



The Impact of Social Media Development on the Millennial Generation on Investment in the Capital Market

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Abstract

This study analyses the impact of social media development on millennials' investment interest in the Indonesian capital market. Using desk research method, data was collected from various written sources to explain the role of social media in shaping investment motivation, behaviour, and decisions. The results show that social media has become the main platform for obtaining real-time investment information, facilitating online community interaction, and improving financial literacy through engaging educational content. However, challenges such as low financial literacy and the spread of unverified information can increase the risk of making wrong decisions. This research recommends improving digital financial literacy and developing mechanisms to monitor the quality of information on social media to support healthy and sustainable investment participation among millennials.

Keywords : Social media, millennials, investment, financial literacy, digital information.

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INTRODUCTION

Investment is one of the main strategies in wealth management to prepare for a better future. With a wide selection of investment products, such as stocks, mutual funds, bonds, gold, and property, people have ample opportunities to grow their assets. In Indonesia, the investment trend continues to show a significant increase, especially among the younger generation. Based on data from PT Kustodian Sentral Efek Indonesia (KSEI), the number of capital market investors in Indonesia reached 7.3 million by the end of 2023, a significant increase from 3.88 million in 2020. Millennials and Gen Z are the dominant group with a contribution of 81.36% of total investors (Kompas, 2021). This fact illustrates the central role of the productive generation in driving the development of the capital market in Indonesia.

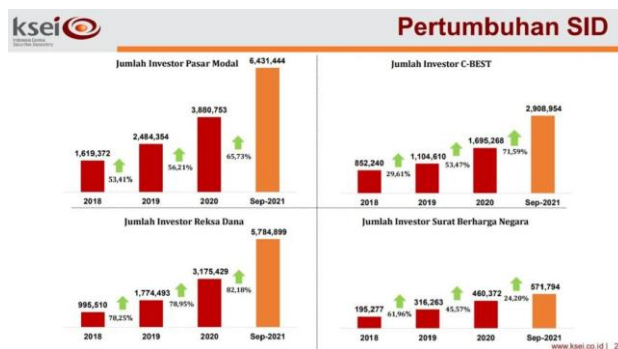


Figure 1. Total SID Growth

The total number of investors based on information from KSEI President Director Uriep Budhi Prasetyo is 3.4 million SID stock investors, 6.7 million SID mutual funds, and other assets such as state bonds as many as 607,000 SID. Millennials and Gen Z dominate 81.36% of capital market investors in Indonesia. Therefore, the development of the digital technology side and the development of capital market infrastructure that allows online activities must be realised by KSEI.

Millennials, born between 1982 and 2000, are known as “digital natives” because they grew up with the development of digital technology, the internet, and electronic devices (Howe & Strauss, 2000; Sari, 2019). This habit makes them inclined to use technology in various aspects of life, including investment. Social media, one of the main products of digital technology, is now an important platform used by this generation to obtain information and interact related to investment. Social media not only facilitates access to information, but also creates online communities where members can share experiences, discuss and provide recommendations related to investments. In this context, the Theory of Planned Behavior proposed by Ajzen (1991) is relevant to explain the relationship between attitudes, norms and behavioral controls that influence one's intention to invest. Social media plays an important role in strengthening social norms and behavioral controls that drive investment interest among millennials.

However, this increase in investment interest is not free from challenges. One of the main challenges is the low level of financial literacy among the public, including the millennial generation. Low financial literacy can lead to suboptimal investment decision-making, such as following trends without a deep understanding or being affected by the Fear of Missing Out (FOMO) phenomenon (Dewi, 2014; Kusmawati, 2011). Students, especially those without an economic background, often face difficulties in understanding capital market concepts and mechanisms. This creates a gap between the millennial generation's potential as savvy investors and the reality of their limited understanding of investment.

In addition, advances in information technology also bring challenges in the form of information dissemination that is not always reliable. Research shows that investors tend to rely on limited sources of information, such as social media, which often lack adequate verification mechanisms (Blankespoor et al., 2012; Jung et al., 2018). This reliance on unverified information can increase the risk of making wrong decisions, especially for novice investors who still lack investment experience.

