

Analysis of Factors that Influence Millennial and Generation Z Investment Decisions

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ABSTRACT

This study aims to identify the factors that influence investment decisions for millennials and Generation Z in Purwokerto. The quantitative method was used in this study, and primary data was collected through a survey. The population of this research is millennials and Generation Z in Purwokerto, which comprises 125 respondents. IBM SPSS Statistics 26 was used to analyse the research data to conclude. The results stated that financial literacy, overconfidence, herding, and risk tolerance positively affect investment decisions. This is because millennials and Generation Z have sound economic knowledge, high confidence in making decisions, have people as a reference in taking action, and see risks when deciding to invest. Meanwhile, risk perception hurts millennial and Generation Z investment decisions in Purwokerto.

INTRODUCTION

Today's economic and industrial sectors are impacted by the rapid advancement of technology. There are many products available online that buyers can obtain easily and quickly without having to go to the store that offers the product. As a result, people's needs and wants are increasing. As technology advances and wants increase, a person's income may no longer be able to cover their expenses. People must manage their finances well to overcome this problem (Nur Aini & Lutfi, 2019). Investment decision is the process of investing in the hope of getting future profits (Kulintang & Putri, 2024).

Investment is the act of committing a quantity of money or other resources at present with the expectation of obtaining benefits in the future (Putri & Hamidi, 2019). Investment is becoming increasingly important for people in Indonesia. This is shown by many young investors who have invested. Data (KSEI, 2023) as of September shows that investors are still dominated by millennials and Generation Z who come from the age group of 30 years and below and 31-40 years. More than 80% are dominated by high school education level with 60.28% of their total assets increasing compared to 2022. According to the Directorate General of State Assets (djkn), Generation Z is the generation born between 1997-2012 and is now aged 12-27 years old. Meanwhile, millennials are the generation born in 1981-1996, now aged 28-43 years old.

Report (KSEI, 2023) shows an increase in investment in Indonesia, as shown by an increase in mutual fund investors by 14.47%, an increase in stock investors by 13.27%, and the number of capital market investors recorded at KSEI reached 12.32 million in January 2024. data (Bareksa.com) shows that advances in communication technology have led to increased interest in investing, including investment in digital gold. Millennials and Generation Z are considered the largest investors in digital gold, with each occupying 85% to 90% of digital gold investors in the Treasury. This huge interest is due to their curiosity about the financial world, which encourages them to learn about it.

In recent years, Purwokerto city centre located in the Banyumas region, Central Java, has experienced significant economic growth. This has also increased the number of people investing. According to data from the Office of Investment and One-Stop Integrated Services (dpmpstsp, 2024), investment realization increases significantly every year. This shows that investors are increasingly interested in the business potential in Purwokerto. Investment in Purwokerto includes various industries, such as housing, offices, and services. This shows the diverse business potential in this area. In addition to local investors, Purwokerto attracts investors from outside the region and even from abroad. This shows investors' confidence in the good investment climate in Purwokerto. The government also plays a role in creating a good investment environment simplifying licensing, building infrastructure, and promoting investment potential. Purwokerto people are increasingly aware of the importance of investment and have begun to actively participate in various investment instruments.

Understanding financial literacy is important to minimize the risks faced in conducting investment activities. A comprehension of financial literacy can reveal an individual's financial acumen. Financial literacy, the initial factor, is a talent that is equal to reading and writing. The significance of financial literacy is on the rise in the 21st century. Given that everyone deals with finance, and because finance is so complicated, others can't learn it on their own. Individual financial security depends on a good understanding of finances. People who are financially "literate" (also known as financially literate) are better able to cope with emergency expenses, manage debt well, and have long-term savings (Mendari et al., 2022). Supported by Ayudiasuti's research (2021) and Andriani et al, (2023) which shows that financial literacy variables influence making investment decisions. Rahmawati et al.'s subsequent study (2023) demonstrates that the financial literacy variable has a noteworthy and favourable impact on investing decisions.

The second factor is herding, overconfident investors tend to underestimate risk, which can result in suboptimal asset allocation. (Afriani & Halmawati, 2019). Therefore, such investors tend to invest their funds in high-risk assets such as real estate and stocks, while less confident investors tend to invest most of their funds in low-risk assets. The findings of Adielyani & Mawardi (2020) assume that overconfidence has a significant positive impact on investment decisions. Other research conducted by Putu & Kartika (2020) shows that the overconfidence variable also affects investment decisions. However, a study conducted by Az-Zahara et al. (2024) stated that overconfidence does not affect investment decisions. This is due to investors who make decisions not based on the investor's knowledge and abilities, but based on the information obtained.

