

Factors Affecting Investment Decisions On Millennials And Gen Z

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Abstract: Since 2019, capital market investors have surged, primarily those under 40 years old, called millennials and Gen Z. However, the financial literacy of Indonesians is low, with victims of fictitious investment cases increasing yearly. This study aims to determine the effect of Financial Literacy (FL) and Investment Experience (IE) on Investment Decisions (ID) with Risk Tolerance (RT) as a mediating variable. The method used is Partial Least Square and involves 185 stock investors aged 18 to 40 years domiciled in Java and Bali, using a purposive sampling technique and the Hair formula. This study found that FL and IE have a significant and positive effect on ID, FL and IE have a significant and positive effect on RT, RT has a significant effect and positive on ID, FL and IE have a significant and positive effect on ID through RT.

Keywords: Financial Literacy; Investment Behavior; Investment Tolerance; Millennial; Gen Z.

Abstrak: Sejak tahun 2019, jumlah investor pasar modal melonjak, terutama yang berusia di bawah 40 tahun atau disebut generasi milenial dan Gen Z. Namun, literasi keuangan masyarakat Indonesia masih rendah dan korban kasus investasi fiktif semakin meningkat setiap tahunnya. Penelitian ini bertujuan untuk mengetahui pengaruh Financial Literacy (FL) dan Investment Experience (IE) terhadap Keputusan Investasi (ID) dengan Risk Tolerance (RT) sebagai variabel mediasi. Metode yang digunakan adalah Partial Least Square dan melibatkan 185 investor saham berusia 18 sampai 40 tahun yang berdomisili di Pulau Jawa dan Bali, dengan menggunakan teknik purposive sampling dan rumus Hair. Penelitian ini menemukan bahwa Literasi Keuangan dan Pengalaman Investasi berpengaruh signifikan dan positif terhadap Keputusan Investasi, Literasi Keuangan dan Pengalaman Investasi berpengaruh signifikan dan positif terhadap Toleransi Risiko, Toleransi Risiko berpengaruh signifikan dan positif terhadap Keputusan Investasi, Literasi Keuangan dan Investasi Pengalaman berpengaruh signifikan dan positif terhadap Keputusan Investasi melalui Toleransi Risiko.

Kata Kunci: Financial Literacy; Investment Behavior; Investment Tolerance; Millennial; Gen Z.

INTRODUCTION

In 2019, investor activity in the market experienced significant growth, with a total of 9,780 million people investing in the market in September 2022, with a dominance of 59.080 per cent among young investors aged under 30 years old and 22.230 per cent among investors aged 31 to 40 years old. In 2022, PT Bursa Efek Indonesia (BEI) and PT Custodian Sentral Efek Indonesia (KSEI) reported that the number of investors reached 7,480 in 2021, with millennials and millennial-generation Z investors accounting for 88 per cent of total investors. KSEI data for March 2023 showed that most Indonesians spend between Rp. 10.000.000 and Rp. 100.000.000 per year. Most Indonesians know about



investment products, but there needs to be a gap between their knowledge and the FL of the population. According to the Indonesian National Bank (OJK), the literacy rate in Indonesia is 38.030 per cent, with 38 out of 100 households having good FL. The literacy rate of Gen Z is 44.040 per cent, and that of millennials is 47.890 per cent. However, the literacy rate in Indonesia has decreased from 21.800 per cent in 2013 to 29.700 per cent in 2016; the literacy rate in Indonesia is still considered low because those all are under 60 per cent.

CNN Indonesia reported a significant amount of Rp. 123.500.000.000 in illegal investments from entities like illegal online trading and gambling. Some famous cases are Binomo Indra Kenz, Quotex Doni Salmanan, KSP Indosurya, KSP Pandawa, etc. In those cases, victims decide to invest to gain significant returns investment quickly without understanding the products and the risk of their investment. Many Millennials are particularly affected by the lack of FL, trading knowledge, and online trading instructions (DetikFinance, 2022). Teguh Kurniawan Harmanda, the general chairman of Aspakrindo (Asset Traders Association of Indonesian Crypto), stated that Gen Z and millennials have high curiosity, are easily influenced by flexing (behaviour of showing off possessions to show success), want to achieve something quickly, and FOMO (Fear of Missing Out) namely they invest because they do not want to lose the current trend which people around them starting to invest.

Based on the famous cases mentioned above, all of the cases that have occurred in Indonesia have similarities with all of the fraudsters offering high returns in a short time; some people promise returns of up to 50 per cent. The number of victims recorded in all fictitious investment cases reached thousands, with huge losses. Many of the victims decide to invest because they want to get significant returns quickly without having enough understanding of the financial products offered, and most of the time, they are not able to measure the risks that could occur if the promised returns are not kept.

Based on the reasons victims of fictitious investments want to invest, from April to May 2023, interviews with millennials and Gen Z were conducted to ask about what they might consider as investors when making investment decisions. The interviewee aged from 20 to 29 years old with a total of 22 persons, stated that the most important things before they decide to invest are: (1) understanding the investment products; according to (Puspita & Isnalita, 2019), FL is considered vital because it helps foster financial behaviour in making financial decisions; (2) measuring the level of risk and return offered to ensure it makes sense and minimize losses incurred, someone with a high-risk tolerance will be more daring to make investment decision (Adielyani & Mawardi, 2020); (3) consulting with people who are considered more experienced or have invested in the same products.

