

The Influence of Psychological Factors on Saving and Investing Behavior among Generation Z

Kaila Salbiah Putri^{1*}, Sri Mulyati²
Universitas Islam Indonesia

Corresponding Author: Kaila Salbiah Putri 21311524@students.uii.ac.id

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ABSTRACT

This study investigates the influence of psychological factors on the financial behavior of Generation Z in the digital era, focusing on motivation, investment literacy, locus of control, technology utilization, and social media. Using a quantitative approach, data were collected through a survey of 120 respondents selected via purposive sampling. The data were analyzed using Structural Equation Modeling (SEM) with SmartPLS software. The results reveal that all five psychological factors have a positive and significant impact on saving and investing behavior. These findings suggest that enhancing psychological factors and optimizing technology use can promote healthier financial habits among young people, thereby supporting greater financial independence in the future

INTRODUCTION

The rapid development of digital technology has significantly influenced daily life, especially for Generation Z (born 1996–2012), known as digital natives. They have easy access to financial and investment information through social media, applications, and online platforms (Primary Driver et al., 2024). However, despite abundant information, many individuals still lack wise saving and investing behavior (Ramashar et al., 2022). This suggests that psychological factors also shape financial decision-making.

Psychological aspects such as self-motivation, investment knowledge, technology utilization, locus of control, and social media play vital roles (Utami & Sirine, 2016). While motivation and knowledge influence decision-making, technology provides fast access, and locus of control determines confidence in choices. Social media, however, often drives consumptive behavior (Firlianda, 2019). Hartanto & Trimurti (2023) stress that confidence and risk-taking encourage investing, but overconfidence and herd behavior can cause irrationality. Social media also spreads lifestyle trends and saving tips that affect financial management.

The COVID-19 pandemic accelerated digital adoption, increasing capital market participation, yet limited financial literacy remains a barrier for Generation Z (Raju Adha et al., 2023). Nationally, Indonesia's Marginal Propensity to Save (MPS) declined from 0.87 (2007) to 0.44 (2014), reflecting weaker saving culture (Putri et al., 2024). Among students, forming saving habits is hindered by low income, spending control issues, and lack of awareness about emergency funds and long-term planning.

Therefore, studying the impact of psychological factors on saving and investing is crucial to design adaptive financial education strategies. A deeper understanding can help Generation Z develop disciplined, responsible, and future-oriented financial habits, contributing not only to individual well-being but also to broader economic growth.

LITERATURE REVIEW

Self-Determination Theory

According to Deci & Ryan (1985), Self-Determination Theory (SDT) explains that individual behavior is influenced by three basic psychological needs, namely autonomy (the ability to act independently), competence (the ability to achieve results effectively), and relatedness (close relationships with others). The fulfillment of these three needs forms an intrinsic motivation that encourages positive behavior, including in personal financial management, where autonomy makes individuals more conscious in making decisions, competence increases confidence in managing finances, and healthy social relationships provide emotional support and information to strengthen positive saving and investing habits.

Theory of Planned Behavior

Ajzen (1991) explained that individual behavior is influenced by intentions formed from attitudes towards behavior, subjective norms, and perceived behavioral control. In financial management, a positive attitude towards saving

strengthens the intention to do so, social norms from the family or community encourage the assumption that saving and investing are important, while perceived behavioral control determines the extent to which individuals feel able to manage their finances and realize these intentions. Thus, the SDG provides a framework to understand the influence of attitudes, social norms, and perceptions of control on the financial behavior of Generation Z in the digital era.

Theory of Self-Control

Thaler & Shefrin (1981) argue that the Theory of Self-Control explains the internal conflict between the planner who is oriented towards long-term goals and the doer who focuses on momentary satisfaction. In finance, planners encourage individuals to control consumptive impulses and consistently save and invest, while doer dominance makes decisions more driven by momentary desires that hinder long-term financial goals. Therefore, the ability to control oneself is an important factor in shaping sustainable saving and investing behavior in the midst of external influences such as social media and consumption trends.