Herding is the third factor that influences an individual's investment decision. Inefficiencies in the market are the result of the investor's tendency to imitate other investors in investing without first undertaking fundamental analysis, a phenomenon known as herding. This can influence a person's decision, even though other people's decisions are not necessarily good (Permata & Mulyani, 2022). Identifying the causes of herding behaviour is important to find out whether herding causes the market to be inefficient. This is supported by Adiputra's research (2020) and Siahaan et al. (2022) state that herding influences investment decisions, while Ayudiasuti's research (2021) states that herding influences investment decisions state that herding does not affect investment decisions.

Risk perception is also one of the factors that investors consider when investing. Risk perception is an assessment that puts a person at risk. This assessment depends on a person's psychological and situational characteristics (Yolanda & Tasman, 2020). Siahaan & Seno (2022) and Hidayah & Utami (2022) found that risk perception has a significant positive effect. If an investor is faced with an investment that causes losses, he will stop investing at that time. Risk perception leads investors to make subjective decisions regarding the nature and level of risk they face. Investors with high-risk anxiety often reconsider their investment decisions. This contradicts the findings of Kuasa (2023) which

states that risk perception does not affect investment decisions. This is because the investor entity does not have sufficient experience in carrying out investment activities so it does not realize the risks that may arise in the event of a loss on investment products.

An investor's investment decision can also be influenced by his risk tolerance level. Risk tolerance is one of the key factors in choosing an optimal portfolio based on risk and return requirements for each individual (Nurdinda, 2020). Risk in this case relates to the uncertainty of investment returns. Investors who are willing to accept or tolerate risk tend to take bold steps by investing their funds in risky assets (Siahaan & Seno, 2022). Previous research by Hikmah et al. (2020) found that the risk tolerance variable has a significant positive effect on investment decisions.

To re-examine the findings of Fridana & Asandimitra (2020) and strengthen the validity of the research results. This research has an update by using different samples, namely millennials and Generation Z with sample criteria aged 21-40 years old who have invested or are investing in real assets and financial assets. In addition, this study also seeks to explore whether there are changes in the factors that influence investment decisions due to changes in economic and market conditions over the past few years. It is anticipated that this research will offer a more profound understanding of the dynamics of investment decisions. Consequently, the objective of this investigation is to provide investors and financial professionals with a framework for making more informed investment decisions.

LITERATURE REVIEW

Standard Financial Theory

Standard financial theory explains that decisions are made based on a high financial literacy reputation, which is related to the effect of financial literacy on investment decisions in the research by Fridana & Asandimitra (2020). This theory assumes that rational investors replace normal investors and that profit expectations are solely determined by risk

Behavioral Financial Theory

Behavioural finance theory is a theory that emphasizes the psychological impact of investors on financial and market decisions. Investors frequently make judgments amid market conditions that are characterized by uncertainty. The concept of behavioural finance considers various types of investors regarding the risks associated with their investments (Sukandani et al., 2019). Based on the explanation of behavioural finance theory, it can be interpreted that emotional states due to psychology can affect decision-making. Factors that influence behavioural finance include overconfidence, herding, risk perception, and risk tolerance.

Financial Literacy

Financial literacy is a person's skill in managing money or economic information so that they can make effective decisions (Khairunizam & Isbanah, 2019). Financial literacy can provide knowledge about financial management,

managing savings and loans, and managing good investments and insurance. The more financially literate a person is, the more adept they are at choosing investments, according to studies by Helvira (2022) and Ramadhani et al. (2022) investment decisions are positively affected by financial literacy. In light of this reasoning, the initial supposition that can be formulated is as follows:

H1: Financial Literacy has a positive effect on Investment Decisions

Overconfidence

A person who has a high level of confidence in investment decisions is known as overconfidence (Mahardhika & Asandimitra, 2023). The higher a person's level of confidence can affect investment decisions. Overconfidence is a concept that comes from accuracy in investment selection, confidence in one's abilities, and knowledge possessed, and confidence in investment selection. In line with, Hardianto & Lubis (2022), and Sutikso & Ramadani (2021) concluded that overconfidence has a positive effect on investment decisions. Therefore, the second hypothesis that can be taken is:

H2: Overconfidence has a positive effect on Investment Decisions

Herding

Herding occurs when a rational person begins to act irrationally when making investment decisions by following the opinions of others (Fitriyani & Anwar, 2022). When investors follow other investors' decisions, buy or sell other investors' instruments, and react quickly to market changes, they will be in herding behaviour. The higher the herding behaviour in investors can affect making investment decisions. In line with Safitri & Rachmandyah's research (2021) and Humairo & Panuntun (2022) who obtained the results of herding research had a positive effect on investment decisions. Based on this explanation, the third hypothesis that can be taken is:

H3: Herding has a positive effect on Investment Decisions

Risk Perception

A person's level of risk perception towards risky situations is based on their psychological traits and circumstances. Investors with a high level of risk perception will exercise caution when making investment decisions, while those with a low level of risk perception will be more daring (Zahida, 2021). Consistent with studies conducted by Agusta & Yanti (2022) and Cholifah et al. (2023), which discovered that risk perception positively influences investment decisions. In light of this reasoning, the following fourth hypothesis is possible:

H4: Risk Perception has a positive effect on Investment Decisions

Risk Tolerance

Risk Tolerance is very important for an investor because risk tolerance determines the amount of profit that will be received by the investor. Different investors have different tolerances. Investors choose the form of investment according to their risk tolerance, preferred investment type, and percentage in the investment asset portfolio. The higher the level of investor risk tolerance, the more it will encourage their investment decisions. According to studies by

Hikmah et al. (2020) and Utsman (2021) investing decisions are positively impacted by risk tolerance. This explanation leads to the fifth possible theory, which is:

H5: Risk Tolerance has a positive effect on Investment Decisions

Conceptual Framework

The following is the conceptual framework for this research.

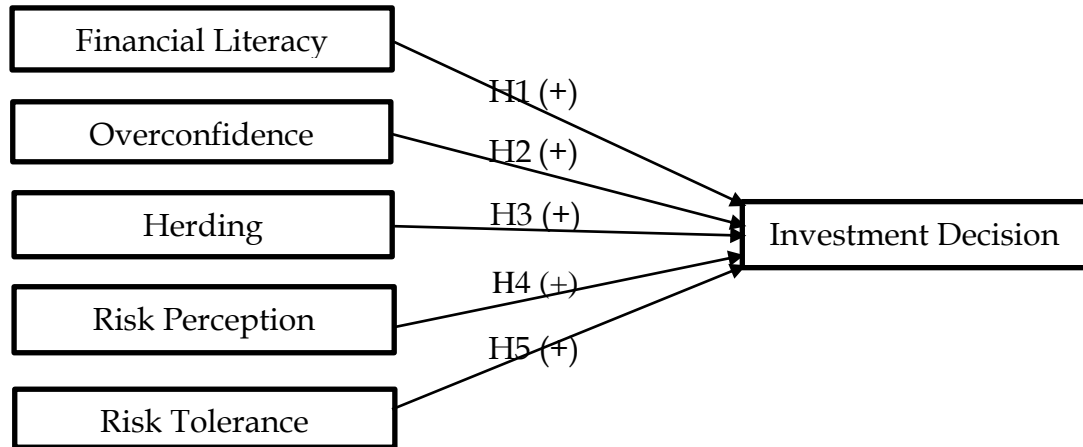


Figure 1. Conceptual Framework

METHODOLOGY

The quantitative methodology employed in this investigation involves the collection of primary data through a questionnaire that is distributed both offline and online via Google Forms. The questionnaire is evaluated on a Likert scale. The outcomes of the influence between variables were obtained by processing the data using IBM SPSS Statistics 26. Purposive sampling, a data source sampling technique with specific criteria, is a non-probability sampling procedure that is used to determine the sample (Sugiyono, 2020). Millennials and Generation Z composed the study's population, which was distributed across four districts—South Purwokerto, West Purwokerto, East Purwokerto, and North Purwokerto—with a total of 233,865 residents (BPS, 2024). The criteria established are individuals who are either currently investing or have invested in Purwokerto city and are at least 21 years old and cannot exceed 40 years old. The Roscoe formula was employed to determine the sample. Consequently, the minimum number of samples in this investigation was 60 respondents. A total of 125 respondents participated in this investigation.