Investment decisions become essential since they are like businesses with the primary purpose of profit, just like investors who aim to make significant decisions to earn a maximum profit (Hayat & Anwar, 2018). The investment's form, type, and composition will also affect expected returns. An Investment Decision is an investor's commitment for a certain period, which is influenced by many things (Nur Aini & Lutfi, 2019).

(Sulistiyowati et al., 2022) stated that FL influences investment decisions; this research is in line with the results of (Putri & Rahyuda, 2017) but contrary to the research of (Arianti, 2018), which found that FL did not affect investment decisions. According to (Kusumaningrum et al., 2019), FL has a positive and significant influence on RT, which aligns with research by (Kanagasabai & Aggarwal, 2020). According to (Zahida, 2021), RT significantly influences ID. However, this research differs from the research of



(Salvatore & Esra, 2020), who found that RT does not significantly influence ID. According to (Ferli et al., 2022), IE influences ID, and (Kurniadi et al., 2022), FL influences ID. This research does not align with (Kusumaningrum et al., 2019), which found that IE and FL do not influence ID.

The theory used in this research is the Theory of Planned Behavior (TPB) proposed by (Ajzen, 1991), which explains the factors determining how individuals behave. TPB helps understand and predict human behaviour and is often used to predict investor behaviour when investing. According to (Chariri et al., 2018), several reasons support this theory to be used namely: (1) TPB explains the factors that influence internal investors to make investment decisions; (2) past great experiences in making investment decisions will encourage investors to make similar decisions in the future.

The novelty of this research includes (1) using a variable and analysis model from elaborated research that uses FL and IE for the independent variable, Investment Decision for the dependent variable, and RT for the mediating variable; (2) using the Theory of Planned Behavior in problem-solving; (3) there are pros and cons of research; (4) the research objects in this study is different from other studies which in this study is focusing on millennials and gen Z; (5) the method used in this research is SEM-PLS to accommodate the data tests carried out. Therefore, this research examines the influence of FL, IE, and RT on ID supported by the Theory of Planned Behavior on millennials and Gen Z.

THEORETICAL REVIEW

Theory of Planned Behavior (TPB). TPB was proposed by Icek Ajzen and started from the Theory of Reasoned Action in 1980, which Fishbein and Ajzen explained. This theory helps to understand the factors that influence individuals among three independent factors that form individual intentions: attitudes, subjective norms and perceived behavioural control. The better the attitude and subjective norms and the greater the perceived behavioural control, the stronger the individual's intention to carry out the behaviour being considered (Ajzen, 1991). TPB has been applied in several studies on investor investment in investing in the capital market. However, in contrast to TPB, in the context of this research, it is used to explain the behaviour of millennials and Gen Z in making investment decisions. Attitude toward a behaviour is associated with Financial Literacy, which explains knowledge, skills, attitudes and behaviour towards finance. Perceived behavioural control as behaviour control for millennials and Gen Z in the journey of their investment experience.

Financial Literacy. FL can be explained as a combination of consciousness, knowledge, skills or abilities, and behaviour required to form a financial decision to help individuals make effective financial decisions to achieve financial well-being. Knowledge or understanding of FL includes financial instruments, financial risks, and the rate of return or financial returns from selected investments. Therefore, this is important to understand because it could help individuals with financial problems related to savings, loans, investments, retirement funds, and so on (Gupta, 2021).

According to (Hasanuh, 2020), FL can be a valuable tool for calculating or assessing investment returns while also aiding in reducing potential investment losses. It is widely understood that investments with higher returns typically come with greater risks, whereas lower-risk investments tend to offer lower returns. Every investor with rational thoughts



will expect a return with a smaller level of risk or a high return with a specific risk (Zahida, 2021).

In some cases, problems with the money a person receives or earns are less than how much they spend; this is an individual's financial behaviour. Individuals with better behaviour in financial planning tend to be wiser and more intelligent in using their funds or resources, such as controlling spending, recording expenses and investing (Upadana & Herawati, 2020). Financial decisions based on planning and proper knowledge will minimize the risks of decisions. This suggests that the greater your financial literacy, the better your ability to make investment decisions.

Investment Experience (IE) is the experience of an investor with experience in investing and a tolerant attitude towards risk (Ferli et al., 2022). Anxiety among investors can be caused by negative experiences and a lack of opportunity and knowledge when making ID (Kusumaningrum et al., 2019). (Krische, 2019) found that investing in stocks and mutual funds significantly affects investors' appraisal. Specifically, IE is discussed to understand investment experience in investing in financial instruments such as shares.

Risk Tolerance. RT is the level of risk that an investor can accept when making an ID (Adielyani & Mawardi, 2020). According to (Salvatore & Esra, 2020), investors can be classified into three categories: risk seekers, risk neutral and risk averters. If the risk seeker has two choices that offer the same return but different risks, risk seekers tend to choose higher risks. The risk-neutral category tends to require increased returns commensurate with each increase in product risk investment. The risk averter category is a category that will choose lower risk when faced with two options that offer the same return with different risks. Everyone has a variety of levels of risk tolerance, and it is influenced by age, career status, socio-economic status, income, total wealth, and prospects for future income. (Zahida, 2021) concluded that RT is an essential consideration for an investor in making investment decisions. However, each investor has their tolerance level and will have different results on investment decisions since each investor has a different approach to selecting a portfolio.