Previous research has extensively discussed the relationship between social media and investment interest. For example, Prasetyo et al. (2021) found that social media has a significant influence on students' investment interest through education and recommendations provided by influencers. Firdhousa & Apriani (2021) also stated that social media platforms create a conducive environment for investment discussions. However, there is still a gap in understanding how millennials effectively utilize social media to support their investment decisions. More in-depth research is needed to comprehensively explain the factors that influence millennials' investment interest through social media.

In the perspective of investment behavior theory, motivation plays an important role in encouraging a person to invest. McClelland developed a needs theory that identified three main drives: the need for achievement, the need for affiliation, and the need for power (Dewi, 2014). In the context of investing, these motivations may relate to the desire to achieve financial returns, build relationships within the investment community, or increase position and influence through asset control. These motivations are often reinforced by the influence of social media, which provides a platform to share experiences and successes in investing. However, without adequate financial literacy, these motivations risk driving impulsive investment decisions.

Apart from motivation, financial literacy is also an important factor in investment decision-making. Financial literacy involves the ability to understand basic financial concepts, such as risk management, asset management, and portfolio diversification. Research shows that a high level of financial literacy is positively correlated with an individual's ability to make wise investment decisions (Huda, 2008; Darmawan, Kurnia, & Rejeki, 2019). In this regard, social media can serve as an effective educational tool if used correctly. These platforms can provide relevant and credible information about investment opportunities and risks. However, the spread of unverified information remains a major obstacle that must be overcome.

In a review of previous literature, it was found that social media has a significant role in reducing information asymmetry between companies and investors. Research by Blankespoor et al. (2012) noted that advances in information technology have become an important part of the relationship between investors and capital markets in general. Jung et al. (2018) further highlight that social media can be used to increase the effectiveness of corporate disclosure, although it also has the risk of misuse to reduce the impact of bad news about the company. Therefore, it is important to develop mechanisms that can ensure the quality and credibility of information disseminated through social media.

The main objective of this study is to analyze the impact of social media development on millennials' interest in investing in the capital market. This study also aims to identify the challenges faced by millennials in utilizing social media as a source of investment information, as well as provide recommendations to improve financial literacy and the quality of information available on social media. Thus, this research is expected to make a significant contribution in understanding the dynamics of investment in the digital era and help create a more inclusive and sustainable investment ecosystem.

METHODS

This research uses the library research method, an approach that involves collecting, searching and analyzing data from various written sources. These sources include books, scientific journal articles, reports, online news, and other related documents. This approach aims to identify, understand and interpret the phenomenon under study through a comprehensive literature review.

The collected data were analyzed using a qualitative descriptive method. This analysis is carried out by describing related conditions and situations in a narrative manner, without using quantitative statistics. The main focus of the analysis is to describe how social media affects millennials' interest in investing in the capital market, based on relevant literature.

The research instrument is a purposively selected literature document based on relevance to the research topic. In the analysis process, the literature was classified based on certain themes, such as the role of social media, investment motivation, and the influence of online communities. This approach allowed for the systematic mapping of information to answer the research objectives.

Data validity was maintained through source triangulation, which compares and combines information from various references. This was done to ensure that the results of the analysis were objective and in accordance with scientific standards.

The research process was carried out in several stages, namely identification of literature, data collection, coding of information, and preparation of main findings. With these steps, the research is expected to provide in-depth and evidence-based insights into the topic under study.

RESULTS OF FINDINGS

This study aims to explore the impact of social media development on millennials investment interest in the capital market. The research findings show that social media plays a central role in shaping millennials mindset, motivation and behaviour towards investment. This is shown by the following aspects:

The Role of Social Media as the Main Source of Information

Social media has become the main platform used by millennials to obtain investment-related information. This study found that investment information delivered through social media is more quickly accessed compared to traditional sources of information, such as print media or television broadcasts.

The dissemination of information on social media is real-time and immediate, allowing users to receive updates on investment opportunities, stock price movements and market analyses. For example, investment firms utilise platforms such as Instagram and YouTube to share educational content, while financial influencers review investment strategies through short videos. The use of 'push' technology also enables the delivery of direct notifications to users regarding specific investment opportunities (Blankespoor et al., 2012). In this context, the speed and efficiency of information delivery is a factor that drives millennials' interest in investing.