Variable Explanation

Psychological Factors

Psychological factors play an important role in shaping Generation Z's saving and investing behavior, including motivation, investment knowledge, technology utilization, locus of control, and social media (Utami & Sirine, 2016). Motivation is an internal drive to achieve financial stability (Deci & Ryan, 1985), while investment knowledge helps individuals understand investment concepts, mechanisms, and risks so as to support wise financial decisions (Chen & Volpe, 1998). The use of technology, through mobile banking, e-wallets, and digital platforms, encourages the habit of saving and investing (Davis, 1989). The internal locus of control encourages financial responsibility (Mualim et al., 2023), while social media can function as a financial education or trigger consumptive behavior (Firlianda, 2019; Rachmawati & Nurcahyo, 2022).

Saving and Investing Behavior

Saving behavior is setting aside a portion of income for the future, while investing is allocating funds to instruments that have the potential to provide profits (Gitman & Zutter, 2012). According to Kotler & Keller (2016), this behavior is influenced by motivation, risk perception, and ability and habits in managing finances.

Generation Z

Generation Z is an individual born between 1997–2012 who grew up in the digital era with characteristics of quickly adapting, multitasking, and getting used to social media. They have broad access to financial information, but are prone to consumptive behavior, so psychological understanding is essential to forming healthy saving and investing habits.

Hypothesis Development

Self-Motivation

Motivation affects the saving and investing behavior of Generation Z through intrinsic motivation that arises from financial satisfaction and awareness (Deci & Ryan, 1985). Internal motivation encourages self-control in regulating emotions and achieving long-term goals (Mischel et al., 1989). Research by Xiao & Porto (2017) shows that internal motivations such as financial independence drive healthy financial behavior. Generation Z who live in the technology era has a high interest in personal financial management, is able to resist consumptive temptations, and is future-oriented.

H1: Motivation has a positive influence on saving and investing behavior among Generation Z.

Investment Knowledge

Investment knowledge is important for individuals to understand the basics of valuation, risk, and return. A person who understands investing is more actively participating (van Rooij et al., 2011), while low knowledge triggers disinterest (Chen & Volpe, 1998). Knowledge fosters confidence and financial planning awareness, as well as prevents impulsive decisions (Lusardi & Mitchell, 2014). For Generation Z, investment literacy helps leverage technology while avoiding speculative trend-based decisions.

H2: Investment knowledge has a positive influence on saving and investing behavior among Generation Z.

Technology Utilization

The use of technology provides access to information and efficiency in saving and investing. According to Davis (1989) in TAM, the perception of usability and ease of use influences the acceptance of the technology, while Venkatesh et al. (2003) emphasize improved access and performance. Digital technology is changing the way individuals access financial markets, compare products, and evaluate risk (Goldfarb & Tucker, 2019). Generation Z who grew up with technology uses financial applications as part of their daily activities.

H3: The use of technology has a positive influence on saving and investing among Generation Z.

Locus of Control

The locus of control has a positive effect on saving and investing, where individuals with an internal locus of control are more confident in personal efforts (Mualim et al., 2023; Rotter, 1966). Generation Z with an internal locus is more confident, able to control financial behavior, and utilizes technology for investment decisions (R. Putri & Hamidi, 2019). This belief encourages them to be more responsible in managing long-term finances.

H4: Locus of Control has a positive influence on saving and investing among Generation Z.

Social Media

Social media influences Generation Z's financial decisions, both through the FOMO phenomenon that encourages risky decisions and through positive educational content (Sari & Hidayat, 2023). Financial communities on social media provide motivation, information, and interactive support. Interactions such as financial discussions or saving challenges increase commitment and healthy financial habits (Sohn et al., 2021). The more intensively the use of social media for educational purposes, the stronger its influence on the financial behavior of Generation Z.

H5: Social media has a positive influence on saving and investing among Generation Z.