Investment Decision. Investment is purchasing assets using available resources to reap greater future benefits. Regarding the capital market, these assets are financial assets, such as securities and tradeable instruments. Investment performance refers to the return on an investment portfolio. An investment portfolio may include two or more assets (Ahmad & Shah, 2022). According to (Putri & Simanjuntak, 2020), investment goals will be met if certainty conditions are obtained when making the investment decision; this suggests that the benefits obtained meet expectations. Consequently, consumers will likely favour profitable investment products, considering returns and risks that align with their needs and capabilities.

The influence of FL on ID. Individuals required to make complex financial decisions may need to gain the necessary understanding of financial matters. Therefore, the importance of FL cannot be overstated, as every individual bears the responsibility for their financial security (Herawati et al., 2018). According to (Herdinata & Pranatasari, 2020), when an individual has great FL, the individual can have a different perspective and can control conditions on his finances. When someone has great FL, their financial management skill is adequate to anticipate future financial problems. Investors who have high FL could help themselves in controlling their investment activities. They tend to perform better at determining investment products or choosing the type of investment that suits their conditions and goals (Upadana & Herawati, 2020).



According to (Utami & Wedasuari, 2023), the higher the FL of an investor, the more understanding he is in the financial sector; he understands the risks involved that will be faced in the future and has the skills and financial capabilities. It will increase a person's chances of making an ID; this could happen because of their expertise in predicting opportunities that can occur in investment. FL and ID have a positive correlation, as individuals with higher financial literacy are more adept at making investment decisions; as explained by (Sulistiyowati et al., 2022), individuals with high levels of FL will be able to select the correct type of investment and could provide high returns too. Investors with good FL will be able to understand which investment products suit their needs and current financial conditions and understand the working system of the selected investment product so that they will not be easily tempted by offers of investment products that do not make sense with high returns and no risk, of course, this will produce better financial decisions that are appropriate to the investor's needs.

H1: FL significantly influences ID.

Influence of FL on RT. Increased financial knowledge and ability to analyze information may help investors improve their capacity to invest in high-risk and high-return investment products. Difficulty in understanding financial concepts will make someone understand when making financial decisions. Investors who have a greater level of financial literacy are likely to be more accepting of risk. This might happen since someone with higher financial literacy understands the risk and return of the selected investment product. This person also can manage their finance so that financial decisions can be adjusted to that person's needs and conditions. It is very important to understand FL to analyze investment products with acceptable levels of risk tolerated by every investor. According to (Song et al., 2023), FL stimulates the financial risk tolerance of an investor, and it helps them to make better and stronger investment decisions.

H2: FL significantly influences an individual's RT.

Influence of IE on ID. Investors with extended investment experience will likely be more skilled at making investment decisions that generate future returns. According to (Krische, 2019), FL and IE significantly affect personal investment-related judgements when making investment decisions. IE and ID are both in line; a lack of investing experience sometimes leads to a lack of innovation in decision-making and could be exposed to a high level of investment risk. Moreover, investors who lack experience tend to depend only on family and friends as a place to consult. Investors who are inexperienced and new to investing will need clarification in making investment decisions, especially if they are too lazy to look for information about investment products; it will be easy for the investor to be tempted by fictitious investments. According to (Ferli et al., 2022), IE has a partial positive influence on ID.

H3: ID is influenced by an individual's level of IE.

Influence of Investment Experience on Risk Tolerance. Experienced investors will consider everything that affects the future, so they will take greater risks because they believe the return will also be higher. IE and RT have a directly proportional relationship



due to learning from investment experience related to faced risks and accepted returns. This will make investors more confident in using their experience to make decisions. Suppose investors have a good experience, such as getting returns according to predictions and managing the risks of the product well. In that case, these investors will tend to use their experience in making investment decisions and tend to have the courage to keep investing at the same risk or become more motivated to try the other investment product with higher risk by assuming they already have the ability in risk management and expect greater returns.

H4: IE significantly impacts an individual's RT.

Influence of Risk Tolerance on Investment Decisions. RT is a competency that investors must have because it concerns understanding the investor's risk profile. RT and ID have a proportional relationship; the higher the understanding of a person's risk tolerance, the more appropriate the investment decisions will be according to the investor's needs because the risk is uncertain. Investors must understand how much risk they are willing to take. RT can help someone understand the risk level of investment and help someone tolerate and harmonize existing risks to suit their investment goals and the return that will be received in the future (Ainia & Lutfi, 2019). Investors must understand the type of risk they are willing to accept so that when making investment decisions, they are prepared to face losses and be wise in managing the returns received. According to (Zahida, 2021), RT influences ID, which is also supported by (Ishfaq et al., 2020).

H5: RT significantly influences ID.

Influence Financial Literacy on Investment Decisions through Risk Tolerance. Someone with a high level of education, investment experience, and good financial literacy will tend to choose higher risks in investing. Investors will know how much information and knowledge they need to face risky situations. Investors with good FL will be more confident in taking risky investment products because they already have the knowledge and ability to manage the risk that might happen. This finding contradicts (Kusumaningrum et al., 2019) and (Li et al., 2021), who found that RT did not mediate the influence between FL and ID.

