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Mutual Fund Investment For Generation Z: Psychological Factors and The Influence Of Consumption Culture

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Abstract. Generation Z, as a digital generation that grew up with technology and wide access to information, shows an increasing interest in the world of investment, including mutual funds. This study aims to analyze the psychological factors and culture of consumption that influence the interest and investment behavior of mutual funds in Generation Z. Using a quantitative approach through a survey of Gen Z respondents, this study explores the motivational factors, social influences, and risk perceptions that shape their investment decisions. The results show that psychological factors, such as the need for financial security in the future, play an important role in driving mutual fund investment interest. In addition, the consumption culture influenced by social media and digital trends also influences Gen Z's preference for investment products that are easily accessible and flexible. This study concludes that to attract more investors from Gen Z, financial institutions need to consider aspects of digitalization and personalization of investment products, as well as improve education related to risk management. The findings are expected to serve as a reference for financial service providers in designing more effective marketing and education strategies for the younger generation segment.

Keywords: Investment; mutual funds; psychological factors; consumption culture; social media

A. INTRODUCTION

Mutual fund investment has become one of the more popular investment instruments in Indonesia, especially among the younger generation. Mutual funds offer ease of access, capital flexibility, and diversification which makes them attractive to novice investors who want to get involved in the financial market without having to have in-depth knowledge of investments. Generation Z, or those born between 1997 to 2012, is starting to show significant interest in these investments. Unlike previous generations, Generation Z grew up in the midst of a digital age that integrates technology in various aspects of life, including in financial management and investment. This environment allows Gen Z to have wider and faster access to financial information through social media, financial apps, and various other digital platforms.

Psychological factors play an important role in Generation Z's investment decision-making. The need for future financial stability and the desire to achieve financial independence are strong drivers for Gen Z to start investing early. However, Generation Z's characteristic of seeking instant gratification also brings challenges, as they may have low risk tolerance and a preference for short-term investments. In addition, the growing consumption culture among this generation, influenced by social media trends and consumptive lifestyles, also shapes their mindset and investment preferences. Gen Z is often exposed to content about "financial lifestyle" or "financial freedom" promoted by influencers and public figures, which encourages them to seek investment instruments that are practical and quick to access.

This study aims to explore the psychological factors and consumption culture influences that affect the mutual fund investment interest and behavior of Generation Z in Indonesia. By focusing on these aspects, the research is expected to provide deeper insights into the mindset and investment approach of the younger generation. In addition, the results of this research are expected to help financial institutions and investment service providers design more relevant and effective products and marketing strategies to attract Gen Z investors.

This research will explore several aspects, including: mutual fund investment motivations and preferences, perceptions of risk, and the influence of social media and consumption culture on Gen Z's investment decisions. Through an in-depth understanding of these psychological factors and consumption culture, it is hoped that a new approach can be found that supports the growth of mutual fund investment among the younger generation and promotes sustainable improvement in financial literacy.

B. LITERATURE REVIEW

Mutual Fund Investment

Mutual funds are one of the more popular investment instruments, especially among beginners. According to Tandelilin (2017), mutual funds are containers used to raise funds from the investor community which are then invested in securities portfolios by investment managers. This instrument offers various advantages, such as risk diversification, accessibility, and ease of management, which makes it an attractive option for novice investors (Situmorang, 2020). For Generation Z, money market mutual funds and fixed income mutual funds are the most preferred options due to their relatively high stability (Setiawan, 2021).

Generation Z and its Investment Characteristics

Generation Z, born between 1997 and 2012, is known as the digital-native generation. They grew up in the era of technology, which allows faster access to information through various digital platforms (Schroth, 2019). These characteristics affect their mindset and preferences in investment, where they tend to look for investment instruments that are easily accessible, practical, and have low to moderate risk (Kusuma, 2020).

As a generation that is often exposed to social media trends, Gen Z has an investment orientation that is influenced by influencers and digital content related to financial literacy (Andriani, 2021).

Psychological Factors in Investment

Psychological factors play an important role in investment decision-making. According to Kahneman and Tversky (1979), risk perception is one of the main determinants in investment preferences. Generation Z tends to have low risk tolerance, mainly due to their lack of experience in investment (Wijaya, 2020). The motivation to achieve financial independence and the need for financial security are significant drivers that influence their interest in mutual funds (Situmorang, 2021).

Investment behavior theory states that individuals with low investment experience tend to choose instruments that offer stability and convenience, such as money market mutual funds. This is in accordance with the findings of previous research which shows that Generation Z is more comfortable with controlled investment risk (Setiawan, 2022).

