



EMPIRICAL STUDY: HOW FINANCIAL BEHAVIOR AND FOMO TO INFLUENCE GEN Z'S INVESTMENT DECISIONS WITH RISK TOLERANCE AS MODERATING VARIABLE

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ABSTRACT

This study aims to examine how financial behavior and Fear of Missing Out (FOMO) influence Generation Z's investment decisions, with risk tolerance as a moderating variable. The research addresses the increasing participation of Gen Z in investment, often driven by emotional and social trends despite gaps in financial literacy. Using a quantitative method, data were collected through purposive and convenience sampling from 200 Gen Z individuals (aged 18–27) in Jakarta earning at least IDR 5,000,000 monthly. Structural Equation Modeling (SEM) with Partial Least Squares (PLS) was employed for analysis. The results indicate that financial literacy, financial inclusion, financial well-being, and FOMO significantly influence risk tolerance. Furthermore, financial literacy, inclusion, and well-being directly and indirectly affect investment decisions through risk tolerance. FOMO, while not directly significant, shows an indirect impact via increased risk tolerance. The findings conclude that risk tolerance plays a critical mediating role in shaping Gen Z's investment decisions. These insights imply the need for targeted financial education programs that not only enhance financial knowledge but also address behavioral biases and emotional drivers, thereby enabling more rational and informed investment decisions among young investors.

INTRODUCTION

Advances in financial technology provide significant results in terms of ease of shopping through applications, triggering consumptive behaviours that are often incompatible with individual economic capabilities. However, this phenomenon is exacerbated by the financial literacy that has not been maximized in Generation Z, which affects their investment decisions (Mazruk et al., 2023)

Investment is a significant decision in personal financial management. Investment is considered an important step that mediates the relationship between financial literacy and personal financial management (Oppong et al., 2023). Investment decisions refer to the choices individuals make about how to allocate their financial resources, whether to increase wealth or achieve financial goals in the future (Oppong et al., 2023). Generation Z's strong reliance on technology in everyday life extends to their investment behavior, as advanced digital tools and platforms enable them to easily access and process capital market information anytime and anywhere (C. M. Hidayat & Muntahanah, 2024). Despite the rising investment trend among Gen Z through convenient mobile apps like Bibit, Ajaib, and Poems, many beginner investors still lack a full understanding of capital market risks and investment mechanisms (C. M. Hidayat & Muntahanah, 2024).

Generation Z in Indonesia shows growing interest in capital market investments, driven by their strong engagement with digital platforms and social media to access investment information. However, the OJK survey

highlights a gap between financial literacy (57.66%) and financial inclusion (92.21%), where FOMO and financial influencers on social media significantly impact Gen Z's investment decisions despite limited understanding of the products (Suci Martaningrat & Kurniawan, 2024)

In today's digital age, the *influence* Finance plays an important role in influencing rationality in investment decision-making (Krissanya et al., 2024). The information they share regarding investment strategies, financial management tips, or analysis of market conditions can build emotional connection and trust with their followers (Suci Martaningrat & Kurniawan, 2024). This makes followers feel more confident to follow the advice without conducting an in-depth evaluation (Kuldilok & Satitsmitpong, 2023). Research by Raut (2020) shows that *influence* finance has a significant impact on millennials and Gen Z in the decision-making process. This study emphasizes that *influence* Finance can have a positive impact on choosing investment products (Suci Martaningrat & Kurniawan, 2024).

Indonesia is currently in an era of "demographic bonus," where about 85% of the total population, or about 182 million people, are of productive age (15-64 years old) (Central Statistics Agency, 2024). Currently, the financial literacy index of the Indonesian people reaches 65.43% and financial inclusion reaches 75.02% (Financial Services Authority, 2024). However, it turns out that even though it is in a fairly high index, currently Indonesia is still in 100th place (Financial Services Authority, 2024). This position is still inferior to other Southeast Asian countries, the Philippines in 88th position with 96.62%, Brunei in 86th position with 96.66%, and Singapore in 84th position with 96.77%. According to the UIS 2021 report, several factors affect the level of literacy, including access to education, quality of education, socio-economic conditions, and cultural attitudes towards education (Zulfikar, 2024).