METHODOLOGY

Research Approach

This study uses a quantitative approach with the aim of understanding the influence of psychological factors on saving and investing behavior among Generation Z (Nurrisa et al., 2025). The data used is primary data obtained through questionnaires, articles, and scientific journals. There are five independent variables, namely motivation, investment knowledge, technology use, locus of control, and social media, and one dependent variable, namely saving and investing behavior. This study uses a causal research design to explain the cause-and-effect relationship between variables based on the hypothesis tested through data analysis.

Population and Sample

Population and sample are the basis for research to draw valid conclusions (Supardi, 2016).

Population

A population is an individual or object with certain characteristics that is the focus of the research (Amin et al., 2023). In this study, the population is Generation Z who were born between 1999 and 2005 or aged 20–25 years because they are relevant to the productive age and are active in saving and investing.

Sample

A sample is a portion of the population that represents the whole (Amin et al., 2023). This study used purposive sampling with student respondents from various universities in Yogyakarta, especially the management and economics departments. The sample criteria were 20–25 years old (Generation Z), disciplined in saving regularly, and having investment savings and relevant savings accounts.

In determining the minimum number of samples, this study refers to the guidelines of Hair et al. (2014) which states that the minimum number of samples is 10 arrows that enter the most complex latent constructs. In this study, the construct "Saving and Investing Behavior" (Y) is influenced by five independent constructs, namely:

1. Motivation (X1)
2. Investment Understanding (X2)
3. Technology use (X3)
4. Locus of Control (X4)
5. Social media (X5)

So that the number of Variables = 5

Thus, the minimum number of samples is calculated as follows: $n \geq 10 \times 5 = 50$ responden (minimum)

Based on the guidelines of Hair et al. (2010), the ideal number of samples in PLS-SEM with 25 indicators is 125–250 respondents, so this study assigned 150 respondents, with 30 for instrument trials and 120 for primary data.

Types and methods of data collection

The data of this study uses primary data obtained through a questionnaire survey to identify the influence between variables. The data was collected directly by the researcher to remain original and relevant to the purpose of the study, which is to analyze the influence of psychological factors on saving and investing behavior in Generation Z. Based on time, this study is a cross section because the data is collected at one point in time. The research instrument uses a Likert scale with 4 answer choices:

1. Strongly disagree,
2. Disagree,
3. Agree
4. Totally agree. This scale does not provide a neutral answer to avoid bias.

The questionnaire was distributed through social media such as Whatsapp, Instagram, and Facebook, with the following order:

- (1) Introduction and explanation of the purpose of the research,
- (2) Respondents' identities,
- (3) Questions on the variable indicators Motivation, Investment Understanding, Technology Use, Locus of Control, and social media, and
- (4) Thanks to the respondents.

Pilot Test

Before the questionnaire was distributed through social platforms, researchers conducted a pilot test to determine the feasibility of the measuring tool. The validity test was used to assess whether the questions on the questionnaire were valid, by involving 30 initial respondents and analyzed using SPSS using the Pearson Product-Moment Correlation (r) technique. With $df = 28$, the r-value of the table is 0.361 at a significance of 0.05; The item is declared valid if $R \text{ counts} > 0.361$. After that, a reliability test was carried out to see the consistency of the results, where the questionnaire was declared reliable if the Cronbach Alpha value > 0.70 .

Data Analysis Techniques

After the data is collected through a questionnaire, the analysis is carried out to determine the influence of independent variables on dependent variables. This research uses two software, namely SPSS and SmartPLS. SPSS was used for

descriptive analysis as well as initial validity and reliability tests, while the main analysis was carried out with Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS which included Outer Model and Inner Model tests.

RESEARCH RESULT

Descriptive Analysis of Research Variables

Descriptive Analysis of Respondents

This study analyzed respondents' answers related to their profiles to obtain descriptive information. The sample consisted of 120 respondents majoring in Management and Economics in Yogyakarta aged 20–25 years, disciplined in saving, having investment savings, and relevant savings accounts. The analysis was carried out using SPSS.