H6: ID is influenced by FL, viewed through the prism of RT.

Influence Investment Experience on Investment Decisions through Risk Tolerance. IE and ID have a directly proportional relationship to RT. While investing, investors will seek information regarding the level of returns and risks faced. The more the investor has experience dealing with risks in investing, the more the investor can choose how much risk he can tolerate, with an understanding of how much risk can be tolerated. The higher the risk tolerance of an investor, supported by much experience in investing, the more confident investors would be in their own decisions, and the higher the opportunities for internal investors to make better investment decisions. This finding contradicts the findings from (Kusumaningrum et al., 2019), who found that RT did not mediate the influence between IE and ID.



H7: ID is notably influenced by IE, which, in turn, affects RT.

Research Model. Based on the hypotheses developed in this study, the research model is shown in **Figure 1** below.

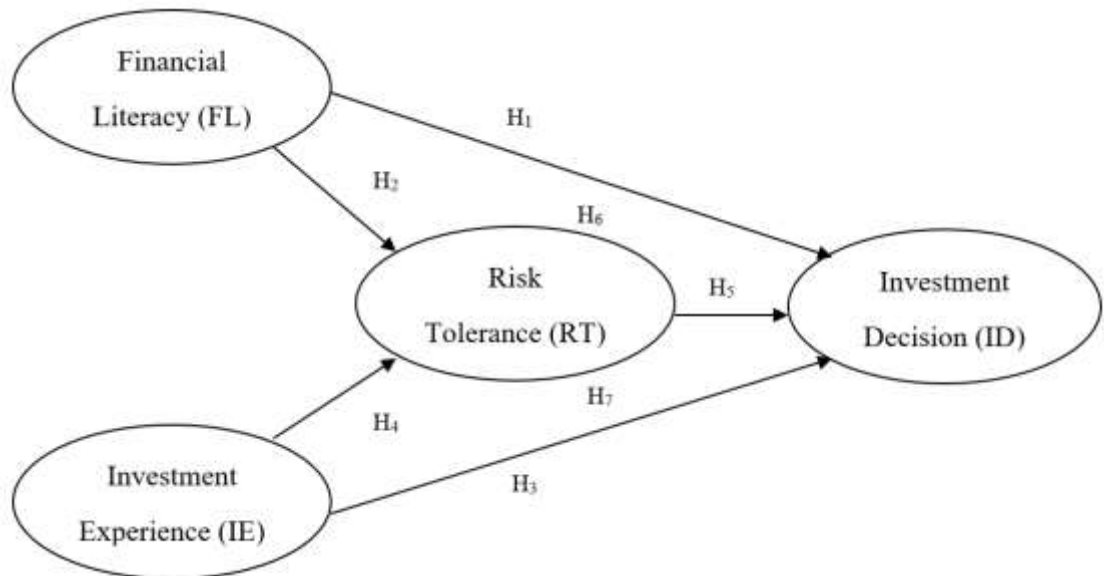


Figure 1. Research Model

Source: Created by the researcher specifically for this study (2023)

METHODS

This study utilizes a quantitative method, using the PLS-SEM data analysis method and SmartPLS as data analytic software. Online questionnaires are used to collect data from the respondents using a non-probability sampling method, purposive sampling. Respondents are millennial and Gen Z investors who were chosen based on some criteria, such as (1) Java and Bali domicile, (2) age range around 18-40 years old, and (3) stock investors. Measurement of sample size uses the Hair formula since the size of the population numbers cannot be known. The number of indicators is multiplied by five to ten to determine the number of samples. This study, 18 indicators were utilized, resulting in 180 samples based on the calculation method (Hair et al., 2017). Responses were measured using a Five-Point Likert scale, where the lowest point indicates strong disagreement and the highest point indicates strong agreement.

According (Bongomin et al., 2020), FL is characterized by several indicators, including but not limited to: (1) Knowledge would include the purpose of saving and its instruments; (2) Skills the capacity of making a saving plan; (3) Attitude the willingness to save ahead; (4) Behaviour to put aside some saving. In the questionnaires, five questions with behaviour are defined as showing the desire to save money and routine behaviour as setting aside money for saving.

According to (Ferli et al., 2022), IE can described in several indicators, such as (1) Buying stocks when interest rates are high, (2) Getting stock dividends or capital gain, and (3) Buying stocks from different types of industries. In the questionnaires, point 2 is defined in two questions: respondents got dividends and capital gains.



According to (Grable et al., 2021), RT can be described in several indicators such as (1) The probability of gains, (2) The probability of losses, (3) The dollar amount of potential gains; (4) The potential dollar loss through the assessment of guaranteed versus probable gambles; (5) Minimum probability of success given a risky course of action; (6) Minimum returns given a risky course of action.

According to (Putri & Rahyuda, 2017), ID can be described in several indicators such as (1) Calculating Security in an investment, (2) Risk Factors and Investment Value Changing, (3) Revenue in cash and defined, (4) Increasing in value.

