EXAMINING THE IMPACT OF PERCEIVED INVESTMENT RISK ON FINANCIAL INVESTMENT INTENTION OF GEN Z

● BUI NGUYEN DAN LE - VUONG THIET TUNG - NGUYEN KIM ANH - TRAN HA KHANH

ABSTRACT:

This study explores the influence of perceived investment risks on the financial investment intentions of Vietnamese Generation Z, focusing on five dimensions: economic, functional, psychological, social, and time risks. Employing Partial Least Squares Structural Equation Modeling (PLS-SEM) on data from 251 valid responses, the findings reveal that economic risk significantly impacts investment intentions, while functional, psychological, social, and time risks exhibit no significant effects. These results underscore the prominence of economic considerations in shaping Generation Z's investment behavior, offering valuable insights for policymakers and financial institutions aiming to engage this demographic effectively.

Keywords: Gen Z, perceived risk, investment intention, financial behavior.

1. Introduction

In recent years, Generation Z has emerged as a significant force in financial markets, demonstrating unique investment behaviors and risk perceptions compared to previous generations. The rapid digitalization of financial services and increasing accessibility of investment platforms have created new opportunities and challenges for young investors (Ediagbonya & Tioluwani, 2023). This study examines the impact of perceived investment risks (PIR) on Gen Z's financial investment intentions (FII), a particularly relevant topic given their growing influence in the investment landscape.

The research incorporates five dimensions of perceived risk - economical, functional, psychological, social, and time risk - building on established risk perception theories (Wildavsky & Dake, 2018). Previous studies have highlighted Gen Z's distinctive approach to financial decision-making, characterized by digital fluency and social media influence (Yordudom et al., 2024), yet their risk perception patterns remain understudied. While research has documented the general investment behaviors of young adults, limited attention has been paid to how different risk dimensions specifically affect their investment intentions.

This study contributes to the literature by examining the relationship between PIR and FII among Gen Z investors, particularly relevant in the context of emerging investment technologies and platforms. The findings can inform financial institutions, policymakers, and educational institutions in developing targeted strategies for young investors. Furthermore, understanding Gen Z's risk perception patterns is crucial for designing appropriate financial products and educational programs that address their unique needs and concerns (Sconti, 2022).

2. Literature review and hypothesis development

2.1. Foundational theory

Risk perception theory, introduced by Slovic (1987), explains how individuals evaluate and respond to potential risks in decision-making processes. In financial investments, this theory suggests that risk perception is multidimensional, encompassing economic, functional, psychological, social, and temporal dimensions (Duong et al., 2024). These dimensions are particularly relevant for Generation Z investors, whose risk assessment patterns are uniquely influenced by their digital nativity and social connectivity. The theory provides a foundation for understanding how different aspects of perceived risk influence Gen Z's financial investment intentions.

2.2. Hypothesis development

Generation Z demonstrates distinctive investment characteristics shaped by their digital nativity and unique economic experiences. As the first truly digital generation, they show strong preferences for technology-driven financial solutions and digital investment platforms (Ağrdi & Alt, 2024). Their investment behavior is significantly influenced by social media and online communities, with research indicating that most seek financial advice through digital platforms (Zheng et al., 2023). This generation's investment decisions are notably shaped by their experiences during major economic events, including the global financial crisis and COVID-19 pandemic, contributing to their heightened risk awareness and cautious approach to financial decisions (Pangestu & Karnadi, 2020).

H1: Economical risk negatively influences financial investment intention

Generation Z's experience with economic uncertainties and limited financial resources suggests that economic risk significantly impacts their investment decisions (Anantadjaya et al., 2023).

H2: Functional risk negatively influences financial investment intention

Given their digital nativity, Gen Z investors are particularly sensitive to platform functionality and service reliability in their investment decisions (Guo & Luo, 2023).

H3: Psychological risk negatively influences financial investment intention

Their limited investment experience and heightened risk awareness suggests that psychological factors significantly influence investment intentions (Pandurugan & Al Shammakhi, 2024).

H4: Time risk negatively influences financial investment intention

Gen Z's value of efficiency and immediate feedback indicates that time-related risks affect their investment decisions (Aripratiwi, 2023).

H5: Social risk negatively influences financial investment intention

Their strong social media engagement and peer influence sensitivity suggests that social risks significantly impact investment intentions (Sobaih & Elshaer, 2023).