Table 1. Financial Literacy and Financial Inclusion Data for Gen Z Period 2019 - 2024

Year	Financial Literacy	Financial Inclusion
2019	38,03%	76,19%
2022	49,68%	85,10%
2024	70,19%	79,21%

Source : Financial Services Authority

For the Gen Z category, especially in the DKI Jakarta environment, it reached 2.3 million people (Saubani, 2024). In this research, Generation Z is expected to contribute to economic growth through investment, although they also face challenges in financial literacy (Budianto & Dewi, 2023; Viana et al., 2022). Generation Z, which is made up of individuals born between 1997 and 2012, has been the subject of attention in the world of investment (LPS, 2023). Investing is one of the effective ways to build long-term wealth. However, data shows that Generation Z (born between 1997-2012) tends to have a lower level of investment than previous generations, such as millennials and Gen X. This is evidenced by data from LPS (2023) and Financial Services Authority (2024).

The results of the survey show that in terms of financial inclusion in Indonesia is shown in the following table:



Figure 1. Financial Inclusion in Indonesia 2013 – 2024

Source : Source : Financial Services Authority

The OECD (2016) defines financial literacy as a combination of knowledge, skills, attitudes, and behaviors to make effective financial decisions (Ramantshane, 2024). OJK Indonesia emphasizes the importance of financial literacy in decision-making. Financial inclusion and financial literacy are interrelated, but the OJK survey shows that there is a gap, where high levels of inclusion are not always followed by adequate literacy (Li et al., 2020).

Good financial literacy improves an individual's ability to assess risk and manage investments more rationally (Rumasukun, 2024). With adequate understanding, they not only focus on profits but also consider potential losses, so that investment decisions become wiser and more measurable (Treu, 2023). Research conducted by Regif et al., (2023) also shows that financial literacy can reduce the influence of FOMO on decision-making, showing that those with better financial understanding tend to be wiser in dealing with the influence of FOMO when investing (Suci Martaningrat & Kurniawan, 2024)

Financial well-being (FWB) and how this can be measured effectively (Coats & Bajtelsmit, 2024). *Financial well-being* It is considered an important predictor of employee performance and health (Zaimovic et al., 2021).

However, in the scientific community, this concept has not received enough attention, and there are many inconsistencies in defining and measuring FWB (Aubrey et al., 2022). This study uses a scale *Multidimensional Subjective Financial Well-Being Scale* (MSFWBS) to assess the multidimensional nature of FWB and explore its psychometric properties (Kadoya & Rahim Khan, 2020). The results of this study aim to improve the understanding of FWB and provide a better basis for the development of theory and empirical research in the future (Aubrey et al., 2022)

Train *Fear of Missing Out* (FOMO) further encourages Generation Z to get involved in investing without having enough knowledge, so investment decisions are often taken without careful consideration (Mazruk et al., 2023). The importance of financial literacy to support better management of financial resources and awareness that investment must start early to support future prosperity (Mazruk et al., 2023).

FOMO (*Fear of Missing Out*) greatly influences Gen Z's investment decisions (Suci Martaningrat & Kurniawan, 2024). Fear of missing out on investment opportunities, especially with exposure to investment content on social media, encourages many Gen Z individuals to invest impulsively (Fadhiil & Fariska, 2020; C. M. Hidayat & Muntahanah, 2024). With technological developments and easy access to information, this generation is exposed to a variety of investment opportunities, including *Cryptocurrencies* (Jowey et al., 2024). However, diverse financial behaviors and social phenomena such as FOMO can influence their investment decisions. This study aims to analyze the relationship between financial behavior and FOMO on the investment decisions of Generation Z in *Cryptocurrencies* (Jowey et al., 2024).

