

Changes In Investment Behavior of the Millennial Generation Before & During the Covid-19 Pandemic

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Abstract

The aim of the research is to find out whether there has been a change in the investment behavior of the millennial generation before and during the Covid-19 pandemic. This research used a quantitative research approach. This study was conducted in Salatiga City, Central Java Province. The sampling technique used purposive sampling, with total sample was 100 respondents from the millennial generation. The results of the research show that there has been a change in the investment behavior of the millennial generation before and during the Covid-19 pandemic. Before the Covid-19 pandemic, the millennial generation preferred short-term investments because of the uncertainty of the income they would receive, whereas during the Covid-19 pandemic, the millennial generation chose short-term investments because they were minimal risk. If we look at the type of investment before the Covid-19 pandemic, the generation preferred stock investment, while during the Covid-19 pandemic they preferred mutual funds.

Keywords: millennial generation; investment behavior; stock; mutual fund; Covid-19.

1. Introduction

Investment behavior is the study of how people act when making investment decisions, with the primary focus on how psychology can influence their choices in investing (Wicaksono, 2015). Investment behavior, which falls under the theory of behavioral finance, is the science of how individuals behave when making financial decisions. This behavior reveals the role of psychology in the decision-making processes of individuals, businesses, and in identifying financial markets. This principle clearly demonstrates that behavioral finance is an approach that explains how psychological elements influence the way humans invest or deal with money (Wicaksono, 2015).

During the Covid-19 pandemic, there was a stagnation in various business sectors that negatively impacted society at large. Many people were laid off from their jobs, and businesses were forced to close due to bleak prospects. These conditions not only changed daily habits and tightened health protocols but also spread to investment behavior in the community. Opportunities opened up for anyone to invest, as long as they had adequate resources. One of the current investment participants is the millennial generation. As reported by Kompas, the millennial generation consists of the population born around the years 1980 to 1995, who are now entering the ages of 26 to 41.

Some studies on investment behavior have also been previously conducted by Hati & Harefa (2019) It is suggested that before the advent of Covid-19, the majority of millennials were reluctant to invest, instead preferring to spend their money on necessities and shopping. Furthermore, Onasie & Widodoatmodjo (2020) It is stated that millennials invest the most in the capital market, accounting for 54.41%, followed by mutual funds, banking products, and the real sector. In line with this, (Rikantasari, 2020) It is asserted that the millennial generation primarily invests in savings and gold. According to Tambunan (2020), Stocks in the industrial sector, telecommunications sector, and healthcare sector, such as pharmaceuticals and hospitals, may be attractive to investors during the Covid-19 pandemic. Meanwhile, Azis dkk. (2021) It is stated that agricultural investment is a viable option amidst the Covid-19 pandemic. However, studies (Ramdani, Amri, Warsihna, Garnasih, & Juarsa, 2021) studies on the financial behavior of employees during the Covid-19 pandemic indicate that the uncertainty factor during Covid-19 affects the psychology

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of employees, and it is estimated that almost all employees exhibit better investment behavior, one of which is by engaging in online investments.

Based on several previous studies on investment, there are interesting differences that warrant further discussion. For instance, Hati & Harefa (2019) Which examines the factors that influence the interest in investing in the capital market among students. Meanwhile, this study aims to analyze the investment behavior of the working millennial generation. Furthermore, the difference of this study with Onasie & Widodoatmodjo (2020) the selection of variables is a distinguishing factor, where the aforementioned study examines investment intentions, while this research analyzes the investment behavior of the millennial generation. The limited research exploring the shift in investment behavior among employed millennials underpins this study. Based on this description, the research primarily investigates the changes in the investment behavior of millennials both during and before the Covid-19 pandemic. The research question addressed in this study is whether there has been a change in the investment behavior of millennials before and during the Covid-19 pandemic. The theoretical benefit of this research is to add to the literature on the changes in the investment behavior of millennials during the Covid-19 pandemic, which is still scarce. Meanwhile, the practical benefit of this research is to provide insights for the millennial generation to make wise investment decisions during both crisis and normal times.

2. Literature Review

2.1. Millennial Generation

Generation Y, often referred to as the millennial generation, consists of individuals born between the years 1980 and 1995, currently ranging in age from 26 to 41 years. The millennial generation grew up in a world where social media and mobile phones are commonplace, making them knowledgeable about technology. According to Hayu (2019) The Millennial Generation, commonly known as Generation Y, is composed of individuals born between 1980 and 1995. The majority are college graduates entering the workforce and are of working age. Millennials are referred to as 'digital natives' because they grew up with various electronic gadgets and internet access, which includes hundreds of television channels and video games.