RESULTS

Table 1. Demographics of Respondent Profile

Variable	Category	Count	Percentage
Gender	Male	89	48.100
	Female	96	51.900
Occupation	Students	53	28.600
	State Officials	3	1.600
	Private Employee	76	41
	Entrepreneurs	50	27
	Others	3	1.600
Investment Period	Under two years	96	51.900
	2 to 5 years	81	43.800
	More than five years	8	4.300
Member of Stocks Club/Community	Yes	122	65.900
	No	63	34.100
Income per Month	Under than Rp. 10.000.000	124	67
	Rp. 10.000.000 to Rp. 100.000.000	58	31.400
	More than Rp. 100.000.000	3	1.600
	Amount Invested per Month	Under than Rp. 2.000.000	124
Amount Invested per Month	Rp. 2.000.000 to Rp. 20.000.000	53	28.600
	More than Rp. 20.000.000	8	4.300
	Domicile	Java	115
Bali		70	38

Source: Created by the researcher specifically for this study (2023)

This study distributed online questionnaires via Google Forms; although the target was 180 respondents, this research successfully gathered data from 185 respondents during distribution. **Table 1** shows that 96 respondents (51.900 per cent) are coming from females, and 89 respondents (48.100 per cent) are males. The majority of respondents are private employee workers, with 76 respondents (41 per cent), 96 of the respondents (51.900 per cent) most of them are have been investing their money for more than two years, 122 respondents (65.900 per cent) are currently joining a stock community, with the majority of respondents for 124 people or 67 per cent are gaining a total of income per month for under Rp. 10.000.000 from that, the majority of respondents, 124 people or 67 per cent, are investing under Rp. 2.000.000 monthly. Most of the respondent's domiciles are Java for 115 respondents or 62 per cent.



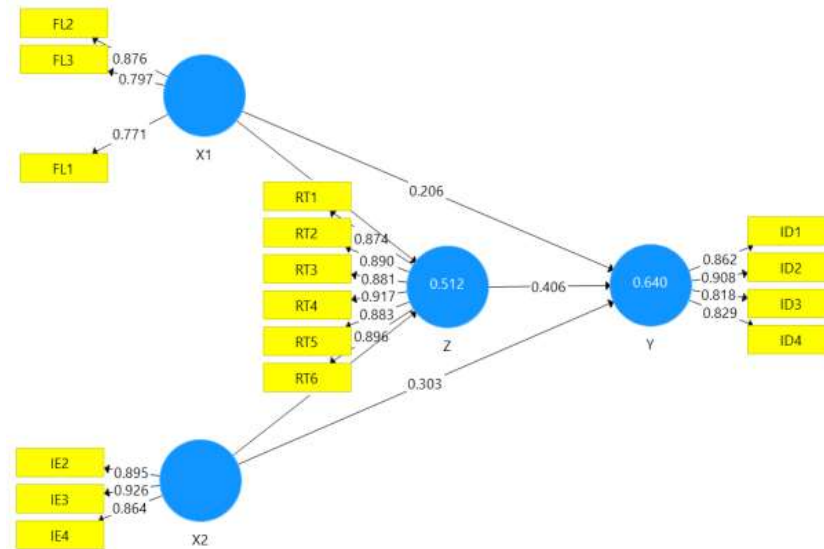


Figure 2. Outer Model

Source: Created by the researcher specifically for this study (2023)

Figure 2 shows that some indicators do not meet the convergent validity criteria, such as FL.4, FL.5, and IE.1. In financial literacy, the lowest mean is FL.2. The lowest standard deviation is FL.1, which explains that respondents tend to be willing and have set aside money but do not do it because they lack financial planning. Their money is mainly used for urgent needs, and they do not allocate it specifically for specific categories.

Meanwhile, for investment experience, the lowest mean is IE.1, and the lowest standard deviation is IE.1, which explains that the number of long-term and short-term respondents is similar. Based on the risk tolerance result, the lowest mean is RT.2 and RT.4, which explains that most respondents do not calculate the probability of lost investment. Based on investment decisions, the lowest mean is ID.3, which explains that respondents do not predict the exact return.

Table 2. Factor Loading

Latent Construction	Indicator	Factor Loading
Financial Literacy (FL)	FL.1	0.771
	FL.2	0.876
	FL.3	0.797
Investment Experience (IE)	IE.2	0.895
	IE.3	0.926
	IE.4	0.864
	RT.1	0.874
Risk Tolerance (RT)	RT.2	0.890
	RT.3	0.881
	RT.4	0.917
	RT.5	0.883
	RT.6	0.896
	Investment Decision (ID)	ID.1
ID.2		0.908
ID.3		0.818
ID.4		0.829

Source: Created by the researcher specifically for this study (2023)



Table 2 demonstrates that all indicators are valid as their values meet the convergent validity criteria of more than 0.700. Therefore, discriminant validity is also accepted since the value of each variable's cross-loading is greater than its correlation with other variables.