FOMO is a common psychological phenomenon among Gen Z that influences their investment decisions (Olajide et al., 2024). Research shows that FOMO encourages them to invest based on social media trends and the actions of friends, often without assessing the risks or benefits in depth (Suci Martaningrat & Kurniawan, 2024). This behavior can lead to impulsive decisions, where the fear of missing out on a profitable opportunity trumps rational financial planning (Fadhiil & Fariska, 2020). Generation Z in investment activities, is mainly influenced by behavioral factors such as FOMO (*Fear of Missing Out*) and social media (Young, 2023). This phenomenon is triggered by the development of information technology and increasing awareness to prepare for the financial future (Kuldilok & Satitsmitpong, 2023). This research focuses on biased behaviors that affect investment decision-making in Generation Z (Fadhiil & Fariska, 2020)

One of the factors that can cause a high level of decision-making is the *Fear of Missing Out* (FOMO) phenomenon, which is the desire not to be left behind by trends or investment opportunities (Schwarz, 2023). FOMO often encourages individuals to make less rational decisions (Mazruk et al., 2023). Research conducted by Pachlevi (2023) revealed that the FOMO *Economy* is the main foundation for today's young generation to make investments, showing a significant relationship between the FOMO *Economy* and the decision-making process (Jowey et al., 2024).

In 2021 Gen Z still has a small assessment compared to several other age levels. In this case, only 28.8% of Gen Z stated that investment is important (KI Center, 2021). Gen Z is still lagging behind millennials in investing, due to concerns about risk. Investors with a high risk tolerance tend to choose risky portfolios for greater potential returns (Widiastuti et al., 2024). Previous positive investment experience can also improve risk tolerance (Awais et al., 2016). Based on a survey conducted by the Katadata Insight Center in 2021, gold is the main investment choice for 46.5% of Gen Z in Indonesia (Kong & Lin, 2021). The main reason they choose gold is because it is considered safe, has low risk, and tends to stabilize in value over time (Envato, 2024). In addition, gold investment is now more digitally accessible, allowing Gen Z to start investing with small capital, even from 0.01 grams of gold (Moudud-UI-Huq et al., 2020). Access through digital applications makes it easier for them to monitor and manage assets at any time, as well as ensure storage security because of its digital form (Katadata Insight Center, 2021). In addition to gold, other instruments such as stocks and mutual funds are also increasingly in demand by Gen Z due to factors *High returns* which is considered attractive, even though it has a higher risk (June 2024). According to a survey *Investopedia Luxury Millennial Investments*, 21% of millennials globally still prefer to allocate their funds to savings rather than investing (Gobell, 2019). This is due to the sense of security that millennials feel when saving funds in the form of savings (Bhutto et al., 2020). Meanwhile, the proportion of millennials who invest in high-risk and low-risk investment instruments reaches 15% each (Asta Patma Nugraha et al., 2023). This data shows that millennials still carefully consider the risk tolerance that needs to be taken when investing, so they tend to choose safer options first before exploring riskier investments (Gobell, 2019).

Existing studies have examined financial literacy, FOMO, and investment behavior among Generation Z, but few have analyzed how financial behavior and FOMO simultaneously influence investment decisions. Moreover, the moderating role of risk tolerance remains underexplored, even though it is crucial in determining whether Gen Z makes rational or impulsive investment choices. In addition, prior research has not fully addressed the gap between high financial inclusion and still-limited financial literacy, nor how this mismatch affects Gen Z's investment behavior in digital platforms dominated by financial influencers. Therefore, a comprehensive model integrating financial behavior, FOMO, and risk tolerance is still lacking in the current literature.

Recent studies have emphasized that financial literacy significantly influences investment decision-making, particularly when combined with behavioral factors such as overconfidence and risk perception (Darwish, 2025;

Maheshwari et al., 2025). Furthermore, empirical evidence suggests that financial literacy alone may not directly lead to investment participation without the presence of psychological readiness such as risk tolerance (Jiang & Shimizu, 2026). These findings highlight the importance of integrating behavioral and cognitive perspectives into investment decision models.

Based on some of the surveys and backgrounds above, the researcher aims to conduct research on the scope of *How Financial Behavior and FOMO to Influence Gen Z's Investment Decisions with Risk Tolerance as Moderating Variable* with Gen Z as a research sample.

LITERATURE REVIEW

Theoretical and Conceptual Background

Planned Behavior Theory

The grand theory used is the Planned Behavior Theory. This theory is used to explain how risk perception affects the investment interest of Generation Z in the capital market (Saputra, 2024). According to this theory, a person's behavior is determined by the intention and perception of control they have, which in the context of this study is applied to investment decisions in the capital market, specifically related to the risks faced by investors (C. M. Hidayat & Muntahanah, 2024).