Meanwhile, (Putra, 2017) It is proposed that the millennial generation, born between 1980 and 1995, is also known as Generation Y. This generation is accustomed to using email, SMS, instant messaging, and other forms of instant communication. This is because Generation Y grew up during the heyday of the internet (Putra, 2017). Not only that, Generation Y has more open political and economic views, making them appear more reactive to environmental changes. Generation Y is defined by the following characteristics: More devoted to organizations; work is a priority, but not the most important; prefer simpler rules; favor openness and transparency.

2.2. Investment Behavior

Wicaksono (2015) defines investment behavior as an individual's actions in making investment decisions, focusing on how psychology influences future investment decisions. Whereas (Dew & Xiao, 2011) define investment behavior as the portion of income that is not spent over a certain period of time. Praba dan Malarmathi (2015) define investment behavior as human activity that may be perceived by others as relying on incentives or recommendations from others to increase wealth in the future. According to various definitions of investment behavior, it relates to how an individual makes financial decisions to obtain income and wealth in the future.

2.3. Investment Behavior of Millennials Before and During the Covid-19 Pandemic

According to Pradnyawati dan Sinarwati (2022), market changes have impacted the investment decisions of the millennial generation. During the Covid-19 pandemic, market trends significantly declined; this was an opportune time to acquire stocks and invest for several years. This setup created a momentum for significant potential profits when the economy stabilizes. (Muklis 2016) The ongoing Covid-19 epidemic has the ability to change the attitudes and investment aspirations of the community. Onasie and Widodoatmodjo (2020) suggest that an individual's financial behavior can influence their tendency to invest. This response indicates that informants value the need for financial allocation through stock investments that offer long-term benefits.

2.4. Changes in Millennial Investment Behavior Before and During the Covid-19 Pandemic

Hati & Harefa (2019) noted that before the advent of Covid-19, millennials were more inclined to participate in the stock market, particularly in stocks. Stocks were the most popular choice among millennial investors (80.88 percent), followed by mutual funds (16.18 percent). Pradnyawati and Sinarwati (2022) found that during the Covid-19 pandemic, millennials chose to invest in stocks because millennial investors focused their stock investment decisions on stock price movements. Similarly, Mahafani et al., (2021) showed that the investment behavior of millennials in making investment decisions during the Covid-19 pandemic was in stocks, based on the trend of declining stock prices due to the pandemic, influenced by herding bias factors, namely following the actions or advice of others, but also analyzing company performance by looking at its financial reports. However, different findings were found in the study by (Rikantasari, 2020) which stated that the investment behavior of millennials before the Covid-19 pandemic was to invest in savings and gold. Savings and gold have a lower risk compared to investing in stocks, where there is actually a different investment pattern by considering risk factors.

Millennial investors believe that investing can help them make a difference; they may want more substantial evidence of performance, but they are still dedicated to long-term investments. This is evident from their investment behavior, which is very important, especially in the financial sector. This differs from the risk aversion often practiced by older individuals (Kusnandar & Rinandiyana, 2018). Research Method

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3. Results and Discussions

3.1. Respondent Profile

The following Table 1 presents the profile of the respondents, which includes explanations of gender, marital status, highest level of education, occupation, monthly salary, and income outside of salary.

Table 1. Profile of the Millennial Generation

Respondent Profile	Amount	Percentage
Gender		
Male	67	67%
Female	33	33%
Total	100	100%
Marital Status		
Single	31	31%
Married/Previously Married	69	69%
Total	100	100%
Highest Education		
High School/Vocational School	8	8%
Diploma	24	24%
Bachelor's Degree (S1)	47	47%
Master's Degree (S2)	21	21%
Total	100	100%
Occupation		
Civil Servant	32	32%
Private Employee	52	52%
Entrepreneur	16	16%
Total	100	100%
Monthly Salary		
< Rp.5 million	94	94%
Rp. 6 million – 10 million	6	6%
> Rp. 10 million	0	0%
Total	100	100%
Income Outside Salary		
< Rp.5 million	99	99%
Rp. 6 million – 10 million	1	1%
> Rp. 10 million	0	0%
Total	100	100%

Source: Primary data, processed (2023)