Influence of Consumption Culture and Social Media

Consumption culture and social media trends have a significant influence on Generation Z's investment decisions. According to Kotler and Keller (2016), modern consumption culture, which is often influenced by digital trends, shapes the preferences of younger generations in economic decision-making. Social media is the main platform for Generation Z to access investment-related information, including mutual funds (Andriani, 2020).

Influencers and public figures promoting financial lifestyles on platforms such as Instagram, TikTok, and YouTube also contribute greatly to shaping positive perceptions of mutual fund investments (Kusuma, 2021). Generation Z is often encouraged to invest as a way to achieve financial freedom and support a dynamic flexible lifestyle (Santoso, 2021).

Financial Literacy of Generation Z

Financial literacy is one of the important factors that determine Generation Z's investment success. According to Lusardi and Mitchell (2014), financial literacy is the ability to understand and use basic financial concepts in decision making. In Indonesia, Gen Z's financial literacy level has relatively increased along with the development of digital access and financial education programs provided by financial institutions (Wijaya, 2022).

However, uneven financial literacy is a challenge in encouraging investment interest in this group. Therefore, interactive and digital-based educational programs are an effective strategy to increase Gen Z's understanding of mutual fund investment (Andriani, 2021).

C. RESEARCH METHODOLOGY

This research uses a qualitative approach to deeply explore the psychological factors and the influence of consumption culture that influence the interest and behavior of mutual fund investment in Generation Z. This approach was chosen to understand the subjective perspectives and experiences of individuals, as well as to provide in-depth insights into the mindset and dynamics underlying Generation Z's investment decisions.

Research Design

This research uses an exploratory case study design. This design aims to understand the phenomenon holistically in a particular context, namely the interest and behavior of mutual fund investment in Generation Z in Indonesia.

Location and Research Participants

Location: The research was conducted online, given that Generation Z is a group that is very familiar with digital technology. Data was collected through online interviews using applications such as Zoom or Google Meet.

Participants: Participants were selected using purposive sampling, with the following criteria:

- Aged between 18-26 years old.
- interest or experience investing in mutual funds.

Actively use social media and are exposed to investment-related content.

Willing to share their experiences and views in an interview.

A total of 20 participants were invited to participate in the study, selected based on variations in educational background, occupation, and level of investment experience.

Research Instruments

The main instrument used was a semi-structured interview guide. This guideline was designed to gather information on:

Motivation and purpose of investing.

Perception of investment risk.

The influence of social media in shaping investment interest.

The influence of consumption culture on investment product preferences.

Data Collection Procedure

Data was collected through in-depth interviews lasting 30-60 minutes per participant.

Data collection procedures included:

Recruitment of participants through social media and personal networks.

Scheduling of interviews based on mutually agreed times.

Conducting interviews with permission to record for data documentation.

Transcription of interview results for further analysis.

Data Analysis

Data were analyzed using thematic analysis method. The analysis process included:

Reading and understanding the interview transcripts thoroughly.

Identifying key themes that emerged from the data, such as psychological motivation, social influence, and consumption culture.

Clustering the data into relevant themes and providing interpretations based on theories related to investment and consumption behavior.

- Develop a narrative to explain the findings based on the identified themes.

Data Credibility and Validity

To ensure data validity, this study used data triangulation techniques, by verifying findings through:

Comparing data from various participants to identify consistent patterns.

Discussion with peers or experts to obtain critical views on the results of the analysis.

Member checking, which involves asking participants to review transcripts and interpretations of interviews to ensure accuracy and relevance.

Research Limitations

This study has several limitations, including:

Limited number of participants who may not represent all Generation Z in Indonesia.

Potential bias in participants' answers due to online interviews that may not allow non-verbal expressions to be properly identified..

D. RESULTS AND DISCUSSION

Motivation and Objectives for Investing

Most participants revealed that their main motivation for investing in mutual funds is to achieve long-term financial security and financial independence. They expressed a desire to start planning for the future early on, especially for goals such as buying a house, paying for education, or preparing for retirement. One participant said:

"I started investing because I wanted to have a safe emergency fund for the future. Mutual funds seemed easier than trying to invest in stocks."

However, there were also participants who admitted that they were encouraged to invest because of social trends or the influence of peers who had also started investing.

Perception of Investment Risk

Most participants have low to medium risk tolerance. They tend to choose mutual funds with minimal risk, such as money market and fixed income funds, which are considered more stable. Some participants mentioned that their limited understanding of investment is the main reason for avoiding high-risk products.