3. Methodology

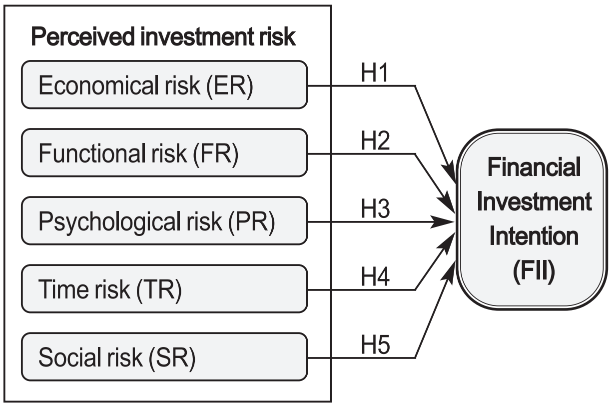
3.1. Research design and research model

This study employs PLS-SEM to examine how PIR influence FII among Generation Z investors. We investigate five dimensions of perceived risk as independent variables affecting investment intention. Data will be collected through an online survey targeting Gen Z individuals aged 18-26 years, using validated measurement scales adapted from Munnukka et al. (2017) and Kumari et al. (2022) for measurement items of FII. Statistical analysis was conducted using SmartPLS 4.0, following Hair Jr et al.'s (2021) two-step approach for measurement and structural model assessment. (Figure 1)

3.2. Sampling and data collection

Data was collected through online (Google Forms distributed via social media platforms) and

Figure 1. Research model



Source: Authors' proposal

offline (universities and financial institutions) surveys using convenience sampling from September to November 2024. After screening and removing incomplete responses, 251 valid responses were retained from 280 submissions (89.6% response rate), following established survey methods. The sample comprised 53.4% female and 46.6% male respondents. Age distribution showed 58.2% were 18-22 years old and 41.8% were 23-27 years old. In terms of education, 75.3% held Bachelor's degrees, 19.5% Master's degrees, and 5.2% Doctoral degrees. Regarding employment status, 67.3% were employed and 32.7% were unemployed. Monthly income distribution revealed 42.6% earned <10 million, 28.3% earned 10-15 million, 18.7% earned 15-20 million, and 10.4% earned >20 million. This demographic distribution aligns with recent studies on young investors' characteristics (Awaluddin et al., 2023).

4. Data analysis and results

4.1. Outer model and scale validation

To assess scale reliability, outer loadings were evaluated, with all items exceeding the threshold of 0.7 (Hair Jr et al., 2021). The construct reliability and validity analysis revealed satisfactory composite reliability (rho_c) values ranging from 0.811 to 0.878, exceeding the minimum requirement of 0.7. The Average Variance Extracted (AVE) values (0.577-0.783) surpassed the 0.5 threshold, confirming convergent validity. For discriminant validity, the Heterotrait-Monotrait (HTMT) ratio analysis showed all values below 0.9, ranging from 0.462 to 0.865, establishing construct distinctiveness (Henseler et al., 2015). Additionally, VIF values (1.576-1.802) were below 3.3, indicating no collinearity issues.

4.2. Inner model results and hypothesis testing

The hypotheses were evaluated using the inner model PLS analysis and the findings are presented in Table 1.

5. Discussion and conclusion

The empirical results reveal that only economic risk significantly influences Gen Z's FII, supporting H1 and aligning with findings from Anantadjaya et al. (2023) regarding economic uncertainty's impact on young investors. Contrary to previous studies, functional risk (H2: $\beta = 0.136$, $p>0.05$),

Table 1. Summary of internal model results

Hypotheses	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Results
H1: ER → FII	0.215	0.220	0.078	2.761	0.006	Accept
H2: FR → FII	0.136	0.147	0.078	1.744	0.081	Reject
H3: PR → FII	0.086	0.084	0.078	1.100	0.271	Reject
H4: TR → FII	0.079	0.085	0.085	0.928	0.353	Reject
H5: SR → FII	0.126	0.122	0.069	1.821	0.069	Reject

Note: ER: Economic risk; FR: Functional risk; PR: Psychological risk; TR: Time risk; SR: Social risk; FII: Financial investment intention.

Source: Authors' calculation

psychological risk (H3: β = 0.086, p>0.05), time risk (H4: β = 0.079, p>0.05), and social risk (H5: β = 0.126, p>0.05) showed no significant influence. These findings diverge from Guo & Luo (2023)'s emphasis on platform functionality and Sobaih & Elshaer (2023)'s conclusions about social influence, suggesting that Gen Z's investment decisions may be primarily driven by economic considerations rather than technological or social factors. Moreover, the rejection of these hypotheses reflects unique characteristics of Vietnam's emerging market context. The non-significant impact of functional risk aligns with Gen Z Vietnamese investors' high digital adaptability, while psychological and social risks' insignificance suggests stronger influence of traditional family-based financial guidance over social media. Time risk's minimal impact indicates Gen Z's long-term investment perspective in Vietnam's growing economy.

