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Muslim Gen Z Investment Decision: An Analysis Using Social Media Factors

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Abstract

Seventy-one point five million (71,5 million or 26,4 percent) people in Indonesia are classified as Gen Z. Indonesia is the largest Muslim-majority country, with a significant portion of its population belonging to Gen Z. It is our concern to explore the potential of Muslim Gen Z. Furthermore, in the digital era, Muslim Gen Z's investment decisions are increasingly influenced by social media where they can easily get various information. This study analyzes both the direct and indirect effects of social media, digital financial literacy, and investment decisions. We used a quantitative approach. Data were collected from 175 Gen Z investors through an online questionnaire and analyzed using path analysis with SEM-PLS. Our findings reveal that social media enhances digital financial literacy, which in turn positively affects investment decisions. Also, digital financial literacy enhances investment decisions among Muslim Gen Z. These results suggest that while social media can be a valuable resource for improving financial literacy, the reliability and depth of information from online communities may be insufficient for making informed investment decisions. Our study provides insights for investors to develop effective strategies and for policymakers to enhance financial education initiatives.

Keywords: *Information from Social Media, Online Community Behavior, Digital Financial Literacy, Investment Decisions*

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I. Introduction

1.1. Background

Investment decisions are not always made on a rational basis. Traditional finance theory suggests that investors are assumed to have adequate knowledge, but in reality, some investors may have limited financial knowledge. This theory argues that investors are rational people. However, behavioral finance theory states differently where the investors may experience psychological biases that will indirectly affect their investment decisions (Aziz et al., 2024; B. M. Barber & Odean, 2013; Biais & Weber, 2009; Kartini & Nahda, 2021). In the capital market context, this bias can appear in several forms, such as confirmation bias, herding behavior, overconfidence, and so on (Kahnemann & Tversky, 1979).

Central Bureau of Statistics in Indonesia (Badan Pusat Statistik—BPS) noted that 71,5 million or 26,4% of people are Gen Z. Gen Z, typically defined as individuals born between 1997 and 2012, is entering adulthood during a period of significant economic and technological change. Globally, Gen Z has a strong and potential impact on current and future business practices (Arli et al., 2014). They are digital natives accustomed to instant access to information and innovative financial technologies. Despite this, studies indicate that many members of Gen Z lack comprehensive financial knowledge and feel unprepared to manage their finances, which can profoundly impact their investment decisions (NEFE, 2022). Indonesia is the largest Muslim-majority country, with a significant portion of its population belonging to Gen Z. Also, according to the worldwide survey conducted by the Global Muslim Travel Index 2022, the largest of Muslims, with 27.2% of the world's total Muslim population, are Gen Z (Santika, 2023).

As they come to age, Muslim Gen Z will play an important role in economic change. However, being the majority population does not guarantee good financial knowledge (Gunawan et al., 2020; Rosana, 2021). A study by Fitriyani & Anwar (2022) argued that religious beliefs significantly influence investment decisions, especially among Muslim investors who adhere to specific guidelines and preferences, such as opting for Sharia-compliant financial products. This aspect of religiosity, which is owned by Muslim Gen Z, is crucial in understanding the distinct investment behavior and preferences within this demographic. Also, social media content and influencers targeting Muslim audiences often focus on financial advice and investment opportunities that align with Islamic principles. This specialized content can significantly impact the investment decisions of Muslim Gen Z, making it a unique area of study compared to the general Gen Z population.

In the digital era, digital financial literacy (Rita Rahayu et al., 2022; Yanto et al., 2021) and social media (Abu-Taleb & Nilsson, 2021; Bollen et al., 2011; Vosoughi et al., 2018) are important factors that investors should pay attention to because they affect the formation of investment decisions. Digital financial literacy is not only knowledge about digital financial products but also related to risk management and investment strategies that investors can access through financial technology—fintech. Previous studies have shown that good financial literacy is closely related to good financial decision-making (Andarsari & Ningtyas, 2019; Lusardi & Mitchell, 2011, 2014). Social media in this digital era is increasingly developing into many types and provides benefits for those who use it. Currently, many popular social media platforms have emerged, such as WhatsApp, Instagram, Facebook, TikTok, and Twitter (X). Social media has also become a platform for investors to find investment-related information such as market conditions, the latest news, or opinions of financial analysts and other investors. Social media can disseminate information quickly and widely. However, information from social media is often false and misleading (Fox, 2018). Moreover, there are now many influencers who discuss financial and investment topics. Not a few influencers refer to types of investments that are too risky. And not a few people follow their advice and get stuck with significant losses. Therefore, we can say that social media is like a double-edged sword, which, on the one hand, can provide the right information, but on the other hand, the information is misleading.