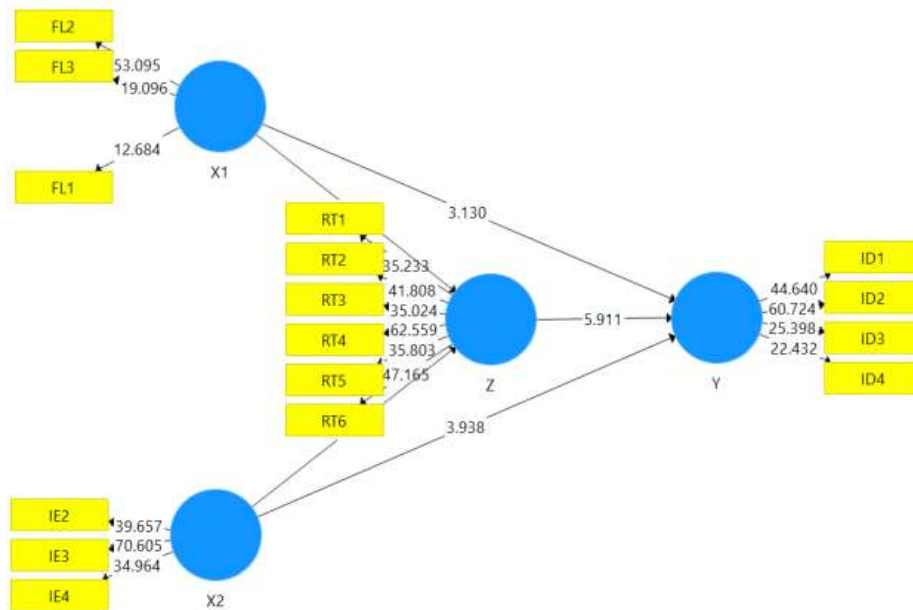


Figure 3. Inner Model

Source: Created by the researcher specifically for this study (2023)

In **Figure 3**, it shows the inner model results from this research.

Table 3. Validity and Reliability Model

Latent Construct	Cronbach's alpha	Average Variance Extracted	Composite Reliability	R Square	Q Square
FL	0.754	0.666	0.856		
IE	0.876	0.801	0.924		
RT	0.877	0.731	0.915	0.640	0.449
ID	0.948	0.792	0.958	0.512	0.398

Source: Created by the researcher specifically for this study (2023)

Table 3 shows that each variable meets the criteria for Composite Reliability and Cronbach alpha since it has a greater value than 0.700; it also shows the result from the inner model evaluation. The result shows that the R^2 value of the RT variable is 0.640 and the R^2 value of the ID variable is 0.512, which explains that the influence of FL and IE towards RT is equal to 64 per cent and towards ID is equal to 51.200 per cent. Q^2 value for RT is 0.449, and for ID, it is 0.398. Both have values above 0, so the structural model is able to make good predictions.



Table 4. Hypothesis Test Results

Hypothesis	Original Sample (O)	Sample Mean	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Financial Literacy ->	0.206	0.205	0.066	3.130	0.002
Investment Decision Financial literacy ->	0.298	0.303	0.075	3.981	0.000
Risk Tolerance Investment Experience ->	0.303	0.301	0.077	3.938	0.000
Investment Decision Investment Experience ->	0.496	0.493	0.080	6.185	0.000
Risk Tolerance Risk Tolerance ->	0.406	0.412	0.069	5.911	0.000

Source: Created by the researcher specifically for this study (2023)

Table 4 shows, the result shows that it can be used for testing the hypothesis of this research since the P-Values are less than 0.050 and the t-statistics value is more than the t-table. Based on the t-table distribution with levels significance of 0.050 and n total of 185, the t-table value is 1.653. In testing the hypotheses, the results indicate significant findings, such as:

In assessing the FL hypothesis regarding investment decisions, the t-statistics value of 3.130 exceeds the critical value of 1.653, with a corresponding p-value of 0.002, less than 0.050. Therefore, the first hypothesis is accepted, indicating that FL has a significant and positive effect on ID positive effect on ID.

For the hypothesis testing of FL on RT, the t-statistic of 3.981 surpasses the critical t-value of 1.653, and the p-value of 0.000 demonstrates statistical significance. Consequently, the second hypothesis is accepted, confirming that FL has a significant positive impact on RT.

For the IE hypothesis regarding investment decisions, the t-statistic of 3.938 exceeds the t-value, and the p-value of 0.000 confirms its statistical significance. Therefore, the third hypothesis is accepted, concluding that the IE significantly impacts ID.

The IE hypothesis on risk tolerance yields a t-statistics value of 6.185, with a p-value of 0.000, indicating statistical significance. Thus, the fourth hypothesis is accepted, indicating that IE significantly and positively impacts RT.

Finally, the RT hypothesis on investment decision results in a t-statistics value of 5.911, with a p-value of 0.000, demonstrating statistical significance. Therefore, the fifth hypothesis is accepted, suggesting that RT has a significant and positive effect on ID.



Table 5. Indirect Level

	Original Sample (O)	Sample Mean	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Financial literacy -> Risk Tolerance -> Investment Decision	0.121	0.124	0.038	3.149	0.002
Investment Experience -> Risk Tolerance -> Investment Decision	0.202	0.199	0.054	3.740	0.000

Source: Created by the researcher specifically for this study (2023)

Table 5 shows that the influence of the indirect relationship between the independent and dependent variables through the intervening variable is significant and can mediate because the P Values are smaller than 0.050. The mediation in this study is classified as part mediation, which means that the independent variables, such as financial literacy and investment experience, can influence the dependent variable, which is an investment decision, without involving mediating variables, specifically risk tolerance.