5.1. Theoretical implications

This study advances the understanding of investment risk perception among Generation Z in emerging markets in several ways. First, it extends risk perception theory by demonstrating that economic risk remains the dominant factor influencing Gen Z's investment decisions. Second, contrary to established digital investment literature, our findings reveal that functional and technological risks play a less significant role in an emerging market context. Third, the study challenges conventional assumptions about social media influence on Gen Z investors, showing that traditional family-based financial guidance may hold more weight in collectivist cultures. These insights contribute to the growing body of literature on young investor behavior in emerging economies.

5.2. Practical implications

The findings offer several practical implications for financial institutions and policymakers targeting Gen Z investors. First, given the significant impact of economic risk (H1), financial institutions should enhance their educational initiatives focusing on economic literacy and market understanding. While functional risk (H2) was not significant, platforms should maintain user-friendly interfaces while prioritizing economic information delivery over technical features. The rejection of psychological (H3), time (H4), and social risks (H5) suggests that marketing strategies should shift focus from peer influence and platform efficiency to emphasizing economic value and investment security. Financial institutions should also consider integrating traditional family-oriented approaches in their marketing strategies, particularly in emerging markets like Vietnam.

5.3. Limitations and future research

This study has several limitations that provide opportunities for future research. First, the convenience sampling method and focus on Vietnamese Gen Z investors may limit the generalizability of findings to other emerging markets. Second, the study's cross-sectional design captures risk perceptions at a single point in time, potentially missing temporal variations in investment intentions influenced by market dynamics. Third, while we examined five risk dimensions, other factors such as regulatory risks and cryptocurrency-specific risks, which are increasingly relevant to Gen Z investors, were not included. Future studies could employ longitudinal designs, expand to comparative analyses across different emerging markets, and incorporate additional risk dimensions relevant to digital investment environments ■

REFERENCES:

1. Agárdi, I., & Alt, M. A. (2024). Do digital natives use mobile payment differently than digital immigrants? A comparative study between generation X and Z. Electronic Commerce Research, 24(3), 1463–1490. https://doi.org/10.1007/s10660-022-09537-9

2. Anantadjaya, S. P., Setiawan, B. A., Violin, V., Moridu, I., & Bailusy, M. N. (2023). Exploring Financial Technology's Impact On Generation Z Transaction Knowledge. Jurnal Scientia, 12(03), 3945–3951.

3. Aripratiwi, R. A. (2023). Gender Does not Strengthen Investment Knowledge and Motivation in Generation Z. Proceedings of the International Conference on Intellectuals' Global Responsibility (ICIGR 2022), 750, 289. https://books.google.com/books?hl=en&lr=&id=lcu_EAAAQBAJ&oi=fnd&pg=PA289&dq=time-related+risks+affect+their+investment+decisions+Gen+Z&ots=6AdQWC-NKw&sig=AMeqHACtGyxYhZ2a0NTeHGXw61A

4. Awaluddin, M., Molina, M., Nurlia, N., & Isra, W. (2023). Determining Factors For Young Investors To Invest In The Capital Market. International Journal of Professional Business Review: Int. J. Prof. Bus. Rev., 8(5), 92.

5. Duong, H. T., Nguyen, H. T., McFarlane, S. J., & Nguyen, L. T. V. (2024). Risk perception and COVID-19 preventive behaviors: Application of the integrative model of behavioral prediction. The Social Science Journal, 61(4), 873–886. https://doi.org/10.1080/03623319.2021.1874176

6. Ediagbonya, V., & Tioluwani, C. (2023). The role of fintech in driving financial inclusion in developing and emerging markets: Issues, challenges and prospects. Technological Sustainability, 2(1), 100-119.

7. Guo, W., & Luo, Q. (2023). Investigating the impact of intelligent personal assistants on the purchase intentions of Generation Z consumers: The moderating role of brand credibility. Journal of Retailing and Consumer Services, 73, 103353.

8. Hair Jr, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2021). A primer on partial least squares structural equation modeling (PLS-SEM). Sage publications.

9. Henseler, J., Ringle, C. M., & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. Journal of the Academy of Marketing Science, 43(1), 115–135.

10. Kumari, J. S., Senani, K. G. P., & Ajward, R. (2022). Predicting investors' intention to invest in the stock market during COVID-19: Can we use an extended theory of planned behavior? Journal of Asia Business Studies, 17(4), 681–700.