Influence of Online Community and Social Interaction

Millennials tend to join investment-focused online communities. This research reveals that discussions in online groups or forums, such as Facebook groups and Telegram communities, have a significant influence on their investment decisions. These interactions provide a space to share experiences, strategies and insights that can boost confidence in making investment decisions.

For example, community members often share their success in investing, which then motivates other members to try similar strategies. This finding is in line with previous studies that show that social norms and community support can influence a person's intention to invest (Timothy Duha, 2016; Karatri et al., 2021).

Influencers and Educational Content

Influencers on social media have a significant impact on millennials' investment interest. The study notes that recommendations from public figures or financial experts who have a large following are often considered more credible than other sources. Educational content delivered through social media, such as investment guides for beginners or market analyses, also helps millennials to understand the basics of investing.

Influencers often use attractive and easy-to-understand approaches, such as short videos or infographics. Thus, complex information can be conveyed in a simpler, more engaging and memorable way. This improves millennials' financial literacy and, ultimately, influences their interest to start investing (Firdhaus & Apriani, 2021).

Ease of Access and Security of Digital Platforms

Digital platforms that support online investing have changed the way millennials interact with capital markets. This study found that the ease of access offered by investment apps, such as online registration features, provision of real-time market information, and ease of making transactions, is one of the main factors driving the increase in the number of millennial investors.

For example, apps such as Bareksa and Ajaib provide a friendly user interface and are equipped with educational features, such as investment calculators and step-by-step guides. In addition, platform security is also a major concern, with most apps equipped with data encryption to protect users' personal information. This provides a sense of security for novice investors who are just entering the world of capital markets (Kamil & Tanno, 2021).

External Factors Influencing Investment Interest

In addition to technological and social aspects, the study also identified other external factors that influence millennials' investment interest. These include government policies that support financial inclusion, such as the reduction of transaction fees for first-time investors, as well as an increase in the number of investment products with affordable capital values.

This increase is also supported by the post-Covid-19 pandemic trend, where many individuals, including millennials, are seeking additional sources of income through investment. Statistics from PT Kustodian Sentral Efek Indonesia (KSEI) show an increase in the number of capital market investors by 89.58% in the last three years, with the dominance of the millennial generation and Gen Z reaching 81.36% of total investors (Santi, 2021). This data shows that the younger generation has a significant role in the growth of the capital market in Indonesia.

Motivation and Financial Literacy

This study found that the main motivation for millennials to invest is the desire to achieve financial freedom and improve quality of life. This motivation is fuelled by various content that discusses the importance of investing for the future, as well as direct influence from individuals they trust.

However, the research findings also show that financial literacy is still a big challenge. Many millennials are jumping into the investment world without sufficient understanding of investment risks and strategies. This often results in financial losses, especially for those who simply follow trends without conducting in-depth analyses (Hati & Harefa, 2019).

Preferred Investment Types

This research identified several types of investments that millennials are most interested in, including stocks, mutual funds, and gold. These three types of investments were chosen because they are considered easily accessible, have promising profit potential, and are available in various digital platforms. Equity investment is the top choice due to its flexibility in providing long-term returns, while mutual funds offer a safer investment option for beginners. On the other hand, gold investment remains popular due to its long-term stability in value (Huda, 2008).

DISCUSSION

Social media plays a crucial role in influencing millennials' mindset and behaviour towards investing. Platforms such as Instagram, Twitter and TikTok are not only a means of entertainment, but also a platform for investment education. Kamil and Tanno (2021) show that social media is one of the main sources of information for the younger generation, which provides quick access to insights about the capital market. Information delivered visually through short videos or infographics has proven to be more appealing to this age group, making it easier for them to understand investment concepts.

In addition, the role of influencers and online communities is a significant factor in building the confidence of novice investors. Firdhaus and Apriani (2021) note that personal experiences shared by popular figures often encourage audiences to take the first steps in investing. This suggests that millennials are heavily influenced by collective narratives that emerge on social media, particularly regarding investment trends such as stocks or cryptocurrencies.