DISCUSSION

According to research findings, FL significantly and positively affects ID. This shows that the better the FL possessed by millennials and Gen Z, the more influence it will have on millennials and Gen Z in making better investment decisions. Millennials and Gen Z need sufficient financial knowledge since someone will need clarification when making decisions or even irrational decisions. As explained by (Putri & Simanjuntak, 2020), a better FL will increase understanding and awareness about financial institutions, financial products, and services.

This study's findings can be used as a reference for millennials and Gen Z to enhance their knowledge, skills, attitudes, and behaviour. The study's findings might be considered by millennials and Gen Z to take action to prepare themselves by improving FL to make better investment decisions. In order to achieve financial goals, millennials and Gen Z need disciplined attitudes and behaviour in applying knowledge about FL to remain consistent in doing things that can help individuals achieve their financial goals. Better FL also helps them gain good knowledge about finances and financial instruments so that they are not easily cheated by individuals who offer fictitious investments with high returns and low-risk investments or even no risk. The findings of this study are congruent with findings from (Hasanuh, 2020), (Kurniadi et al., 2022), (Putri & Rahyuda, 2017), and (Utami & Wedasuari, 2023), who found that FL positively influences ID. Therefore, investors with a higher level of FL tend to make better IDs.

FL significantly influences an individual's RT. The study indicates that FL has a significant and positive impact on RT. This suggests that millennials and Gen Z individuals with higher levels of FL tend to have higher RT levels. According to (Song et al., 2023), FL stimulates RT owned by investors, which allows investors to make stronger and healthier financial decisions. FL both helps millennials and Gen Z have an understanding of risk and return; from this understanding, millennials and Gen Z will understand the amount of return to be achieved and, from the amount of that return, how much risk must be borne from this understanding, millennials and Gen Z will have attitudes and behaviour to then adjust portfolio based on acceptable RT.



Investing inherently involves uncertainty, often referred to as investment risk. This is why possessing FL is crucial for every consumer. FL equips individuals with the necessary knowledge to effectively manage their finances and navigate the complexities of the financial landscape. Individuals must educate themselves about the financial industry to mitigate the risk of being misled or making uninformed investment decisions. This knowledge empowers them to make informed choices, avoiding the temptation of high-return products that may pose significant risks in the short term (Putri & Simanjuntak, 2020). The result of this study can be used by millennials and Gen Z in determining their risk tolerance and also helping them distinguish scam investments that mainly offer high returns with minimal risk or even without risks. The findings of this study are the same findings of (Kanagasabai & Aggarwal, 2020), (Kusumaningrum et al., 2019), and (Song et al., 2023), who found that FL has positive and significant effects on RT. FL correlates with RT.

An individual's level of IE notably influences ID. The study revealed that Investment Experience positively and significantly influences Investment Decisions. These results explain that IE has an essential influence on ID for millennials and Gen Z.

This study's findings can be used for millennials and Gen Z who are considering starting investing as early as possible and gaining more investment experience, whether in many different types of products or focusing on the products that suit their risk profile and financial goals. Experienced investors tend to have bad and pleasing experiences, whether profit, gain, or loss. This experience will train the investor's mind, mentality, and calculations so that they will make better decisions in the future. According to (Mandagie et al., 2020), the more investment experience investors have, the better their investment decisions will be since investors already understand how big the risks and returns will be accepted.

Millennials and Gen Z can do this to continue investing regularly, and this routine allows them to have more experience analyzing financial decisions. These findings are similar to those of (Ferli et al., 2022), who found that IE significantly affects ID. However, (Metawa et al., 2019) found that investors' experience in the stock market did not play a significant role in the ID process. They found that as investors gain more experience, they tend to ignore the emotional factors while making ID.

IE significantly impacts an individual's RT. This study found that IE positively and significantly influences RT for millennials and Gen Z. Experienced investors who have confidence in their skills and past experiences, are familiar with the situation at hand and have sufficient financial information as well as experience will help investors manage their investments according to their goals and desired duration with a greater level of RT. Based on the study's results, Millennials and Gen Z can use this as a reference, especially when gathering a lot of IE to become more skilled in analyzing an investment. From this experience, millennials and Gen Z are starting to understand the risks of investment instruments selected and can be adjusted to the risk portfolio held. This finding is in line with (Asfira et al., 2019), who found that IE has a significant and positive effect on RT for millennials and Gen Z. This finding is in contradiction with findings from (Kusumaningrum et al., 2019) that found IE has a negative effect on RT. The results are due to their respondents who are experienced in online trading "games", but only a few respondents are proficient in the actual trading stock market; this happens because they are not running trading professionally, and they still have doubts and are unsure about the real risk and accepting high risk in the real trading stock market.



RT significantly influences ID. This research found that RT has positively and significantly influences ID. This result can be used for millennials and Gen Z to study their type of risk profile and how much risk they can afford. Therefore, gaining more experience will help them be more skilled and have better calculations for a higher risk profile. Investors with a higher Risk Tolerance are generally more willing to accept the possibility of losses from an investment if there is a chance or opportunity for higher returns (Yulianis & Sulistyowati, 2021). According to (Mandagie et al., 2020), investors who invest in the market capital tend to carry out detailed analyses such as prices, shares, financial reports, and other factors that can influence dividends or the difference in share prices through detailed analysis of the points.