Table 1 can be explained that the majority of millennial respondents in this study are male at 67%, and females only 33%, meaning that in Salatiga, male millennials are the ones who invest the most compared to females. The millennials who invest the most are those who are married or have been married at 69%, followed by those who are unmarried at 31%. In terms of education level, millennials who invest are predominantly those with a bachelor’s degree (S1) at 47%, followed by diploma holders at 24%, and master’s degree (S2) holders at 21%, while high school/vocational school graduates are only 8%. The occupation of investing millennials is dominated by private employees at 52%, followed by civil servants at 32%, and entrepreneurs at 16%. The monthly salary of investing millennials is dominated by those earning less than Rp. 5 million at 94%. Meanwhile, the income outside of salary received by millennials is dominated by earnings of less than Rp. 5 million per month at 99%.

The types of investments chosen by millennials both before and during the Covid-19 pandemic can be seen in the following Table 2.

Table 2. Types of Investments by Millennials Before and During the Covid-19 Pandemic

Types of Investment	Before the Covid-19 Pandemic		During the Covid-19 Pandemic	
	Amount	Percentage	Amount	Percentage
Stocks	45	45%	27	27%
Bonds	3	3%	3	3%
Deposits	27	27%	19	19%
Mutual Funds	21	21%	47	47%
Crypto	4	4%	4	4%
Total	100	100%	100	100%

Source: Primary data, processed (2023)

Table 2 can be explained that, before the Covid-19 pandemic, the majority of millennial generation investments were in stocks at 45%, followed by deposits at 27%, and mutual funds also at 27%, while Crypto and bonds were each at 4% and 3%. Meanwhile, if we look at the types of investments during the Covid-19 pandemic, there has been a change compared to before the pandemic, especially as the majority of millennials have shifted to mutual funds, with 47 individuals or 47%.

3.2. Validity and Reliability Test

Before proceeding to hypothesis testing, a validity and reliability test is first conducted to determine whether the research instrument in the form of a questionnaire is suitable for use. The results of the validity and reliability test are presented in the following Table 3.

Table 3. Validity and Reliability Test of Millennial Investment Behavior

Code	Investment Behavior Indicator	Corrected Item-Total Correlation	Cronbach’s Alpha
P1	Choosing short-term investments due to uncertainty about future income	0.929	0.950
P2	Choosing short-term investments due to low risk	0.896	
P3	Preferring short-term investments over long-term investments due to considerations of the fund liquidation period	0.930	
P4	Not particularly fond of long-term investments, even though they may yield a higher return	0.644	
P5	Choosing investments in securities compared to physical assets	0.862	
P6	Regularly monitoring price changes of owned assets	0.572	
P7	Using funds from fixed income to invest	0.866	
P8	Using funds from other sources besides regular monthly income	0.904	

Source: Primary data, processed (2023)

Table 3 explains that all indicators of the investment behavior variable in the millennial generation are valid, as the Corrected Item-Total Correlation values are greater than $n = df - 2$, which is 0.3494, thus the indicators can be used for further testing. The Cronbach’s Alpha value for the investment behavior variable in the millennial generation is 0.950, which is greater than 0.600, indicating that the data is reliable.

3.3. Normality Test

The normality test in this study uses the Kolmogorov-Smirnov table. The basis for the normality assumption with the Kolmogorov-Smirnov test is (Ghozali, 2017). If the significance value is > 0.05, then the data distribution is normal. Based on the results of the normality test, it is known that the Kolmogorov-Smirnov Z value is 1.536 and the p-value is 0.427, which means that the data is normal. Therefore, the next difference test uses parametric statistical methods, namely the paired t-test.

3.4. Descriptive Statistics

Table 4 is the results of the descriptive statistical test of millennial investment behavior both before and during the Covid-19 pandemic.

Table 4. Descriptive Statistics of Millennial Investment Behavior Before and During the Covid-19 Pandemic

Code	Millennial Investment Behavior Indicator	Before the Covid-19 Pandemic	During the Covid-19 Pandemic
P1	Choosing short-term investments due to considerations of income uncertainty	3.743	3.542
P2	Choosing short-term investments due to minimal risk	3.281	3.854
P3	Preferring short-term investments over long-term investments due to fund liquidation period considerations	3.437	3.713
P4	Not particularly liking long-term investments, even though they may yield a higher return	3.145	3.462
P5	Choosing investments in securities compared to physical assets	3.382	3.435
P6	Regularly observing price changes of owned assets	3.371	3.321
P7	Using funds from fixed income to invest	3.527	3.682
P8	Using funds from other sources outside of regular monthly income	3.235	3.380
	Total Average	3.389	3,549