Previous research has identified several factors influencing investor behavior, but the research focusing on social media is still very limited. A study conducted by B. Barber & Odean (2001) showed that information from the Internet can lead to overtrading among retail investors. Meanwhile, Bollen et al. (2011) state that sentiment analysis on social media (especially Twitter) can predict stock price movement. Another study by Chen et al. (2014) shows that the presence of social media can affect stock prices through herd behavior. According to a study by Abu-Taleb & Nilsson (2021), information from social media and online communities can influence investment decisions. So, we presume that social media can influence investment decisions.

We also propose that there will be an indirect effect between social media, digital financial literacy, and investment decisions. Social media platforms are rich sources of financial information and educational content. Users who engage in financial discussions, follow financial experts, and participate in investment groups can gain substantial financial knowledge. In social media, users can also understand financial terms, recognize market trends, and learn about various investment strategies. That knowledge or literacy will enable individuals to make more informed and effective investment decisions. They can analyze risk and return, diversify their portfolios, and align their investment choices with their financial goals and risk tolerance.

1.2. Objective

Amid the widespread use of digital technology, evaluating its impact on people's financial decisions is important. Therefore, we focus on how digital financial literacy and social media, which consist of information from social media and online community behavior, can influence investment decisions. Our study focuses on Muslim Gen Z because the large numbers of it will be a huge change if we can optimize the potential. Most of the previous studies explore the direct effect (Abu-Taleb & Nilsson, 2021; Bollen et al., 2011; Khan & Ahmad, 2022; Manickam et al., 2023; Rita Rahayu et al., 2022; Shvaher et al., 2021; Yanto et al., 2021). This study is expected to provide deep insights for investors to develop investment decisions to minimize the negative impact of social media. So, we try to capture the indirect effect between those variables. In the future, this study can also provide insights for policymakers, governments, financial institutions, and other individuals in making wise and informed investment decisions.

II. Literature Review

2.1. Background Theory

Traditional Finance Theory

Fama (1970) formulated the Efficient Market Hypothesis (EMH), which states that financial markets are efficient, investors behave rationally, and they try to maximize their utility. The theory states that asset prices already reflect all available information. He defines the efficient market into 3 forms that are 1) Weak Form, where the stock prices reflect all past price and trading volume information; 2) Semi Strong Form, where stock prices reflect all available public information; and 3) Strong Form, where the stock prices reflect all information both public and private information.

Behavioral Finance

Behavioral finance theory emerged as a refutation of traditional finance theory, where the investors do not always act rationally, and financial markets are not always efficient. In contrast to traditional finance, this theory takes a psychological point of view where investors are often affected by their emotions to create biased decisions. This is a cognitive bias in the form of overconfidence, confirmation bias, herd behavior, and so on (Kahnemann & Tversky, 1979). These biases are further strengthened by the existence of social media.

Social media has the function of exchanging information between its users. All types of information are there, including information about investing, such as the importance of investing, what types of investments are safe, and how to invest. The number of influencers in investment, like Putri Tjisaka etc, will more or less cause confirmation bias. This bias occurs when investors seek and trust information that supports them while ignoring conflicting information. Information that is easily obtained from the Internet will cause overtrading in retail investors (Barber & Odean, 2013).

Social media also allows users to discuss and interact with each other intensely and form a community in their field of interest. This online community provides a platform to share information, opinions, and experiences quickly, which will certainly influence their decisions and actions. In the context of investment, this online community can strengthen herd behavior. In addition, Generation Z has the Fear-Of-Missing-Out trait, which is a psychological condition of feeling anxious for fear of missing opportunities. This trait can make investors buy stocks that rise in price quickly because they are afraid of missing out on the profits. Many people in the community share their success, and other individuals will feel pressured to do the same.

Investment Decision among Muslim Gen Z

Gen Z, born between 1997 and 2012, is a cohort that is coming of age in a digital era characterized by a strong sense of individuality, technological savviness, and a globalized worldview. Self-determination theory is an approach to human motivation and personality that uses traditional empirical methods while employing organismic metatheory that highlights the importance of humans' evolved inner resources for personality development and behavioral self-regulation (Ryan & Deci, 2000). This theory emphasizes the role of intrinsic and extrinsic motivation in driving human behavior. Intrinsic motivation refers to engaging in an activity for its inherent satisfaction rather than for some separable consequence. When intrinsically motivated, individuals participate in activities because they find them enjoyable, interesting, or inherently satisfying. This contrasts with extrinsic motivation, where behavior is driven by external rewards or pressures. Religion is an example of intrinsic motivation. Muslim Gen Z might be intrinsically motivated to invest in halal (permissible) financial products that align with their ethical and religious values (Aisyah et al., 2024). A study by Fitriyani & Anwar (2022) indicated that religious beliefs significantly influence investment decisions, especially among Muslim investors who adhere to specific guidelines and preferences, such as opting for Sharia-compliant financial products. This aspect of religiosity, which is owned by Muslim Gen Z, is crucial in understanding the distinct investment behavior and preferences within this demographic.