Table 1. Respondent Criteria

No	Respondent Criteria	Number (people)	Presentase (%)
1	Do you have the discipline to save regularly?	120	100%
2	Do you have investment savings and have a relevant savings account?	120	100%

Based on table 1, all research respondents met the set criteria. A total of 120 respondents has relevant savings discipline, investment savings, and savings accounts. Thus, the collected data is worthy of further analysis as per the research objectives.

Table 2. Respondent Gender

Gender	Number (people)	Presentase (%)
Man	47	39.2%
Woman	73	60.8%
Total	120	100%

Data Source: Primary Data

Based on Table 2, the majority of respondents were women as many as 73 people (60.8%), while men amounted to 47 people (39.2%). This difference suggests higher female involvement, but the gender distribution is still considered representative because the two groups are sufficiently balanced to be analyzed further.

Table 1. Respondent Age

Age	Man	Woman	Number (people)	Presentase (%)
20-22	38	46	84	70.0%
23-24	7	24	31	25.8%
>25	2	3	5	4.2%

Total	47	73	120	100%
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Data Source: Primary Data

Based on Table 3, the majority of respondents in this study were in the age range of 20–22 years, which was 84 people or 70.0% of the total 120 respondents. Furthermore, as many as 31 respondents (25.8%) were in the age range of 23 – 24 years. Meanwhile, only 5 respondents (4.2%) were over 25 years old. This distribution shows that most of the respondents are young students who are classified as early adulthood, in accordance with the characteristics of Generation Z which is the main focus of this study.

Table 2. Respondents' Last Education

Final Education	Man	Woman	Number (people)	Presentase (%)
SMA	44	67	111	92,5%
S1	3	5	8	6.7%
D3	0	1	1	8%
TOTAL	47	73	120	100%

Data Source: Primary Data

Based on Table 4, the majority of respondents with the last high school education were 111 people (92.5%), followed by 8 S1 graduates (6.7%) and 1 D3 graduate (0.8%). This composition shows that most of the respondents are still in the early stages of higher education or have just graduated from high school, in accordance with the research's focus on Generation Z in financial and career transitions.

Table 5. Respondent College

University	Man	Woman	Number (people)	Presentase (%)
UGM	6	7	13	10.8%
UNY	9	12	21	17,5%
IUI	20	31	51	42,5%
AMIKOM	3	5	8	6.7%
UPN	2	4	6	5.0%
UIN	3	7	10	8.3%
API	0	3	3	2.5%
UAD	4	1	5	4.2%
U SANATA DHARMA	0	3	3	2.5%
TOTAL	47	73	120	100%

Source: Statistical Product and Service Solution (SPSS)

Based on Table 5, respondents came from various universities in Yogyakarta, with the majority from the Islamic University of Indonesia (UII) 51 people (42.5%), followed by Yogyakarta State University (UNY) 21 people (17.5%) and Gadjah Mada University (UGM) 13 people (10.8%). Other

universities include UIN 10 people (8.3%), Amikom University 8 people (6.7%), UPN "Veteran" Yogyakarta 6 people (5.0%), Ahmad Dahlan University (UAD) 5 people (4.2%), and Indonesian Tourism Academy (API) and Sanata Dharma University 3 people each (2.5%).

Table 6. Respondent Income

Income	Man	Woman	Number (people)	Presentase (%)
1,000,000- <2,000,000	5	7	12	10,0%
2,000,000- <3,000,000	23	30	53	44,2%
3,000,000- <4,000,000	17	28	45	37,5%
≥4.000.000	2	8	10	8,3%
TOTAL	47	73	120	100%

Source: Statistical Product and Service Solution (SPSS)

Based on Table 4.6, the majority of respondents with an income of IDR 2,000,000–\ <IDR 3,000,000 (44.2%), followed by IDR 3,000,000–\ <IDR 4,000,000 (37.5%). A total of 12 respondents (10.0%) earned IDR 1,000,000–<IDR 2,000,000, and 10 respondents (8.3%) earned IDR 4,000,000 or more. This distribution shows that most respondents are in the middle-income category of pocket money, part-time work, or side activities, which are allocated for daily needs as well as saving and investing.