Through this, millennials and Gen Z will be able to determine a decision, whether the share price is acceptable and by the fund's budget owned, whether the financial statements show the company has good performance will enable millennials and Gen Z to predict returns from the purchase of these shares, whether the selected shares have a level acceptable risk or not. These things are then necessarily considered to help determine decisions later for proper financial decisions.

These findings are also consistent with previous findings by (Zahida, 2021) and supported by (Adielyani & Mawardi, 2020), who also found that RT significantly affects ID. However, (Kusumaningrum et al., 2019) found that RT does not affect ID because their respondents, students from the Faculty of Economics of Surabaya State University, still need to become more familiar with the capital market. Moreover, the Investment Gallery of the Faculty of Economics from Surabaya State University was established in 2015, only around 3 to 4 years before the study was conducted, and the students are still learning and have doubts about the capital market.

ID is influenced by an individual's level of FL, viewed through the prism of RT. According to research findings, FL significantly and positively affects ID through RT. Increasing knowledge about financial information and analytical skills will increase investors' capacity to dive into riskier investments to get higher returns by managing investments efficiently. During decision-making investment, investors encounter many factors that can influence investment decisions, such as investment risk, ambiguity, and the number of investment choices. Therefore, investors need to improve their FL with a good understanding of the risk profile; investors will be more confident in making choices because they can sort things out for the right investment instrument for their needs. From this finding, millennials and Gen Z could appoint their risk profile by improving their knowledge, skill, behaviour, attitude towards financial products, and management, which could help them make investment decisions that suit their financial goals. The respondents from this study were confident and brave enough to invest if they understood their risk profile and the risk profile of the product they would choose. This, supported by sufficient financial knowledge, helped convince respondents to make an ID.

The results of this research are consistent with those of (Asfira et al., 2019), who found that FL has a significant and positive effect on ID through RT. Although the findings from this research contradict those of (Kusumaningrum et al., 2019), they might differ with different respondents. The study has respondents uncomfortable investing their money in the capital market. They still need to be brave enough to bear high risk in the capital market, and their understanding of it needs to be deeply developed.

ID are notably influenced by one's level of IE, which, in turn, affects RT. According to research findings, IE significantly and positively affects ID through RT.



Experienced investors have better abilities in managing risky investments than those who still need to gain experience. Therefore, this study is important and could be a reference for millennials and Gen Z to improve their investing experience by investing early and learning to understand the levels of the risks and returns that will be received in investing; that will be a great experience and learning tools for millennials and Gen Z to create future decisions. The respondents from this study show that they will be more confident in making investment decisions when they already have investing experience, and a better understanding of their risk profile will help them to make better IDs. The results of this research are consistent with those of (Asfira et al., 2019), who found that IE positively and significantly influences ID through RT. However, the findings from this research are in contradiction with (Kusumaningrum et al., 2019), who found that RT is not able to mediate IE on ID due to the respondents of the study who is not confident in investing their money in the capital market and lack of experience in the real capital market.

CONCLUSION

Based on the hypothesis test, FL and IE significantly affect investment decisions. The better the FL and the greater the experience an investor has, the better the ID will be. Financial understanding and experience in investing both play a notable role in determining one's willingness to take risks. This RT, in turn, significantly influences the choices made in investments. In this study, RT is a mediating factor, significantly impacting both FL and IE in shaping ID.

Suggestions. Millennials and Gen Z are encouraged to enrol in investment communities or study groups, enrol in personal finance management classes, and put themselves in a positive environment that supports and is willing to learn together about the capital market. The community will make it easier for investors to find the latest economic news and exchange ideas and analysis with fellow community members. It is also highly recommended to find out about other financial instruments and services or financial service providers and study them to make the right decisions with suitable investments that suit the needs and financial goals. It is easy to start with yourself; this can also be done using a personal finance application management available online to make it easier to budget or create a savings plan.

For the government, from this research, the dependent variables can influence millennial and Gen Z financial decisions. Therefore, the government is expected to be able to organize accessible access programs for investment and improve financial and investment literacy; it also is expected to be more consistent and closer to the younger generation, such as through social media or going directly to school, universities, and companies to distribute more easily important information related to investment, especially because millennials and Gen Z will be the contributors to the movement in the future Indonesian economy. The government can also create programs that focus on saving shares in small amounts because, based on research results, millennials and Gen Z tend to invest directly if the investment risk is still tolerable and the amount is manageable.

Further research is recommended to examine other variables which can influence ID, as done by (Wang & Nuangjamnong, 2022), which uses exogenous variables such as overconfidence and herding for (Ahmad & Shah, 2022); the study uses Risk Perception as mediating effects and Financial Literacy as moderating effects. The limitation of the research is that the R-Square Adjusted value from independent and dependent variables



does not reach the maximum number, namely risk tolerance is 63.400 per cent and investment decision is 50.700 per cent. This matter explains that there is still influence from other independent variables that still need to be accommodated, which can influence endogenous variables that have yet to be explained in this research and need to be studied for further research. Aside from that, several indicators were also found that did not meet the validity convergent criteria, so it can be concluded that this indicator is yet to represent the variables used in this research possibly. Due to limited relationships matching the respondent's criteria, the number of respondents based on domicile in this study needed to be balanced.

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