2.2. Hypothesis Development

Social media is one of the sources of information that can improve individuals's understanding of digital financial concepts and products (Bukovina, 2016). The information can be in the form of articles, educational videos, and so on that are spread across various social media platforms, and it has great potential to improve digital financial literacy (Manickam et al., 2023; Shiva & Singh, 2020; Shvaher et al., 2021; Yanto et al., 2021). With social media, information can be widely and quickly spread to its users. Also, social media is a place where people with the same interests can meet (online communities). Interaction in online communities that discuss financial and investment topics will improve individual digital financial literacy (Shvaher et al., 2021; Yanto et al., 2021). Members in online communities can chat with each other, share experiences, and even ask questions so that they can enrich their knowledge and understanding of digital finance. Based on the explanation above, we stated our hypothesis as:

H1a : Information from social media has a positive effect on digital financial literacy
H1b : Online community behavior has a positive effect on digital financial literacy

People with good financial literacy will have knowledge, awareness, and experience with digital products and services. People with good digital financial literacy will be able to analyze financial information effectively, understand risks, and choose investments wisely that suit their risk preferences and financial goals. Digital financial literacy helps in the making of wiser investment decisions (Awais et al., 2016; Setiawan et al., 2022; Yanto et al., 2021). Based on the explanation above, the hypothesis is as follows:

H2 : Digital financial literacy has a positive effect on investment decisions

The investment decision is a complex process. Traditional finance theory argues that investors are rational people who always utilize all the available information to get the optimum result and benefit so that the market will move efficiently. However, in reality, investors do not necessarily use all available information because their ability to process and access the information is limited. The existence of social media can help individuals determine their investment decisions (Abu-Taleb & Nilsson, 2021; Atoom et al., 2021; Chaundry & Alansari, 2018; Hasselgren et al., 2023; Ismail et al., 2018; Jing & Zhang, 2021; Tu et al., 2016). Information from social media can provide new insights into investment opportunities (Abu-Taleb & Nilsson, 2021; Jing & Zhang, 2021). Also, it allows individuals to follow market updates, and they can usually get recommendations from experts, analysts, and other investors. Many kinds of available information on social media require them to be smart in sorting or eliminating the information they need. There are also online communities where people often provide support, information, and practical experiences that help individuals make better investment decisions (Atoom et al., 2021; Hasselgren et al., 2023; Tu et al., 2016). Based on the explanation above, we stated our hypothesis as follows:

H3a : Information from social media has a positive effect on investment decisions
H3b : Online community behavior has a positive effect on investment decisions

We also suggest that there are indirect effects of information from social media and online community behavior on investment behavior through digital financial literacy. Social media provides real-time updates, peer reviews, and a diverse range of opinions, which can influence an individual's perception and decisions regarding some topics, including investment. Individuals will use the information to make a decision. This direct influence can be significant, especially when social media *influencers* and financial experts provide recommendations. However, not all investors follow the information they get from social media. They eliminate the bad ones. The correct information in social media will enhance an individual's knowledge regarding finance or digital finance so that they can make informed financial decisions. Furthermore, participating in online communities such as Instagram, Telegram, WhatsApp Group, etc, will provide individuals with access to financial information, peer learning opportunities, and diverse perspectives on financial matters. In online communities, individuals can also interact and chat with each other, share experiences, and even ask questions so that they can enrich their knowledge and understanding of digital finance. This will enhance their digital financial literacy, which in turn will lead to more informed and effective investment decisions. This mediation model underscores the importance of financial literacy as a critical factor in translating online community engagement into improving investment decisions. Somebody with good investment decisions will be able to evaluate different investment options, understand the associated risks, and choose investments that align with their financial goals and ethical or religious values. Based on the explanation above, we stated our hypothesis as follows:

H4a : Information from social media mediates the effect of digital financial literacy on investment decisions

H4b : Online community behavior mediates the effect of digital financial literacy on investment decisions

2.3. Conceptual Framework

Based on the hypotheses above, the conceptual framework was described to answer the research question in Figure 1 below. Each direct effect of information from social media and online community behavior on digital financial literacy, digital financial literacy on investment decisions, and information from social media and online community behavior on investment decisions was also examined. To deeply explore the role of social media, the indirect effect of Information from social media and Online Community Behavior on Investment Decisions through Digital Financial Literacy was also investigated.