Descriptive Analysis of Variables

Variable descriptive analysis is used to summarize the characteristics of the data through mean, minimum, and maximum values before further analysis. This analysis includes the variables of Motivation, Investment Understanding, Technology Utilization, Locus of Control, social media, and Saving and Investing Behavior, with the categorization of respondents' assessments as a reference. The calcification of respondents is based on the following measures:

Lowest score: 1

Highest score: 4

$$\text{Interval} = \frac{(\text{Highest score} - \text{lowest score})}{\text{Number of Categories}} = \frac{4-1}{4} = 0,75$$

Table 7. Variable Descriptive Assessment Range

Rating Range	Category
1.00 - 1.74	Strongly Disagree
1.75 - 2.49	Disagree
2.50 - 3.24	Agree
3.25 - 4.00	Strongly agree

Motivation

In this study, the researcher measured the Motivation variable through 4 question indicators using Smart PLS software version 3.2.9. The following is an explanation of each question item in the Motivation variable:

Table 8. Descriptive Analysis of Motivational Variables

Code	Indicator	Rerata	Minimum	Maximum
MO1	Changes in energy or impulses from within	3.47	1.000	4.000
MO2	Feelings that lead to action	3.48	1.000	4.000
MO3	Reaction to achieve goals.	3.44	1.000	4.000
MO4	Confident and wise in making savings and investment decisions	3.43	1.000	4.000
Rerata	Motivation	3.455		

Data Source: Smart PLS Output Results 3.2.9

Table 8 shows all indicators of the Motivation variable have an average above 3.25, with an overall average of 3.455 which belongs to the "strongly agree" category. The MO1 (internal drive) indicator has an average of 3.47, MO2 (feelings that lead to action) 3.48, MO3 (reaction to achieving goals) 3.44, and MO4 (confidence and wisdom) 3.43. These results reflect that respondents have quite good motivation in saving and investing.

Investment Understanding

In this study, the researcher measured the variables of Investment Understanding through 4 question indicators using Smart PLS software version 3.2.9. The following is an explanation of each question item in the Investment Understanding variable.

Table 9. Descriptive Analysis of Investment Understanding Variables

Code	Indicator	Rerata	Minimum	Maximum
PI1	Understand investment-related information.	3.26	1.000	4.000
PI2	Have awareness of basic concepts in Investing.	3.30	1.000	4.000
PI3	Basic understanding of investment types and how they work	3.31	2.000	4.000
PI4	Have clarity in determining financial goals	3.25	1.000	4.000
Rerata	Understanding Investment	3.28		

Data Source: Smart PLS Output Results 3.2.9

Table 9 shows that all indicators of the Investment Understanding variable have an average of above 3.25, with an overall average of 3.28 in the "strongly agree" category. The PI1 indicator (understanding investment information) has

an average of 3.26, PI2 (awareness of basic concepts) 3.30, PI3 (understanding of investment types and how it works) 3.31 as the highest value, and PI4 (clarity of financial objectives) 3.25 as the lowest value. Overall, these results reflect the respondents' understanding of investment is relatively good.

Technology Utilization

In this study, the researcher measured the variables of Technology Utilization through 4 question indicators using Smart PLS software version 3.2.9. The following is an explanation of each question item in the Technology Utilization variable.

Table 10. Descriptive Analysis of Technology Utilization Variables

Code	Indicator	Rerata	Minimum	Maximum
PT1	How often individuals use financial apps (mobile banking, investment apps, e-wallets, etc.).	3.40	1.000	4.000
PT2	Perception of the ease of accessing and using technology for financial needs.	3.40	1.000	4.000
PT3	The level of confidence in the security and reliability of technology in storing and managing money.	3.49	1.000	4.000
PT4	How appropriate are the technology features to the needs of personal financial management.	3.32	1.000	4.000
Rerata	Utilization Technology	3,40		

Data Source: Smart PLS Output Results 3.2.9

Table 10 shows that all Technology Utilization indicators have an average of above 3.25 with an overall average of 3.40 in the "strongly agree" category. The PT1 and PT2 indicators were valued at 3.40, PT3 was the highest with 3.49, and PT4 was the lowest at 3.32. These results illustrate that respondents have made good use of financial technology.