The data analysis methods employed in this study include descriptive statistical tests, instrument tests with validity and reliability tests, classical assumption tests with multicollinearity, heteroscedasticity, and F tests, multiple linear regression analysis, model feasibility tests with F and coefficient of determination, and t-test hypothesis testing. The relationship between factors that influence investment decisions is analyzed using multiple linear regression. The regression equation is expressed as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \dots\dots\dots(1)$$

Description:

- y = Investment Decision
- a = Constant
- X_1 = Financial Literacy
- X_2 = Overconfidence
- X_3 = Herding
- X_4 = Risk Tolerance
- X_5 = Risk Perception
- β = Regression Coefficient
- ε = standard error

The variables in this study were measured using indicators that have been adapted to the object of research and have been employed by numerous previous researchers see Table 1.

Table 1. Measurement of Variable Indicators

Variables	Researcher	Indicator
Investment Decision	(Putri & Hamidi, 2019; Safryani et al., 2020)	1. Return is how much return an investor expects.
		2. Risk is how much risk the investor will face in investing.
		3. The time factor is how long a period is chosen by investors.
Financial literacy	(Safryani et al., 2020)	1. Basic knowledge of financial management
		2. Savings and loan management
		3. Investment and insurance management
Overconfidence	(Hardianto & Lubis, 2022)	1. Accuracy in investment selection
		2. Belief in one's abilities
		3. Knowledge possessed
		4. Confidence in investment selection
Herding	(Theressa & Armansyah, 2022)	1. Following the decision choices of other investors
		2. Participate in buying/selling other investors' share instruments
		3. Fast reaction to market changes
Risk Perception	(Nur Aini & Lutfi, 2019)	1. Investment without consideration and collateral
		2. Use of income in risky investments
Risk Tolerance	(Az-zahara et al., 2024)	1. Ambition for investing in high, moderate, or low-risk assets.
		2. Investment from that is preferred.
		3. Investment asset portfolio percentage.

Source: Several Articles (Obtained by Researcher, 2024)

RESEARCH RESULTS

Test of Descriptive statistics

To offer a comprehensive understanding of the data characteristics, such as the mean, median, standard deviation, and frequency distribution of the research variables, statistical tests were implemented.

Table 2. Results of Statistical Descriptive Test

	N	Minimum	Maximum	Mean	Standard Deviation
Financial Literacy	125	3	5	4,44	0,403
Overconfidence	125	3	5	4,31	0,521
Herding	125	2	5	4,25	0,674
Risk Perception	125	2	5	3,88	0,814
Risk Tolerance	125	3	5	4,09	0,620
Investment Decision	125	3	5	4,41	0,425
Valid N (listwise)	125				

Source: SPSS 26 Data Processing (2024)

According to the findings in Table 2, the mean value of financial literacy among respondents is 4.44, suggesting that the majority of respondents possess a high level of financial literacy. The respondents' financial literacy is quite consistent, as evidenced by the relatively low standard deviation (0.403). The mean overconfidence result is 4.31, suggesting that the majority of respondents have a high level of confidence in their ability to make investment decisions. Respondents' confidence levels exhibit minimal variation, as evidenced by the standard deviation of 0.521. Herding behaviour is fairly prevalent among respondents, as evidenced by a mean of 4.25 and a standard deviation of 0.674, which suggests that there is a higher degree of variation than in other variables. The respondents' risk perceptions were diverse, with a mean of 3.88. Significant variation in risk perception among respondents is indicated by the standard deviation of 0.814. Most respondents exhibit a high level of risk tolerance, with an average of 4.09 and a standard deviation of 0.620. Respondents' investment decisions are generally favourable, with an average score of 4.41. The relative uniformity of respondents' investment decisions is indicated by the standard deviation of 0.425.

Test of Validity

A questionnaire's validity is evaluated using the validity test. If the statement makes clear the goal of the questionnaire, then the questionnaire is deemed valid. If the degree of freedom ($df = n - 2$), where n is the number of samples, the estimated r value is compared to the r table to determine the significance. A valid questionnaire is one where the r count is more than or equal to the r table; an invalid questionnaire is one where the r count is less than or equal to the r table. The following table displays the results of the validity test.