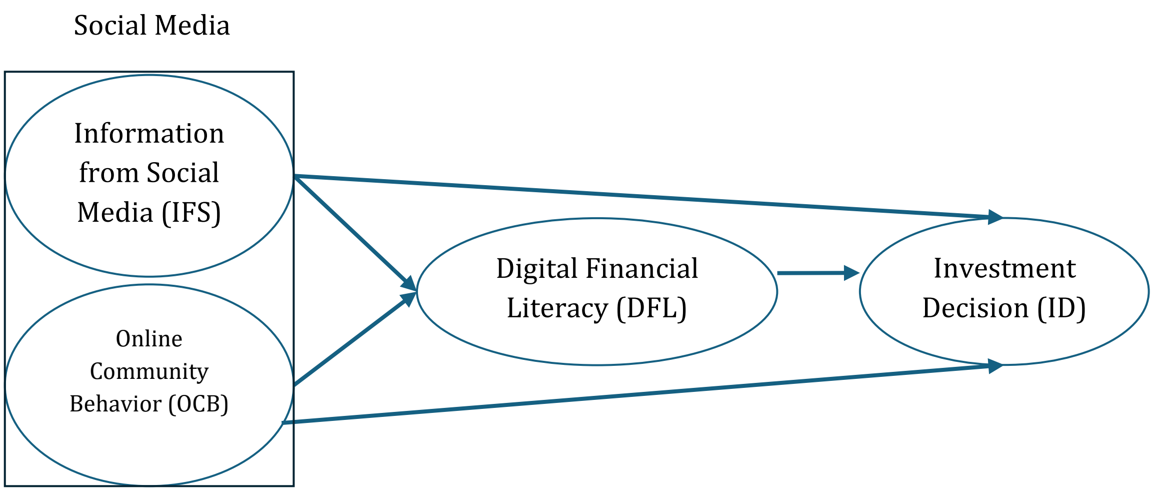

Figure 1. Theoretical Framework
Source: Author (2024)

III. Methodology

3.1. Data

We had four latent variables: Information from social media (Yanto et al., 2021), Online Community Behavior (Abu-Taleb & Nilsson, 2021), Digital Financial Literacy (Setiawan et al., 2022), and Investment Decisions (Masrurun & Yanto, 2015). The detailed items of each variable are shown in Table 1 below.

Table 1. Research Instruments

Variable	Code	Items
Information from social media	IFS1	Frequency using social media
	IFS2	Investment news updates from social media
	IFS3	Using social media to increase financial knowledge
	IFS4	Using social media to update information related (ex: interest rate, inflation rate, gold price, etc.)
	IFS5	Using social media to join an online community
	IFS6	Using social media to share knowledge
	IFS7	Using social media to interact with people
	IFS8	Using social media to access investment information
	IFS9	Using social media to search for information about stocks
	IFS10	Using social media to recommend buy/sell stock
	IFS11	Believe the opinion of a Financial Expert (ex: Ellen May, Felicia Putri Tjiasaka, Jonathan End, Melvin M, etc.)
Online Community Behavior	OCB1	Sharing experience with the online community
	OCB 2	Learn financial planning in the online community.
	OCB 3	Learn good investment ways in the online community.
	OCB 4	Get investment information from the online community.
	OCB 5	Discuss finance with the online community.
	OCB6	Discuss buy/sell stock with the online community.
Digital Financial Literacy	DFL1	Knowing the requirements to open a bank account (1)
	DFL2	Knowing the requirements to open a bank account (2)
	DFL3	Knowing using e-debit, e-credit, e-money, e-wallet, m-banking
	DFL4	Knowing investment digital platforms
	DFL5	Knowing the financial digital platform
	DFL6	Experiencing in using digital payment a
	DFL7	Experiencing in using digital loan platform
	DFL8	Experiencing in using investment digital assets product
	DFL9	Having awareness about risk in financial technology
	DFL10	Having the ability to manage finance via digital platforms
	DFL11	Having control over my expenses
Investment Decisions	ID1	My level of profit is in line with my expectations
	ID2	Satisfy with my investment result.
	ID3	Buy assets with high returns.
	ID4	Buy assets based on suggestions from the online community.
	ID5	Saving money based on suggestions from the online community
	ID6	Sell assets based on suggestions from the online community.
	ID7	Dare to take risks

Source: Author (2024)

3.2. Sample and Procedure

The minimum samples are 5 times all the items used, so there were 175 respondents to ensure representativeness and accuracy who answered an online questionnaire through Google Forms. The questionnaires were distributed to:
1) Muslim
2) Gen Z (born in 1997-2012)
3) Investor in the capital market
4) Social Media users (Instagram, Twitter/X, Facebook, TikTok etc.)