Locus of Control

In this study, the researcher measured the Locus of Control variable through 4 question indicators using Smart PLS software version 3.2.9. The following is an explanation of each question item in the Locus of Control variable.

Table 3. Descriptive Analysis of Locus of Control Variables

Code	Indicator	Rerata	Minimum	Maximum
LC1	Believe that personal effort determines the results achieved.	3.25	1.000	4.000

LC2	Responsibility for personal decisions	3.38	1.000	4.000
LC3	Believe that personal actions have a direct impact on the results achieved	3.39	1.000	4.000
LC4	Response to failure or success	3.35	2.000	4.000
Rerata	Locus of Control	3.34		

Data Source: Smart PLS Output Results 3.2.9

Table 11 shows all Locus of Control indicators have an average of above 3.25 with an overall average of 3.34 in the "strongly agree" category. The LC1 indicator is the lowest with 3.25, while LC2 and LC3 are 3.38 and 3.39, respectively, and LC4 is 3.35. These results reflect the respondents' fairly good internal control orientation in financial decisions.

Social Media

Social Media variables were measured through 5 question indicators using Smart PLS software version 3.2.9.

Table 4. Descriptive Analysis of Social Media Variables

Code	Indicator	Average	Minimum	Maximum
MS1	How often someone accesses social media (daily, weekly, etc.).	3.36	1.000	4.000
MS2	The main reasons for using social media, such as for entertainment, information, financial education, etc.	3.45	1.000	4.000
MS3	For example, Instagram, TikTok, YouTube, Twitter, and others as sources of financial information.	3.32	1.000	4.000
MS4	The level of trust an individual has in investment or financial information obtained from social media.	3.34	1.000	4.000
MS5	Influence on financial decisions: The extent to which content on social media influences tangible actions such as saving, investing, or buying certain financial products.	3.29	1.000	4.000
Rerata	Social media	3.35		

Data Source: Smart PLS Output Results 3.2.9

Table 12 shows that all Social Media indicators have an average above 3.25 with an overall average of 3.35 in the "strongly agree" category. The MS2 indicator is highest with 3.45, while MS5 is lowest with 3.29. These results illustrate that social media plays an important role as a source of financial information, although its direct influence on financial decisions is still limited.

Saving and Investing Behavior

This variable is measured through 4 question indicators with the help of Smart PLS software version 3.2.9. All indicators of Saving and Investing Behavior have an average of 3.19 with the category of "agree," lower than other variables that are generally above 3.25. The PMB4 indicator recorded a high value of 3.22, indicating the utilization of various financial instruments, while the PMB3 was the lowest with 3.13, reflecting financial planning that was still less than optimal. In general, respondents have been actively saving and investing, but there is still room to improve aspects of financial planning and management.

Measurement Model (Outer Model)

The evaluation of the measurement model was carried out through Convergent Validity, Discriminant Validity, and Reliability tests with the PLS Algorithm.

Convergent Validity Test

The indicator is declared valid if it has a loading factor of > 0.7 and an AVE value of > 0.5 . The higher the loading factor, the greater the contribution of the indicator in representing the construct. This research includes six variables: Motivation, Investment Understanding, Technology Utilization, Locus of Control, Social Media, and Saving and Investing Behavior. All indicators have a loading factor of > 0.7 and an AVE value of > 0.5 , thus meeting the criteria of convergent validity.

Discriminating Validity Test

Discriminant validity tests the differences between constructs in the model through cross loading and Fornell-Larcker criteria. A construct is declared valid if the load indicator on the construct is higher than that of other constructs, and the value of $\sqrt{\text{AVE}}$ is greater than the correlation with other constructs. If met, then the model has good discriminant validity.