Source: Primary data, processed (2023)

Note: Score 1.00-2.00: strongly disagree; >2.00-3.00: disagree; >3.00-4.00: agree; >4.00-5.00: strongly agree

Table 4 can be explained that the average value of millennial investment behavior before the Covid-19 pandemic is 3.389, which falls into the score range of >3.00-4.00, meaning respondents agree that before the Covid-19 pandemic, millennials invested primarily in short-term investments due to considerations of income uncertainty, with the highest score value being 3.743. The indicator with the lowest value is using funds from sources other than regular monthly income, which is 3.235.

Meanwhile, looking at the indicators of millennial investment behavior during the Covid-19 pandemic, the average value is 3.549, which falls into the score range of >4.00-5.00, meaning respondents strongly agree that during the Covid-19 pandemic, millennials invested primarily in short-term investments due to minimal risk, with the highest score value being 3.854. The indicator with the lowest value is regularly observing price changes of owned assets, which is 3.321.

3.5. Hypothesis Testing

The following Table 5 presents the test results regarding the change in investment behavior of the millennial generation before and during the Covid-19 pandemic.

Table 5. Results of the Independent Sample T Test

Millennial Investment Behavior	Average	Asymp. Sig. (2-tailed)
Before the Covid-19 Pandemic	3,389	
During the Covid-19 Pandemic	3,549	0,037

Source: Primary data, processed (2023)

Table 5 can be explained that, given the asymp.sig. (2-tailed) value of $0.037 < 0.05$, as per the decision-making basis in the independent sample t-test, it can be concluded that H1 is accepted. Thus, it can be concluded that there is a change in the investment behavior of the millennial generation before and during the Covid-19 pandemic.

Based on data analysis, a change in the investment behavior of the millennial generation was found before and during the Covid-19 pandemic. Millennial investors believe that investing can help them make a difference; they may want more substantial performance evidence, but they remain dedicated to long-term investments. This is evident from their investment behavior, which is particularly significant in the financial sector (Kusnandar & Rinandiyana, 2018). This change is supported by descriptive statistical results showing that before Covid-19, most millennials preferred to invest in stocks. These findings are consistent with research by Hati & Harefa (2019) which stated that the investment behavior of millennials before Covid-19 tended to invest in the capital market, especially stocks. Stocks became the most popular choice for millennial investment products.

Meanwhile, during Covid-19, there was a shift; millennials who invested in stocks before the pandemic changed to investing in mutual funds. These results do not align with the research by Mahafani et al., (2021), Pradnyawati & Sinarwati (2022), which found that during the Covid-19 pandemic, millennials preferred to invest in stocks. During the pandemic, most millennials chose to invest in mutual funds, specifically money market funds. Millennials in this study chose mutual funds because the capital required is very small, and the level of profit obtained is quite significant. This is in line with research by Dewi (2023), which concluded that during the Covid-19 pandemic, people tended to invest more or use assets like money markets in the form of mutual funds.

People choose mutual funds because the required capital is minimal, and the returns generated exceed those of deposits. With limited capital, the risk of loss is minimal, and liquidity is high. When there are many investors, it becomes easier for companies to borrow money to expand their operations and provide jobs for the community/investors in need. This will increase income, especially for individuals, in this case, the millennial generation, nationally. Investments in the form of mutual funds are supervised by the Financial Services Authority (OJK), ensuring or guaranteeing the security level of the mutual funds.

4. Conclusion

There has been a change in the investment behavior of the millennial generation both before the occurrence of the Covid-19 pandemic and during it. Before the Covid-19 pandemic, millennials preferred short-term investments due to the uncertainty of the income that would be obtained, while during the Covid-19 pandemic, millennials chose short-term investments due to minimal risk. Looking at the type of investment before the Covid-19 pandemic, the generation preferred stock investments, whereas during the Covid-19 pandemic, they preferred mutual funds.

During Covid-19, mutual funds were more chosen by millennials for investing. Therefore, it is advisable for millennials to choose mutual funds because they are short-term investments with minimal risk when the situation is abnormal/crisis to secure liquidity conditions.

The limitation of this study is that the researchers did not conduct research on investment behavior after the Covid-19 pandemic, which is perceived to have changed the investment behavior of the millennial generation, considering this research was conducted during the pandemic period. Therefore, future research should add the investment behavior of millennials after the Covid-19 pandemic.

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