"I feel more comfortable choosing mutual funds with low risk. I'm still learning, so I'm afraid of losing money if I choose something too risky," said one participant.

Social Media Influence

Social media plays a significant role in shaping Generation Z's investment interests. Most participants admitted to getting their first information about investing from platforms such as Instagram, TikTok and YouTube. Content from financial influencers or educators helped them understand the basics of investing, including mutual funds.

"I learned about mutual funds from TikTok. There are many videos that explain how to start investing easily, and it makes me interested in trying," said one respondent.

Consumption Culture and Lifestyle

The influence of consumption culture can be seen in the way Generation Z views investment as a tool to support lifestyle. Some participants admitted that they are motivated to invest in order to fulfill their lifestyle aspirations, such as traveling or buying luxury items. However, they still prioritize the flexibility and liquidity of investment instruments to meet their dynamic lifestyle needs.

"I want to have an investment, but one that is easy to withdraw at any time. So, if there is a sudden need, I can use it immediately," said a participant.

Motivation and Psychological Factors

The results of this study show that Generation Z is highly motivated to achieve long-term financial stability. This finding is consistent with Maslow's needs theory, where financial security is one of the basic human needs. Generation Z, exposed to global economic uncertainty, seems to be increasingly aware of the importance of investing for the future.

However, the desire to achieve financial independence is also influenced by the characteristics of this generation, which tends to be more pragmatic and oriented towards short-term results. This makes them choose investment instruments that are easy to understand and relatively safe.

Risk Perception and Investment Decision

Generation Z's tendency to avoid high risks can be explained by their lack of investment experience. This is in line with behavioral finance theory which states that novice investors tend to be more cautious in taking risks. Therefore, products such as money market mutual funds are popular choices as they are considered more stable and easily accessible.

Social Media Influence

Social media has proven to be an important factor in shaping Generation Z's investment decisions. The trend of financial education disseminated through digital platforms creates a positive perception of mutual fund investment as an easy-to-use tool to start a financial journey. This phenomenon reflects the changing pattern of information consumption among Generation Z, where they trust visual content and narratives from influencers more than traditional sources such as banks or financial institutions.

Consumption Culture and Lifestyle

Generation Z exhibits a unique approach to investment that is based on the need to support lifestyle. While this represents great potential for investment product providers, there is a risk that investment decisions that are overly influenced by lifestyle may detract from the focus on long-term financial goals.

These findings provide important insights for financial institutions to design products that are more flexible, digital-friendly and aligned with Generation Z's consumption culture preferences.

E. CONCLUSIONS AND SUGGESTIONS

This study aims to identify the psychological factors and the influence of consumption culture that influence the interest and decision to invest in mutual funds among Generation Z in Indonesia. The results show that psychological factors such as the need for financial security and the motivation to achieve financial independence are the main drivers for Generation Z to start investing. Most of Generation Z has a preference for investment instruments that are considered stable and easily accessible, such as mutual funds, especially those with low to medium risk levels.

In addition, the consumption culture influenced by social media has a significant influence on investment decisions. Exposure to investment content from social media and influencers has a positive impact in driving Generation Z's interest in mutual fund investments. Generation Z is often inspired to invest to fulfill a more independent and flexible lifestyle. However, they also tend to prefer investments that are liquid and easily accessible to support their dynamic lifestyles.

Overall, the findings show the importance of psychological aspects and consumption culture in attracting Generation Z to investment. For financial institutions, these results provide insights to design marketing strategies and products that are more relevant to the preferences of the younger generation, for example by increasing education through social media and offering digital-friendly investment products. Furthermore, continuous efforts to improve financial literacy are needed so that Generation Z can make wiser investment decisions and understand the risks in investment, thus achieving their goal of financial independence.

With these conclusions, it is hoped that this research will contribute to the development of inclusive and youth-oriented investment strategies and encourage a more sustainable growth of mutual fund investors in the future.

Suggestions:

Improving Financial Literacy

Financial institutions need to design more interactive and digital-based financial education programs to improve Generation Z's financial literacy. This program can be done through collaboration with financial influencers, webinars, or online training that explains the benefits, risks, and strategies in mutual fund investment.

Social Media Optimization

Investment service providers are advised to utilize social media as a key marketing tool. Engaging educational content, such as short videos, infographics, and success stories of young investors, can help increase Generation Z's interest in mutual funds.

Diversify Investment Products

Mutual fund providers can offer more varied products to suit Generation Z's needs, such as mutual funds with high liquidity features or special themes relevant to their interests, for example, sustainable or technology-based investments.

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