Discriminating Validity Test

Discriminant validity tests the differences between constructs through cross loading and the Fornell-Larcker criteria. A construct is declared valid if the load of the indicator is higher on its own construct than on other constructs, and $\sqrt{\text{AVE}}$ is greater than the correlation with other constructs. If this condition is met, then the model has good discriminant validity.

Discriminant validity was tested using the Fornell-Larcker criterion, which is to compare the $\sqrt{\text{AVE}}$ value of each construct with the correlation between constructs. The results showed that all constructs had a greater $\sqrt{\text{AVE}}$ than their correlation with other constructs (Motivation 0.875, Investment

Understanding 0.822, Technology Utilization 0.840, Locus of Control 0.847, social media 0.846, and Saving and Investing Behavior 0.845). Thus, the entire construct meets the validity of the discriminant.

The results of the discriminant validity test with cross loading analysis showed that all indicators had a value of >0.70 and the highest loading on the appropriate construct, so that each variable was able to explain the construct appropriately and meet the discriminant validity.

Reliability Test

In PLS analysis, reliability is measured through Cronbach's Alpha and Composite Reliability. A construct is declared reliable if the Composite Reliability is >0.7 and Cronbach's Alpha is also >0.7 .

The results of the reliability test showed that the entire construct had Cronbach's Alpha and Composite Reliability values >0.7 , so that this research model has high internal consistency, reliability, and reliability for further analysis.

Model Struktural (Inner Model)

In addition to the outer model, this study also tested the inner model to evaluate the causal relationship between latent variables. The assessment is carried out through the value of R^2 which shows the ability of independent variables to explain dependent variables, as well as path coefficient analysis to test the direct influence between variables. The significance test ensures that the influence is truly significant, so the inner model provides a strong empirical basis for explaining the relationships between variables.

The inner model is processed by SmartPLS 3.2.9 which shows the relationship between the construct (blue circle) and the indicator (yellow box). The loading factor value on the indicator should ideally be above 0.7, while the lines between the constructs describe the causal relationship with the path coefficient. For example, Motivation has an effect of 0.158 on Saving and Investing Behavior, while the R-square value in the construct is 0.729, meaning that 72.9% of behavioral variance is explained by five independent variables: Motivation, Investment Understanding, Technology Utilization, Locus of Control, and Social Media. The analysis was carried out using the PLS Algorithm method to improve accuracy, with initial evaluation through R-square values on dependent variables.

Coefficient of Determination (R Square)

The R-square value for the Saving and Investing Behavior variable is 0.729. This shows that 72.9% of the variation in saving and investing behavior can be explained by independent variables in this study model. Meanwhile, an adjusted R-square value of 0.717 indicates that after adjusting for the number of predictors in the model, about 71.7% of the variation remains explainable. This value indicates that the model has strong predictive capabilities.

Predictive Relevance (Q²)

Predictive relevance (Q²) is used to assess how well observational values are generated through the blindfolding procedure. If $Q^2 > 0$, then the model has good predictive ability, while $Q^2 < 0$ indicates poor predictive ability. This test measures the extent to which the structural model and its parameter estimation are able to produce the appropriate observation value.

DISCUSSION

Motivation for Saving and Investing Behavior

This study proves that motivation has a positive and significant effect on saving and investing behavior (H1) in Generation Z. This is in line with (Setiaman, 2023) and (Mappangara et al., 2023) which found that motivation encourages individuals to be more disciplined, committed, and proactive in managing finances, thereby forming consistent saving and investing habits.

Investment Understanding of Saving and Investing Behavior

The results of the study show that investment understanding has a positive and significant effect (H2) on saving and investing behavior. (R. R. Putri & Rachmawati, 2024) emphasized that low understanding is an obstacle in forming saving habits. With a good understanding, individuals are more confident, able to reduce risk fears, and can make the right financial decisions.