From the 175 respondents collected, a descriptive analysis was conducted using Microsoft Excel. The respondents were 175 Gen Z investors. All investors have social media, and the majority (96 respondents) have Instagram, followed by YouTube and TikTok, and the least Facebook users. This is understandable because, based on the data, Gen Z rarely uses the Facebook platform. Based on gender, there were more females than males (105 respondents). Most come from East Java (115 respondents), and the rest are from Central Java, West Java, DKI Jakarta, DI Yogyakarta, and others. Based on the survey from OJK, the financial inclusion index in East Java is 92,99%, the highest number among the other provinces (OJK, 2022). Most of the respondents are novice investors with less than 1 year of experience. The most common types of assets owned by respondents are stock (125 respondents), mutual funds (62 respondents), and bonds (13 respondents). Gen Z is heavily influenced by social media, where the investment community shares tips, strategies, and success stories. This exposure often highlights stock trading as an exciting and lucrative endeavor, encouraging young investors to dive into the stock market rather than the mutual funds (Safitri & Kornitasari, 2023). Also, stocks are often seen as having the potential for higher returns compared to mutual funds.

Gen Z investors who may have a higher risk tolerance, given their longer investment horizon, are attracted to the possibility of significant gains through individual stocks (Fitriyani & Anwar, 2022). Most respondents invest their money in less than IDR 1.000.000 each month and, in total, more than IDR 5.000.000. This number is quite small but reasonable because the majority of Gen Z is undergraduate students. Furthermore, undergraduate students struggle with budgeting and often lack the skills to manage their finances effectively. Studies indicate that students frequently engage in impulsive spending. A significant portion of their expenditures goes toward discretionary items such as entertainment, dining out, and shopping (Philippas & Avdoulas, 2020; Sang, 2021).

3.3. Data Analysis

This study used a quantitative approach with a survey method to collect the data. A path analysis was conducted using the SEM-PLS approach. Social media divided into 2 parts that is Information Social Media, and Online Community Behavior. Each direct effect of information from social media and online community behavior on digital financial literacy, digital financial literacy on investment decisions, and information from social media and online community behavior on investment decisions was examined. Digital financial literacy consists of 4 dimensions: Knowledge, Experience, Awareness, and Skill. After that, a second-order construct was applied to test whether each dimension is significant (Table 2). The test result showed that Knowledge, Experience, Awareness, and Skill are suitable dimensions for Digital Financial Literacy.

Table 2. Second Order Construct

	T-Stat	P-Value	Decision
Knowledge → DFL	25,697	0,000***	Supported
Experience → DFL	16,326	0,000***	Supported
Awareness → DFL	17,049	0,000***	Supported
Skill → DFL	16,286	0,000***	Supported

Source: Author (2024)

IV. Result and Analysis

4.1. Results

A PLS model is analyzed and interpreted in two sequential steps: firstly, validity and reliability assessment of the measurement model; secondly, assessment of the structural model. Although a PLS model is analyzed in measurement and structural parameters, these are estimated simultaneously. To ensure the instruments are valid, we first test the outer model by determining the loading factors. Based on Nunnally (1978), items that didn't meet the validity requirement (loading factor < 0,6) are dropped (Table 3). We deleted the IFS1, FLD7, ID6, and ID8 because the outer loading is under 0,6. For the AVE (as a convergent validity), all variables are based on the required criteria (the value is more than 0,5). In PLS, we also examine the discriminant validity by checking the Fornell-Larcker Criterion. The square root of AVE (Average Variance Extracted) must be greater than the correlation between latent variables. For the reliability, the Cronbach alpha and composite reliability are more than 0,6, which indicates that the reliability is good.

Table 3. Validity and Reliability Test

Items		**Loading Factors**	**CA**	**rho_A**	**CR**	**AVE**
IFS	IFS2	0,778	0,922	0,927	0,935	0,594
	IFS3	0,830				
	IFS4	0,799				
	IFS5	0,803				
	IFS6	0,781				
	IFS7	0,823				
	IFS8	0,819				
	IFS9	0,838				
	IFS10	0,564				
	IFS11	0,618				
OCB	OCB1	0,804	0,929	0,931	0,944	0,740
	OCB2	0,883				
	OCB3	0,920				
	OCB4	0,900				
	OCB5	0,846				
	OCB6	0,801				
DFL	DFL1	0,708	0,920	0,925	0,933	0,586
	DFL2	0,603				
	DFL3	0,774				
	DFL4	0,812				
	DFL5	0,810				
	DFL6	0,771				
	DFL8	0,703				
	DFL9	0,828				
	DFL10	0,817				
	DFL11	0,798				
ID	ID1	0,757	0,879	0,882	0,903	0,511
	ID2	0,797				
	ID3	0,814				
	ID4	0,647				
	ID5	0,743				
	ID7	0,649				
	ID9	0,649				
	ID10	0,665				
	ID11	0,689				

Source: Smart-PLS 3.0 (2024)

The discriminant validity is examined by the Fornell-Larcker Criterion. The square root of AVE (Average Variance Extracted) must be greater than the correlation between latent variables. The test result is shown in Table 4 below. The square-root AVE of DFL is 0,765, greater than the other construct (ID 0,724; IFS 0,712; OCB 0,554).

