirect influence, and total influence between latent variables.

Table 3: Summary of Direct Effects, Indirect Effects, and Total Effects Between Latent Variables

Exogenous Variables	**Endogenous Variables**					
	Investment interest (Y1)			**Investment decision (Y2)**		
	PL	**PTL**	**PT**	**PL**	**PTL**	**PT**
Risk tolerance (X1)	0.283	-	0.283	0.300	0.092	0.392
Financial literacy (X2)	0.285	-	0.285	0.301	0.093	0.394
Social interaction (X3)	0.409	-	0.409	0.019	0.134	0.153
Investment interest (Y1)	-	-	-	0.327	-	0.327

As previously explained, it is known that there are seven indirect relationships in total, according to the research model framework. This indirect relationship can be explained again into each specific indirect effect, namely indirect influence with mediation. There is a relationship with an indirect influence that is not significant, namely the indirect influence of risk tolerance on investment decisions through investment interest.

b. Hypothesis test

Based on the results of the data analysis (Table 1), the research hypothesis can be tested, with the results as shown in Table 4.

Table 4: Hypothesis Testing

Notasi	**Koef.**	**t-statistic**	**p-*value***	**results**
H1: Risk tolerance (X1) -> Investment interest (Y1)	0,283	3,090	0,002	H_1 Accepted
H2: Risk tolerance (X1) -> Investment decision (Y2)	0,300	2,962	0,003	H_2 Accepted
H3: Financial literacy (X2) -> Investment interest (Y1)	0,285	3,267	0,001	H_3 Accepted
H4: Financial literacy (X2) -> Investment decisions (Y2)	0,301	2,652	0,008	H_4 Accepted
H5: Social interaction (X3) -> Investment interest (Y1)	0,409	4,179	0,000	H_5 Accepted
H6: Social interaction (X3) -> Investment decisions (Y2)	0,019	0,189	0,850	H_6 Rejected
H7: Investment interest (Y1) -> Investment decision (Y2)	0,327	2,569	0,010	H_7 Accepted

Hypothesis 6 is rejected, considering: (1) the t-statistic value is smaller than t-table (0.189 < 1.96), and (3) the P value is not significant (0.850 > 0.05). Thus it can be explained that social interaction directly has no significant effect on investment decisions.

B) *Discussion*

a. The Influence of Risk Tolerance on Investment Interest

The outcomes of hypothesis testing demonstrate that investment interest is positively and significantly impacted by risk tolerance. This indicates that the higher an investor's tolerance for risk, whether tolerance for financial risk, psychological risk or investment risk, the higher their investment interest will be. In measuring risk tolerance, the indicator that has the highest influence is tolerance to financial risk. These results indicate that in determining investment interest, investors will consider their financial ability to bear investment risks. Financial capabilities include the amount of wealth or assets owned, annual income, and level of expenses or living costs. This means that the millennial generation in Bali Province when investing in the capital market, considers their abilities related to risk tolerance. In line with the results of this research, research conducted by Yang et al. (2021) and Asari and Kurnianingsih (2022) prove that risk tolerance has a positive and significant effect on investment interest.

b. The Influence of Financial Literacy on Investment Interest

The results of hypothesis testing prove that financial literacy directly has a positive and significant effect on investment interest. This indicates that the higher the financial literacy, both knowledge, skills, attitudes and financial behavior, the higher the investment interest. The indicator that has the highest influence on financial literacy is a financial attitude, where investors realize the importance of managing finances wisely, have the motivation to increase financial literacy and have awareness about the risks and impacts of finances in life. Before learning how to invest, most individuals only saved money in savings, but with current economic and technological developments, individuals now use some of their money to buy shares, bonds or mutual funds that offer future profits (Mastura et al., 2020). So the role of investment knowledge is very important for these activities. This is in line with the results of previous research conducted by Faidah (2019), Lotto (2020), Kumari (2020), and Widagdo and Roz (2022), proving that financial literacy has a positive and significant effect on investment interest.

c. The Influence of Social Interaction on Investment Interest

The results of hypothesis testing prove that risk tolerance directly has a positive and significant effect on investment interest. This indicates that the higher an investor's tolerance for risk, whether tolerance for financial risk, psychological risk or investment risk, the higher their investment interest will be. The component of social interaction that has a high influence is the social network, namely the frequency of meeting and interacting with members of the social network, the intensity of relationships with members of the social network, as well as the level of trust and influence that members of the social network have on individual investment interests. This is in line with previous research results from Salisa (2020), Nashwan and Muneeza (2021), Yang et al. (2021), and Darvin and Norton (2023). proves that social interaction has a positive and significant effect on investment interest.

