International Journal of Economics, Business and Accounting Research (IJEBAR)
Peer Reviewed – International Journal
Vol-10, Issue-3, 2026 (IJEBAR)
E-ISSN: 2614-1280 P-ISSN 2622-4771
https://jurnal.stie-aas.ac.id/index.php/IJEBAR

GENERATION Z PERCEPTIONS AND THE INVESTMENT FEASIBILITY OF BATIK MSMES: EVIDENCE FROM THE CAPITAL ASSET PRICING MODEL

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Abstract : *This study investigates the influence of Generation Z perceptions on the investment feasibility of Esti Dina Collection Batik MSMEs using the Capital Asset Pricing Model (CAPM). A quantitative explanatory approach was employed with data collected from Generation Z university students through a structured questionnaire. Data were analyzed using descriptive statistics and Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings indicate that student perceptions positively influence income improvement and the application of CAPM in evaluating MSME investments. Income improvement also mediates the relationship between investor perceptions and CAPM adoption. These findings suggest that investment decisions among Generation Z are driven not only by expected returns but also by economic expectations and business sustainability considerations. The study contributes to behavioral finance literature by integrating psychological and financial perspectives in evaluating investment opportunities within cultural-based MSMEs.*

***Keywords**: Generation Z, CAPM, MSMEs, Investment Feasibility, Behavioral Finance, Batik Industry.*

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of the Indonesian economy, contributing more than 60% of national Gross Domestic Product and absorbing the majority of the labor force. The batik industry, as one of Indonesia's creative economy sectors, plays an important role in preserving cultural heritage while generating economic value.

Despite their economic importance, many batik MSMEs experience difficulties in accessing investment and financial support. Limited managerial capabilities, inadequate financial reporting, and low investor confidence frequently hinder business expansion. Consequently, identifying new investor segments is essential to enhance the sustainability of MSMEs.

Generation Z has emerged as a potential investor group due to its high digital literacy, openness to innovation, and increasing participation in financial markets. Previous studies indicate that investment decisions among Generation Z are influenced not only by financial returns but also by social values, sustainability, and business transparency.

However, empirical research integrating Generation Z perceptions and the Capital Asset Pricing Model (CAPM) in assessing cultural-based MSME investments remains limited. Most previous studies examine investment behavior and financial models separately. Therefore, this study seeks to bridge this gap by examining the influence of Generation Z perceptions on the investment feasibility of Batik MSMEs through the CAPM approach.

The objectives of this study are:

1. To analyze the influence of student perceptions on CAPM implementation.
2. To examine the effect of student perceptions on income improvement.
3. To determine the effect of income improvement on CAPM implementation.
4. To investigate the mediating role of income improvement.

2. Literature Review and Hypothesis Development

2.1 Behavioral Finance Theory

Behavioral finance argues that investment decisions are not solely determined by rational calculations but are also influenced by psychological and emotional factors. Investors frequently rely on perceptions, experiences, and social information when making investment decisions.

2.2 Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model explains the relationship between risk and expected return.

$$E(R_i) = R_f + \beta_i(E(R_m) - R_f)$$

where:

- $E(R_i)$= expected return,
- R_f= risk-free rate,
- β_i= systematic risk,
- $E(R_m)$= expected market return.

CAPM provides a rational framework for evaluating investment feasibility in MSMEs.

2.3 Generation Z Investment Behavior

Generation Z investors are characterized by:

- high digital literacy;
- strong information-seeking behavior;
- preference for sustainable investment;
- consideration of social and economic impacts.

2.4 Hypothesis Development

H1: Student perception positively affects CAPM implementation.

H2: Student perception positively affects income improvement.

H3: Income improvement positively affects CAPM implementation.

H4: Income improvement mediates the relationship between student perception and CAPM implementation.

3. Research Method

This study employed a quantitative explanatory design.

Population and Sample

The population consisted of Generation Z students enrolled in the Financial Management Study Program. Purposive sampling was used, resulting in 80 respondents.

Data Collection

Data were collected through questionnaires using a five-point Likert scale.

Data Analysis

The analysis included:

1. Descriptive statistics.
2. Validity and reliability testing.
3. PLS-SEM using SmartPLS 4.

4. Results

The measurement model demonstrated satisfactory validity. All outer loading values exceeded 0.70, indicating convergent validity. The AVE values also exceeded 0.50, confirming construct validity.

The reliability test showed:

Variable	Cronbach's Alpha	Composite Reliability
Student Perception	0.905	0.930
CAPM Model	0.899	0.925
Income Improvement	0.916	0.937

All constructs were reliable.

The structural model demonstrated moderate explanatory power:

Variable	R^2
CAPM Model	0.673
Income Improvement	0.640

Hypothesis Testing

Relationship	t-value	p-value	Result
Student Perception → CAPM	4.741	0.000	Supported
Student Perception → Income Improvement	17.636	0.000	Supported
Income Improvement → CAPM	2.583	0.010	Supported
Student Perception → Income → CAPM	2.470	0.014	Supported

Discussion

The findings indicate that Generation Z perceives Batik MSMEs as attractive investment opportunities, particularly when financial transparency and growth prospects are evident.

The significant effect of student perceptions on CAPM adoption suggests that young investors increasingly rely on rational investment models. This result supports behavioral finance theory, which argues that perceptions and psychological factors significantly influence investment decisions.

Income improvement also mediates the relationship between perception and CAPM. This finding implies that Generation Z investors are more willing to adopt formal investment evaluation models when economic benefits are apparent.

Theoretical Implications

This study contributes to behavioral finance literature by integrating:

1. Investor perceptions;
2. Economic expectations;
3. Financial decision-making models.

The study also extends CAPM applications to cultural-based MSMEs.

Practical Implications

For MSMEs:

- Improve financial transparency.
- Strengthen digital marketing.
- Enhance business sustainability.

For universities:

- Improve financial literacy education.
- Promote entrepreneurship and investment awareness.

For policymakers:

- Facilitate investment access for MSMEs.
- Encourage collaboration between universities and local industries.

5. Conclusion

Generation Z perceptions significantly influence the investment feasibility of Batik MSMEs through the CAPM approach. Income improvement acts as a significant mediator, indicating that economic expectations strengthen the adoption of rational investment models.

Batik MSMEs can attract young investors by improving governance, transparency, and digital engagement strategies.

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