Table 4. Fornell-Larcker Criterion

	DFL	ID	IFS	OCB
DFL	0,765			
ID	0,724	0,715		
IFS	0,712	0,706	0,771	
OCB	0,554	0,692	0,699	0,860

Source: Smart-PLS 3.0 (2024)

Then, we test the inner model to examine each hypothesis using path analysis in Smart PLS 3.0. Path analysis is a statistical technique used to test both the direct and indirect effects of numerous variables in a theoretical model. Our result is shown in Table 5.

Table 5. Path Analysis

Panel A. Direct Effect	**T-Stat**	**P-Value**	**Decision**
H1a: IFS → DFL	4,634	0,000***	Supported
H1b: OCB → DFL	0,842	0,400	Not Supported
H2: DFL → ID	6,484	0,000***	Supported
H3a: IFS → ID	3,697	0,000***	Supported
H3b: OCB → ID	5,600	0,000***	Supported
Panel B. Indirect Effect	**T-Stat**	**P-Value**	**Decision**
H4a: IFS → DFL → ID	3,697	0,000***	Supported
H4b: OCB → DFL → ID	0,816	0,415	Not Supported

Source: Smart-PLS 3.0 (2024)

Information from social media (IFS) has a positive effect on Digital Financial Literacy (DFL). The high t statistics and p-value below 5% indicate a strong and statistically significant effect. So, we conclude that hypothesis 1a is supported. This result is consistent with Manickam et al. (2023), (Shvaher et al. (2021), and Yanto et al. (2021). The more information obtained from social media will increase their digital financial literacy.

Online Community Behavior (OCB) does not positively affect Digital Financial Literacy. The low t statistics and p-value above 5% indicate a weak and statistically insignificant effect. So, we conclude that hypothesis 1b is rejected. This result is different from those of Shvaher et al. (2021) and Yanto et al. (2021), who reported that online community behavior cannot increase digital financial literacy.

Digital Financial Literacy has a positive effect on Investment Decisions. The high t statistics and p-value below 5% indicate a strong and statistically significant effect. So, we conclude that hypothesis 2 is supported. This result is consistent with Awais et al. (2016), Setiawan et al. (2022), and Yanto et al. (2021). The more they understand and have experience, awareness, and skill toward financial products and services, the more they can make good investment decisions.

Information from social media has a positive effect on Investment Decisions. The high t statistics and p-value below 5% indicate a strong and statistically significant effect. So, we conclude that hypothesis 3a is supported. This result is consistent with Abu-Taleb & Nilsson (2021), Atoom et al. (2021), Chaundry & Alansari (2018), Hasselgren et al. (2023), Ismail et al. (2018), Jing & Zhang (2021), Bollen et al. (2011) and Tu et al. (2016) that stated information in social media could make investors change their decisions related to investment.

Online Community Behavior has a positive effect on Investment Decisions. The high t statistics and p-value below 5% indicate a strong and statistically significant effect. So, we conclude that hypothesis 3b is supported. This result is consistent with Abu-Taleb & Nilsson

(2021), Atoom et al. (2021), Chaundry & Alansari (2018), Hasselgren et al. (2023), Ismail et al. (2018), Jing & Zhang (2021), Tu et al. (2016) that mentioned the behavior of investors in the community can influence investment decisions.

Based on Baron & Kenny (1986), for support mediation must be met the following conditions: 1) The independent variable (IV) is shown to influence the dependent variable (DV) significantly; 2) the IV is shown to influence the mediator (M) significantly; 3) the M must significantly influence the DV. For the indirect effect test above, Digital Financial Literacy can mediate the effect of Information from Social Media on Investment Decisions because all three conditions are met. The high t statistics and p-value below 5% indicate a strong and statistically significant effect. So, we conclude that hypothesis 4a is supported. However, digital financial literacy cannot mediate the effect of online community behavior on investment decisions. Because of the direct effect itself, it's clear that Online Community Behavior has no significant effect on Digital Financial Literacy. The low t statistics and p-value above 5% indicate a weak and statistically insignificant effect. So, we conclude that hypothesis 4b is rejected.