d. The Influence of Risk Tolerance on Investment Decisions

The results of hypothesis testing prove that risk tolerance directly has a positive and significant effect on investment interest. This indicates that the higher an investor's tolerance for risk, whether tolerance for financial risk, psychological risk or investment risk, the higher their investment interest will be. Risk is usually a barrier for people to invest, especially stock investments. Stock investment is an investment instrument that provides high returns but also carries high risks. Once investors understand the various risks of investing, investors tend to make more informed decisions based on their goals. Because each individual has a different risk tolerance, this is in line with the results of research conducted by Mishra (2018), Dickason and Ferreira (2018), Fridana and Asandimitra (2020), and Naiwen et al. (2021) prove that risk tolerance has a positive and significant effect on investment decisions.

e. The Influence of Financial Literacy on Investment Decisions

The results of hypothesis testing prove that risk tolerance directly has a positive and significant effect on investment interest. This indicates that the higher an investor's tolerance for risk, whether tolerance for financial risk, psychological risk or investment risk, the higher their investment interest will be. This shows that capital market investors from the millennial generation in Bali Province have a higher level of financial literacy. The greater the financial knowledge they have so, that the level of investment decision making will be higher. Financial literacy can influence a person in choosing the type of investment. The higher a person's financial literacy, the better their knowledge regarding investment decisions. Having high financial literacy can help investors estimate the investments they will make and ensure the right strategy when investing in order to gain profits in the future. This is in line with the results of research conducted by Sivaramakrishnan et al. (2017), Mishra (2018), Kumari (2020), and Yundari and Artati (2021) prove that financial literacy has a positive and significant effect on investment decisions.

f. The Influence of Social Interaction on Investment Decisions

The results of hypothesis testing prove that risk tolerance directly has a positive and significant effect on investment interest. This indicates that the higher an investor's tolerance for risk, whether tolerance for financial risk, psychological risk or investment risk, the higher their investment interest will be. A reciprocal relationship is achieved through social interaction, which is defined as a relationship in which individuals or groups influence or alter the actions and conduct of other individuals or groups. Mutual fund investors from the millennial and Generation Z generations are typically self-reliant, unaffected by the outside world, and they arrive at their own judgments about their investments without consulting brokers or other investors (Indrastoto and Juwita, 2023). This is in line with the results of research conducted by Indrastoto and Juwita (2023) that social interactions do not have a significant effect on investment decisions. Likewise, the results of Widyasari and Aruan's (2021) research regarding the investment behavior of Generation Y in Indonesia show that social interaction via social media does not influence Generation Y's decision to invest in the capital market.

g. The Influence of Investment Interest on Investment Decisions

The results of hypothesis testing prove that risk tolerance directly has a positive and significant effect on investment interest. This indicates that the higher an investor's tolerance for risk, whether tolerance for financial risk, psychological risk or investment risk, the higher their investment interest will be. Interest is an interest that arises in someone after observing, seeing and comparing something. Interests can be used as a reference for decision-making. Investment interest also often mediates the determinants of investment decisions, such as the results of research by Niswah and Cahya (2023). This is in line with the results of research conducted by Sivaramakrishnan et al. (2017), Raut and Kumar (2018), Lee and Shin (2018), and Yang et al. (2021), proves that investment interest has a positive and significant effect on investment decisions.

IV. CONCLUSION

The following conclusions can be drawn from the research findings as presented: (1) Risk tolerance positively and significantly influences the millennial generation in Bali Province's desire in making capital market investments; (2In Bali Province, the millennial generation's fascination with investing in the capital market is positively and significantly impacted by financial literacy; (3) For the millennial generation in Bali Province, relationships with others has a favorable and significant impact on their desire in making capital market investments; (4) In Bali Province, the millennial generation's capital market investments selections are positively and significantly impacted by risk tolerances; (5) In Bali Province, the younger demographic's capital market choices for investment are positively and significantly impacted by their knowledge of finance; (6) Social interaction does not have a significant influence on investment decisions in the capital market for the millennial generation in Bali Province; and (7) Investment interest has a positive and significant influence on investment decisions in the capital market for the millennial generation in Bali Province.

Things suggested as a follow-up to the research results include: (1) The millennial generation needs to increase their understanding of investment in the capital market. Apart from that, it is necessary to increase social interaction with related groups or networks, such as capital market study groups; and (2) Future research is expected to expand the scope of the research sample and use financial behavior variables and educational level as determinants related to investment decisions in the capital market.

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