Table 3. Results of the Validity Test

Variables	Indicator	R count	R table	Description
Financial Literacy (X1)	X1.1	.642	.176	Valid
	X1.2	.689	.176	Valid
	X1.3	.667	.176	Valid
	X1.4	.634	.176	Valid
	X1.5	.568	.176	Valid
	X1.6	.496	.176	Valid
	X1.7	.667	.176	Valid
	X1.8	.658	.176	Valid
	X1.9	.632	.176	Valid
Overconfidence (X2)	X2.1	.693	.176	Valid
	X2.2	.849	.176	Valid
	X2.3	.836	.176	Valid
	X2.4	.790	.176	Valid
Herding (X3)	X3.1	.865	.176	Valid
	X3.2	.888	.176	Valid
	X3.3	.857	.176	Valid
	X3.4	.799	.176	Valid
Risk Perception (X4)	X4.1	.873	.176	Valid
	X4.2	.858	.176	Valid
	X4.3	.692	.176	Valid
	X4.4	.631	.176	Valid
	X4.5	.688	.176	Valid
Risk Tolerance (X5)	X5.1	.683	.176	Valid
	X5.2	.672	.176	Valid
	X5.3	.563	.176	Valid
	X5.4	.707	.176	Valid
	X5.5	.739	.176	Valid
	X5.6	.785	.176	Valid
Investment Decision (Y)	Y1	.663	.176	Valid
	Y2	.742	.176	Valid
	Y3	.734	.176	Valid
	Y4	.661	.176	Valid
	Y5	.701	.176	Valid
	Y6	.757	.176	Valid

Source: Research Data, Processed 2024

All of the statement items that were included in the questionnaire as a reflection of the variables can be deemed valid since, according to the validity test findings shown in Table 3, each item has a correlation coefficient higher than r table 0.176.

Test of Reliability

The reliability test findings are deemed reliable if Cronbach's alpha exceeds 0.60 (Siregar, 2013). The results of the reliability test are presented in the subsequent table.

Table 4. Results of the Reliability Test

Variables	Cronbach's Alpha's	Description
Financial Literacy (X1)	.806	Reliable
Overconfidence (X2)	.805	Reliable
Herding (X3)	.874	Reliable
Risk Perception (X4)	.804	Reliable
Risk Tolerance (X5)	.780	Reliable
Investment Decision (Y)	.798	Reliable

Source: Research Data, Processed 2024

The results listed in Table 4 state that all research variables have a Cronbach's alpha value greater than 0.60, so it can be concluded that the variable instruments are suitable as research instruments.

Normality Test

Kolmogorov-Smirnov was implemented to evaluate data normality. The normality test ascertains whether the residual variables, confounding variables, or regression model exhibit a normal distribution. The t count's significance level exceeds 0.05 when the data is uniformly distributed. The results of the normality test are presented in the subsequent table. The results of the normality test are presented in Table 5.

Table 5: Results of the Normality Test

	Unstandardized Residual	Description
Asym. Sig. (2-tailed)	.200	Normal

Research Data, 2024, Processed

There were 125 samples (N) used in the test, as shown in Table 5 results. The asymptotic sig value comes next. The 2-tailed test yields a value of 0.200, indicating a normal distribution of the data in this investigation.

Test of Multicollinearity

According to Ghozali (2018), the multicollinearity test is used to ascertain whether there is a link between the independent variables in a regression variable. When there is no correlation or no signs of multicollinearity among the independent variables, the regression model is considered excellent. Each independent variable's VIF (Variance Inflation Factor) value can be used to determine if multicollinearity is present or absent. When the cut-off value is equal to $VIF \geq 10$ or displays a tolerance value ≤ 0.10 , multicollinearity can be identified. Multicollinearity is absent if the tolerance value is greater than 0.10 or the VIF value is less than 10. The following table displays the results of the multicollinearity test.

Table 6. Results of the Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Financial Literacy	0,518	1,931
Overconfidence	0,357	2,798
Herding	0,399	2,506
Risk Perception	0,550	1,820
Risk Tolerance	0,541	1,850

Source: Research Data, Processed 2024

In the multicollinearity test in Table 6, the tolerance value on the collinearity statistics of each variable is greater than 0.10 and the Variance Inflation Factor (VIP) of each variable shows a number less than 10.00, so based on the requirements for the multicollinearity test decision, it may be said that the regression model does not exhibit any signs of multicollinearity.