4.2. Discussion

In this study, the respondents belong to Gen Z, with the majority being undergraduate students. Gen Z, as a youth born between 1997 and 2012, has a significant role in the development of the country (Khan & Ahmad, 2022). As a part of Gen Z, the undergraduate student is in the transitional stage of development and will take on significantly greater financial dependence after completing a degree. The knowledge and skills developed during the study period will last forever and help them to make rational decisions. Furthermore, Indonesia is the largest Muslim-majority country, with a significant portion of its population belonging to Gen Z (Santika, 2023). Gen Z is also a generation that is very connected with technology and social media, which play a significant role in shaping opinions and behaviors, including lifestyle, trends, and investment decisions. It will be such a waste if we do not explore the potential of Muslim Gen Z. These significant numbers could help to reach a better economy in the future (Arli et al., 2014).

Our results above indicate that information from social media has a positive and significant effect on digital financial literacy. Social media serves not only as a communication medium but also as a platform for seeking and exchanging knowledge (Yanto et al., 2021). Investors can utilize a wealth of available information on social media to enhance their understanding and knowledge of digital finance. With the existence of social media, information can be disseminated widely and rapidly to its users. Social media provides opportunities for financial institutions such as the Financial Services Authority (Otoritas Jasa Keuangan—OJK) and other financial companies to engage with prospective and current investors and offer financial education just like the Indonesia Stock Exchange has the campaign "*Aku Investor Saham*," which is shared through all social media platforms to invite Indonesian people to invest in stocks to achieve financial independence in the future (See Figure 2).

Figure 2. Indonesia Stock Exchange's Campaign

Source: www.idc.co.id (2024)

Individuals can ask questions related to finance and investment and receive prompt responses. This interactive communication can help individuals better understand both conventional and digital financial products and services, enabling them to make informed decisions (Manickam et al., 2023). Predominantly, respondents in this study use Instagram and X (formerly Twitter). These platforms provide a wealth of information, including the importance of investing, different types of investment instruments, safe and profitable investment strategies, and so on. That information is shared through infographics, educational videos, threads, news updates, and lives. Following accounts focused on financial education, like @investorsahampemula, @frisca_dc, @bigalphaid, @ojkindonesia, and @indonesiastockexchange, can help individuals gain better knowledge about financial management, investment, and other financial strategies. Furthermore, social media also provides various segmented content like a Halal Lifestyle, Sharia Investment, and others (e.g., @idxislamic, @shafiq.id; @gregetkallabuana). Watching content related to sharia or halal will intrinsically motivate Muslim Gen Z to invest in halal (permissible) financial products that align with their ethical and religious values. The aspect of religiosity, which is owned by Muslim Gen Z, is crucial in understanding the distinct investment behavior and preferences.

Online community behavior represents social interactions among users on digital platforms. In this context, the online community referred to social communities like 'Investor Saham Pemula' and Belajar Saham Bareng. Online community behavior can significantly impact various aspects of an individual's life. This study reported that it does not significantly affect one's level of digital financial literacy. This is attributed to the fact that not all available information shared is from reliable sources and can lead to misconceptions and confusion rather than enhancing understanding (Akhtar & Das, 2019). Financial literacy requires structured and systematic education, whereas online communities tend to provide sporadic information (often referred to as 'viral'), which leads to gaps in understanding. In online communities, the discussions are often shallow, resulting in investors having only a superficial understanding of financial concepts. So, they will find another alternative to get in-depth information, like an offline community.

The next hypothesis (H2) stated that Digital Financial Literacy positively affects Investment Decisions. The path analysis result indicates that this hypothesis is accepted. The concept of digital financial literacy used in this study encompasses understanding financial products and services, experiences with these products and services, awareness of potential risks, and the ability to manage these financial products and services (Setiawan et al., 2022). Individuals with good digital financial literacy can better access available information online, leading to accurate and rational investment decisions, thereby reducing susceptibility to unclear speculation and poor investment choices (R Rahayu et al., 2022). Skills in managing digital financial products and services enable investors to understand and manage their investment risks better. They can evaluate the risk-return ratio of various investment options, leading to a more balanced and diversified portfolio (Jobst, 2014). Competent financial literacy also reduces cognitive biases such as overconfidence, herding behavior, disposition effect, and others. Investors no longer make decisions based solely on emotional reactions but can think rationally based on sound financial principles. Furthermore, the respondents are Muslim Gen Z, which is believed to have religiosity, and it significantly influences investment decisions. Muslim investors will adhere more to specific guidelines and preferences as Islamic laws. Islam places restrictions on usury, gambling, and speculation so the good Muslim should find out all the information before the transactions. Accordingly, it will lead to rational-based investment and no cognitive biases will occur (Purbowisanti et al., 2021).