11. Munnukka, J., Uusitalo, O., & Koivisto, V.-J. (2017). The consequences of perceived risk and objective knowledge for consumers' investment behavior. Journal of Financial Services Marketing, 22(4), 150-160. https://doi.org/10.1057/s41264-017-0033-6

12. Pandurugan, V., & Al Shammakhi, B. N. S. (2024). Modelling the theory of planned behaviour to evaluate the investment intention of generation Z in the speculative market: Stocks, Forex and cryptocurrencies. Arab Gulf Journal of Scientific Research. https://www.emerald.com/insight/content/doi/10.1108/AGJSR-07-2023-0319/full/html

13. Pangestu, S., & Karnadi, E. B. (2020). The effects of financial literacy and materialism on the savings decision of generation Z Indonesians. Cogent Business & Management, 7(1), 1743618. https://doi.org/10.1080/23311975.2020.1743618

14. Sconti, A. (2022). Digital vs. in-person financial education: What works best for Generation Z? Journal of Economic Behavior & Organization, 194, 300–318.

15. Slovic, P. (1987). Perception of Risk. Science, 236(4799), 280–285. https://doi.org/10.1126/science.3563507

16. Sobaih, A. E. E., & Elshaer, I. A. (2023). Risk-taking, financial knowledge, and risky investment intention: Expanding theory of planned behavior using a moderating-mediating model. Mathematics, 11(2), 453.

17. Wildavsky, A., & Dake, K. (2018). Theories of risk perception: Who fears what and why? In The Institutional Dynamics of Culture, Volumes I and II (pp. 243–262). Routledge. https://api.taylorfrancis.com/content/chapters/edit/download?identifierName=doi&identifierValue=10.4324/9781315238975-10&type=chapterpdf

18. Yordudom, T., Imjai, N., Usman, B., & Aujirapongpan, S. (2024). Unveiling the impact of social skills and financial literacy on internship performance: Insights from Thai generation Z hospitality students. Social Sciences & Humanities Open, 10, 101012.

19. Zheng, J., Li, E., & Liu, T. (2023). From Web2.0 to Web5.0: The Psychological Belongingness of Gen-Z in the Context of Digital Diversification. International Journal of Human–Computer Interaction, 1–17. https://doi.org/10.1080/10447318.2023.2260979

Received date: October 5, 2024
Reviewed date: October 11, 2024
Accepted date: October 27, 2024

Authors' information:
1. BUI NGUYEN DAN LE[1]
2. VUONG THIET TUNG[2]
3. NGUYEN KIM ANH[3]
4. TRAN HA KHANH[4]
[1]Foreign Trade University
[2]Banking Academy of Vietnam
[3]FPT high School
[4]The Olympia School

ĐÁNH GIÁ TÁC ĐỘNG CỦA SỰ NHẬN THỨC VỀ RỦI RO TRONG ĐẦU TƯ ĐẾN Ý ĐỊNH ĐẦU TƯ TÀI CHÍNH CỦA GEN Z TẠI VIỆT NAM

● **BÙI NGUYỄN DÂN LÊ[1]**
● **VƯƠNG THIẾT TÙNG[2]**
● **NGUYỄN KIM ANH[3]**
● **TRẦN HÀ KHANH[4]**
[1]Trường Đại học Ngoại thương
[2]Học viện Tài chính
[3]Trường Trung học Phổ thông FPT
[4]Trường Liên cấp Olympia

TÓM TẮT:

Nghiên cứu này đánh giá ảnh hưởng của sự nhận thức về rủi ro trong đầu tư đến ý định đầu tư tài chính của Gen Z tại Việt Nam, tập trung vào 5 yếu tố, gồm: rủi ro kinh tế, chức năng, tâm lý, xã hội và thời gian. Mô hình phương trình cấu trúc bình phương nhỏ nhất một phần (PLS-SEM) trên dữ liệu từ 251 phản hồi hợp lệ đã được sử dụng để thực hiện nghiên cứu này. Kết quả cho thấy rủi ro kinh tế tác động đáng kể đến ý định đầu tư của Gen Z. Trong khi đó các rủi ro về chức năng, tâm lý, xã hội và thời gian không có tác động đáng kể. Những kết quả này nhấn mạnh sự nổi bật của các cân nhắc về kinh tế trong việc định hình hành vi đầu tư của Gen Z, cung cấp những hiểu biết có giá trị cho các nhà hoạch định chính sách và tổ chức tài chính nhằm thu hút nhóm nhân khẩu học này một cách hiệu quả.

Từ khoá: Gen Z, nhận thức rủi ro, ý định đầu tư, hành vi tài chính.