The Utilization of Technology on Saving and Investing Behavior

The use of technology has been proven to have a positive and significant effect (H3) because it facilitates access, cash flow control, and financial consistency. (Lumbantoruan et al., 2024) and (Nurdiana et al., 2024) explain that the use of fintech encourages discipline, helps achieve financial targets, and provides long-term benefits through reminder features, real-time reports, and investment simulations.

Locus of Control on Saving and Investing Behavior

Research shows that the locus of control has a positive and significant effect (H4), where individuals with internal locus of control are more responsible for financial conditions. (Chujan et al., 2022) emphasized that the locus of internal control is related to planned financial behavior, the courage to take measurable risks, and optimism in achieving financial stability and asset growth.

Social Media on Saving and Investing Behavior

Social media has a positive and significant effect (H5) because it is an easily accessible source of financial information. (Safitri & Dewa, 2025) states that social media encourages Generation Z to save and invest, while (Chen et al., 2023) shows that users who use social media feel more financially satisfied than those who don't.

The results of predictive relevance analysis with blindfolding showed a Q² value of 0.504 for the Saving and Investing Behavior variables, indicating strong predictive ability. This means that the variables of Motivation, Investment Understanding, Technology Utilization, Locus of Control, and social media together are able to predict these behaviors well.

Based on the table, the Q-square value on the dependent variable > 0 , so this study has good observations.

Hypothesis Testing Results

Structural model testing was carried out with PLS to analyze the causal relationships between latent variables. The hypothesis was tested through a path diagram and a table of path coefficients with a p-value criterion of < 0.05 as an indicator of significance. If met, then the free variable has a significant effect on the bound variable.

Based on the hypothesis test with bootstrapping, the results were obtained:

1. Motivation $\rightarrow$ Saving and Investing Behavior: coefficient 0.158, $p=0.042 < 0.05$ $\rightarrow$ had a significant positive effect.
2. Understanding of Investment $\rightarrow$ Saving and Investing Behavior: coefficient of 0.157, $p=0.033 < 0.05$ $\rightarrow$ had a significant positive effect.
3. Technology Utilization $\rightarrow$ Saving and Investing Behavior: coefficient of 0.185, $p=0.028 < 0.05$ $\rightarrow$ had a significant positive effect.
4. Locus of Control $\rightarrow$ Saving and Investing Behavior: coefficient of 0.290, $p=0.001 < 0.05$ $\rightarrow$ had a significant positive effect.
5. Social media $\rightarrow$ Saving and Investing Behavior: coefficient of 0.294, $p=0.000 < 0.05$ $\rightarrow$ had a significant positive effect.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study examines the influence of psychological factors on the saving and investing behavior of Generation Z, especially students in Yogyakarta, using a quantitative approach with PLS-SEM. Based on 120 respondents, the results showed:

1. Motivation has a significant positive effect, the higher the motivation, the greater the tendency to save and invest.
2. Investment understanding plays an important role because individuals with investment knowledge have more directed financial behavior.
3. The use of technology encourages financial behavior by facilitating access to information and investment platforms.
4. The locus of control has a positive effect, individuals with self-control are more rational and responsible.
5. Social media has the most powerful influence, through exposure to financial content, lifestyle, and peer influence.

Recommendation

1. The next study is suggested to add other variables such as lifestyle, family influence, social pressure, and qualitative approaches.
2. Generation Z needs to improve financial understanding, utilize positive social media, develop self-control, and intrinsic motivation.
3. Financial institutions and governments are expected to develop attractive digital financial literacy programs and provide user-friendly, transparent, and accessible investment products.

ADVANCED RESEARCH

Future research should include additional variables such as lifestyle, family, and social pressure, and apply mixed or longitudinal methods to capture deeper insights into Generation Z's financial behavior. Comparative studies across regions or countries are also recommended to understand cultural influences. These efforts will enrich academic perspectives and provide practical guidance for developing more effective financial literacy strategies.

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