The motivation to invest is strongly influenced by an individual's level of financial literacy. Magfiroh et al. (2021) highlighted that millennials who have a basic understanding of investment risks and returns are more likely to make wise decisions. Social media has become an important tool in improving this financial literacy. Webinars, online tutorials and infographics focused on investment education are increasingly accessible and an integral part of the content consumed by the younger generation.

However, this education is not only limited to technical aspects. Pradnyawati et al. (2021) emphasise the importance of understanding the social and economic context of investment decisions, which is often overlooked by novice investors. For example, understanding global market dynamics or government economic policies can help investors anticipate risks and opportunities that may arise. Therefore, the integration of financial

literacy and digital literacy is key in improving the quality of investment decisions.

Advances in digital technology have reduced the information asymmetry that was previously a major obstacle for small investors. Platforms such as trading apps and financial news websites enable real-time information dissemination. Blankespoor et al. (2012) note that the provision of information through digital technology has created more equitable access between small and large investors, thereby increasing the participation of the younger generation in capital markets.

However, not all information available on digital media is reliable. Jung et al. (2018) caution that the spread of false or manipulative information through social media can be detrimental to investors, especially those who are less experienced. Therefore, it is important for investors to develop critical analysis skills in evaluating the validity of the information they obtain.

Millennials show a strong preference for technology-based investments, such as online stocks, digital mutual funds, and cryptocurrencies. Prasetyo et al. (2021) showed that the flexibility and ease of use of investment applications are the main attractions for this group. For example, investment apps such as Ajaib and Bibit offer simple interfaces and educational features designed specifically for beginners.

However, reliance on technology also brings its own risks. Hati and Harefa (2019) highlight that a lack of understanding of market mechanisms can lead to financial losses, especially if investment decisions are based on trends alone. Therefore, digital literacy must be accompanied by adequate financial literacy to ensure that technology is used optimally and responsibly.

The Theory of Planned Behaviour (Ajzen, 1991) provides a relevant framework for understanding how millennials make investment decisions. The theory states that intention to invest is influenced by attitudes, subjective norms and perceived behavioural control. In the context of social media, subjective norms are reinforced by online communities that encourage investing as part of a modern lifestyle.

Research by Lioera et al. (2021) shows that perceived behavioural control increases with the ease of access to investment applications. With features such as investment simulation and risk analysis, millennials feel more confident in making investment decisions. This suggests that technology not only provides tools, but also builds the psychological capacity needed to invest.

The active participation of millennials in the capital market has far-reaching impacts on the economy. Kamal and Apriani (2021) note that an increase in the number of young investors promotes growth in market liquidity, which in turn supports national economic stability. Moreover, this participation reflects a cultural shift, where investing is becoming an increasingly popular part of personal finance strategies.

However, this trend also poses challenges. The spread of invalid information, lack of adequate education, and reliance on technology can cause negative impacts to individuals as well as the market as a whole. Hence, stricter regulations and continuous education programmes are needed to ensure that the younger generation's participation in investment brings maximum benefits.

CONCLUSION

This research reveals that the development of social media has a major influence on millennials' investment interest in the capital market. Social media has become the main platform for millennials to access investment information quickly and in real-time. Information delivered through social media, both in the form of educational content from influencers and discussions in online communities, has proven to be able to build millennials' motivation and confidence in making investment decisions.

However, behind this potential, there are challenges that cannot be ignored. Low financial literacy and the risk of spreading unverified information are major obstacles for first-time investors. Many millennials make investment decisions based on trends or invalid information, increasing the risk of financial loss. Therefore, more comprehensive education, especially one that integrates financial literacy with digital literacy, is crucial.

The research also highlights the need to develop investment applications that are more user-friendly and equipped with educational features. A mechanism to monitor the quality of information on social media is also important to ensure investors have access to credible information.

Going forward, the results of this study can serve as a basis for designing policies that support financial literacy and encourage healthy investment participation among the younger generation. With the right approach, social media can be an effective tool in creating an investment ecosystem that is inclusive, sustainable and supports broad economic growth.

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