Test of Heteroscedasticity

The Glejser technique is used for this test and a significance threshold greater than 5% is used. The test results are shown in the table below.

Table 7. Results of the Heteroscedasticity

Model	Significance
Financial Literacy	0,974
Overconfidence	0,194
Herding	0,590
Risk Perception	0,310
Risk Tolerance	0,103

Source: Research Data, Processed 2024

Every variable in Table 7 has a significance value higher than 0.05. Therefore, the study results do not exhibit any signs of heteroscedasticity.

Test of Model Feasibility (F-test)

The F test is a hypothesis test to assess whether the regression model can be used as a useful analytical tool. This model test can be used for research if the significant value is less than 0.05; if it is greater than 0.05, it cannot. The following table displays the F-test findings.

Table 8. Results of the Model Feasibility Test

Modal	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	12,146	5	2,429	28,156	,000 ^b
Residuals	10,267	119	,086		
Total	22,414	124			

Source: Research Data, Processed 2024

Based on the results of the F test in Table 8. This study found that Fcount was 28.156 with a significance value of 0.000 <0.05. While the F table at the 95% confidence level, df (N1) = K - 1 = 5 and df (N2) = N - K = 125 - 6 = 119 obtained the value of F table = 2.29. Thus Fcount > Ftable (28.156 > 2.29), so it is concluded that this independent variable influences the dependent variable.

R Square Determination Coefficient Test

Table 9: Coefficient of Determination Test Table
 Model Summary
 R Square 0,542
 Source: Research Data, Processed 2024

It is known that the R Square value in Table 9 is 0.542. This shows that independent variables including financial literacy, overconfidence, herding, risk perception, and risk tolerance can influence investment decisions by 54.2%. There are additional factors that affect the remaining 45.8 but are not covered in this study.

Analysis of Multiple Regression

The following equation model can be created using the study data and the outcomes of the multiple regression analysis that was performed:

$$Y = 1,267 + 0,280 X + 0,206 X2 + 0,105 X3 - 0,095 X4 + 0,228 X5 + \epsilon \dots\dots\dots(2)$$

Partial Test (T-test)

Partial hypothesis testing is done using the t-test. The t-test aims to determine how influential financial literacy (X1), overconfidence (X2), herding (X3), risk perception (X4), and risk tolerance (X5) are individually in explaining variations in investment decisions (Y). The t-test results are presented in the following table.

Table 10. Partial Test Results

Model		Unstandardized Coefficients		Sig.
		B	T count	
1	(Constant)	1,267	4,223	,000
	Financial Literacy	,280	3,074	,003
	Overconfidence	,206	2,437	,016
	Herding	,105	1,697	,092
	Risk Perception	-,095	-2,181	,031
	Risk Tolerance	,228	3,944	,000

Source: Research Data, Processed 2024

The results of the t-table calculation with df (n-k, 125 - 6 = 119) at a significance level of 5% (α = 0.05) then obtained a t-table of 1.657. Based on the t-test results in Table 10, the results show that financial literacy has a significant positive effect on the dependent variable (p < 0.05), this indicates that **H1 is accepted**. Overconfidence has a significant positive effect on the dependent variable (p < 0.05) this indicates that **H2 is accepted**. Herding behaviour has no

statistically significant effect at a significance level of 0.05 ($p > 0.05$), this indicates **H3 is rejected**. Risk perception has a significant negative effect on the dependent variable ($p < 0.05$), this indicates that **H4 is rejected**. Risk tolerance has a positive effect on the dependent variable ($p < 0.05$) this indicates that **H5 is accepted**.

DISCUSSION

The Influence of Financial Literacy on Investment Decisions

The test's findings demonstrate the beneficial influence of financial literacy on investing choices. It demonstrates that an individual's decision to invest increases with their level of financial knowledge. Standard Financial Theory states that individuals with high financial literacy typically possess a solid grasp of investments, risks, and possible returns, which enables them to make more intelligent and well-informed investment decisions. As a point of reference, Purwokerto's millennials and Generation Z might be familiar with the fundamentals of loan and savings management, as well as wise insurance and investment management. This suggests that financially literate people typically make wiser investing choices. This finding is consistent with studies by Hanifah et al. (2022), and Ramadhani et al. (2022) that show financial literacy influences favourably investing decisions.