Based on the previous findings, the third hypothesis (H3a & H3b) is that Information from social media and Online Community Behavior positively affect Investment Decisions. The results indicate that information from social media and online community behavior significantly enhances investment decision-making. This result is supported by previous studies (Abu-Taleb & Nilsson, 2021; Atoom et al., 2021; Chaundry & Alansari, 2018; Ismail et al., 2018; Tu et al., 2016). Social media provide a wealth of information about investments, contributing to knowledge, awareness, experience, and skills in using digital financial products and services, thus enabling better investment decision-making (Abu-Taleb & Nilsson, 2021; Atoom et al., 2021; Chaundry & Alansari, 2018; Hasselgren et al., 2023; Ismail et al., 2018; Jing & Zhang, 2021; Tu et al., 2016). Gunawan et al. (2020) described that technology and content available in social media influenced the mindset of Muslim Gen Z. Information from social media can provide new insights into investment opportunities (Abu-Taleb & Nilsson, 2021; Jing & Zhang, 2021). Also, it allows individuals to follow market updates, and they can usually get recommendations from experts, analysts, and other investors. Many kinds of available information on social media require them to be smart in sorting or eliminating the information they need. A good understanding will lead this generation to become wiser investors.

Online communities are where people often provide support, information, and practical experiences that help individuals make better investment decisions (Atoom et al., 2021; Hasselgren et al., 2023; Tu et al., 2016). Abu-Taleb & Nilsson (2021) suggested that online community behavior has a stronger impact on investment decisions. Social media is a platform that can spread information quickly. Recommendations from famous figures can trigger a spike in trading volume and stock prices in a short period. For example, *Mansurmology* (a term for Yusuf Mansur stock recommendation) showed how strong the influence of social media is on investment decisions, especially among Muslim Gen Z. To reduce risks and maximize potential profits, they need to get adequate financial education and conduct in-depth analysis before making a decision (Tika, 2021). Investors experienced losses because stock prices could not maintain rapid increases, and declines occurred. The FOMO (fear of missing out) characteristics in Gen Z make them highly trusting of their peers and inclined to follow their actions. Another example is a few years ago, when GOTO had an initial public offering, many investors followed the hype due to FOMO without considering the company's financial statements at that time. This led to high trading volumes and significant price movement driven by sentiment. Ultimately, the stock reached an all-time low price (Khadafi, 2024).

For the indirect effect (hypotheses 4a and 4b), Digital Financial Literacy can mediate the effect of Information from Social Media and Investment Decisions. Muslim Gen Z, with all of the potential they have, can find all the information they want, including all about the Islamic or Sharia investment. It will enhance their knowledge of finance and digital finance and make them wise and informed investment decisions. However, Digital Financial Literacy can't mediate the effect of Online Community Behavior on Investment Decisions. It is understandable since the behaviors in the online community failed to make Muslim Gen Z make good decisions. They may be skeptical of information obtained from online communities due to the ambiguity of the source. Too much conflicting information can also confuse individuals and make it difficult for them to make informed decisions. Or because of previous bad experiences with inaccurate information. Like the previous events where there were so many illegal investment schemes happening in Indonesia (Indraini, 2021).

V. Conclusion and Recommendation

5.1. Conclusions

Investment decisions are made not always based on rational matters. The existence of social media is no longer just a means of communication but also a source of information and social interaction between its users. This study used path analysis to examine the hypotheses. The results show a positive effect between information from social media on digital financial literacy, digital financial literacy on investment decisions, and information from social media & online community behavior on investment decisions. However, online community behavior can not affect digital financial literacy. Financial literacy requires structured and systematic education. Online communities tend to provide sporadic information, leading to gaps in understanding. In online communities, the discussions are often shallow, resulting in investors having only a superficial understanding of financial concepts.

5.2. Recommendation for Future Research

This study used purposive sampling, which means there is the possibility of inaccuracy. Our suggestion for future research is to use a multi-stage sample to get a good representation.

5.3. Managerial Implication

Gen Z, the majority of university students, depend heavily on gadgets and social media. So that financial service providers and government agencies can better utilize the existence of social media to improve digital financial literacy and investment decisions.

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Authors' Contribution

Mega Noerman Ningtyas was responsible for the conceptualization, methodology, and investigation. Nur Laili Fikriah handled the formal analysis and data curation. Ayub Wjayati Sapta Pradana contributed to the writing of the original draft and the review and editing of the manuscript. All authors have read and agreed to the published version of the manuscript.

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Data Availability Statement

The data that support the findings of this study are available from the first author, [Mega Noerman Ningtyas], upon reasonable request. Feel free to customize these sections further according to your specific details and contributions.

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