The Effect of Overconfidence on Investment Decisions

This study demonstrates that investing decisions are positively impacted by overconfidence. When investors feel confident in their ability to make profitable investments in the future, they will be more daring in their decision-making and may even choose to overlook potential dangers. The respondents' responses indicate that they have a great deal of confidence in their skills and knowledge, in their ability to choose investments accurately, and in their ability to choose the right kinds of investments. This finding supports the behavioural finance theory, which states that overconfidence is an investor's opinion of oneself; in this case, the investor believes he or she possesses above-average skills. This demonstrates how making financial decisions with a high degree of overconfidence can increase investment returns. These findings support the notion that overconfidence influences investment decisions favourably, as suggested by studies by Sutikno & Ramadhani (2021) and Aristiwati & Hidayatullah (2021).

The Effect of Herding on Investment Decisions

According to the study's findings, investing decisions are unaffected by herding. This is due to Purwokerto's high literacy rate among millennials and Generation Z, which prevents investors from acting in a herdlike fashion when choosing investments. Herding behaviour, as defined by behavioural finance theory, is the tendency for people to follow the decisions or actions of others, particularly in uncertain circumstances. In the context of investments, this might take the shape of investors imitating the choices made by others or blindly adhering to market trends.

The findings demonstrate that herding has no discernible impact on investment choices because, according to the statement items, the average respondent says they make their own investment decisions independently of other investors' choices regarding the kind of investment they make or whether to buy or sell instruments. Moreover, investors take time to respond to shifts in the market. Although there is a tendency to be influenced by other people's activities, the influence is not strong enough to significantly affect investment decisions in this study, as indicated by the positive coefficient that was obtained, which does not approach the standard level of significance. Studies by Aeni et al. (2024) and Ayudiastuti (2021) demonstrate that herding does not affect investment choices.

The Effect of Risk Perception on Investment Decisions

According to this study, evaluating risk hurts making decisions. This indicates that an individual will typically avoid investing in high-risk assets and instead choose to place their money in low-risk assets like savings accounts and deposits if they believe that an investment asset is hazardous or has a high risk. The theory of behavioural finance examines how individuals and groups make financial decisions.

The results of this study indicate that risk perception negatively impacts investment decisions. This is because millennials and Generation Z are already cautious about taking investment risks (risk averse). As the risk increases, investors are more likely to avoid selecting these investment products. The average respondent in response to the statement item of using income in high-risk investments in real assets and financial assets, when experiencing losses, ceases investing because they believe the capital spent is a waste. This is consistent with the findings of Nur Aini & Luthfi (2019) Hanifah et al. (2022) and Kuasa & Tjahjono (2023), which establish that investment decision-making is adversely affected by risk perception.

The Effect of Risk Tolerance on Investment Decisions

The findings indicate that investment decisions are positively influenced by risk tolerance. If an investor has a higher risk tolerance, the decision will be made to invest in a high-risk investment with the expectation of a high return. In contrast, investors will exercise greater caution when selecting an investment to mitigate risk, even though they will receive a lower return if they have a low-risk tolerance. It is explained that an individual with a high tolerance for risk will allocate a greater portion of their assets to high-risk investments. The findings indicated that risk tolerance has a beneficial impact on investment decisions. This is because the average respondent in the statement item selects the type of investment with a high level of risk due to the high return. Investors in Purwokerto, on average, prefer to invest in both real and financial assets, and the amount of investment in each is equivalent. This research is consistent with the findings of Ningrum et al. (2023) and Utsman (2021), which assert that risk tolerance has a beneficial impact on investment decisions.

CONCLUSIONS AND RECOMMENDATIONS

The results showed that financial literacy, overconfidence, and risk tolerance have a positive effect on investment decisions. This is because millennials and Generation Z have good financial knowledge, high confidence in making decisions, and see risks when deciding to invest. Risk perception hurts investment decisions because millennials and Generation Z are already careful in making investment decisions. Herding does not affect investment decisions because millennials and Generation Z already know enough about the investment product information to be taken and tend not to follow the majority decision in making decisions. The theory of standard finance is in line with this research, where respondents rationally make decisions. Behavioural finance theory uses the psychological side, namely overconfidence, herding, risk tolerance, and risk perception in making investment decisions.

ADVANCED RESEARCH

Future researchers are encouraged to investigate additional variables that are not included in this study, increase the number of samples examined, and broaden the scope of the respondent selection area.

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