Planned Behavior Theory states that an individual's behavior can be predicted from their intentions, which are influenced by three main factors: attitudes toward behavior, subjective norms, and perception of behavioral control (Oppong et al., 2023). In the context of investment, the perception of risk that investors receive is very important to influence their intentions in making investment decisions (Sobaih & Elshaer, 2023). This means that before someone decides to invest, they carefully consider the risks they may face. The higher the risk that can be accepted, the higher their interest in investing (C. M. Hidayat & Muntahanah, 2024).

In the study, it was also stated that related *Behavioral finance* in his analysis. This theory is used to explore how psychological factors influence investment decisions, especially in Millennials and Generation Z (Sachdeva & Lehal, 2023). This article highlights how *influence* finance, social influence, and economic FOMO (Fear of Missing Out) can affect investment behavior, with moderation of financial literacy and financial behavior (Suci Martaningrat & Kurniawan, 2024)

Financial Behavior

Financial behavior includes attitudes and habits in managing money and investments, influenced by investment knowledge, attitudes towards risk, and personal financial management (Lindner et al., 2021). Behavioral finance combines psychology and economics to understand how emotions and cognitive biases influence financial decisions (Mazruk et al., 2023). In the context of this study, consumptive behavior and FOMO (Fear of Missing Out) are examples of concepts *Behavioral finance* which influences investment decision-making. People tend to make irrational financial decisions due to social pressures, trends, or emotions (Sachdeva & Lehal, 2023).

Behavioral finance studies how psychological factors influence financial decisions, combining rational and irrational aspects of decision-making (Ali et al., 2024). This concept includes the tendency of investors to follow trends without rational consideration or sufficient understanding, which is often seen in millennials (Fadhiil & Fariska, 2020). *Behavioral finance* is the study of how psychological factors affect investors' financial decisions. It emphasizes that investment decisions are not always rational, but are often influenced by psychological biases such as risk perception, return expectations, and financial literacy (C. M. Hidayat & Muntahanah, 2024). Measurements in behavioral finance include risk perception (investors' openness to risk), return expectations (expectations regarding investment returns), and financial literacy (understanding of financial management), which affect investment decisions (Weixiang et al., 2022).

Behavioral aspects that influence investment decisions include behavioral biases such as overconfidence, herding behavior, and factors such as anger and anxiety (Fadhiil & Fariska, 2020) Behavioral finance theory emphasizes that investment decisions are influenced by psychological factors such as fear, greed, and cognitive bias (Khin & Ho, 2019). Generation Z and Millennials tend to be affected by market uncertainty and can be classified as "risk takers" or "risk averse" (Rodrigues & B.V, 2024). Although financial literacy is important, research shows that increasing financial literacy does not significantly affect investment interest in Generation Z in Greater Jakarta (Viana et al., 2022).

Recent empirical studies confirm that behavioral finance remains highly relevant in explaining investment decisions, particularly among younger investors (Ghozi et al., 2025). Financial literacy, when combined with psychological factors such as overconfidence and risk perception, plays a critical role in shaping investment behavior (Maheshwari et al., 2025).

Investment decisions

Investment according to Hidayat (2019) in Mazruk (2023) refers to current expenditures or investments in

the hope of making a profit in the future. Investing usually involves risk, and it is important for individuals, especially millennials, to understand these risks and start investing early for a better future (Mazruk et al., 2023). In his research, Mazruk (2023) also revealed that the investment decision, regarding the placement of a number of funds now with the hope of obtaining profits in the future. Investing always involves risk, and people of Z are expected to start investing early. Investment decisions can include different types of assets, including property and money saved (Alainati et al., 2023). An understanding of the risks and potential benefits is crucial in this decision-making (Mazruk et al., 2023)

An investment decision is an activity carried out by a person to manage finances today in the hope of getting profits or returns in the future (Kasprowicz et al., 2023). In making investment decisions, individuals consider various factors such as risks, benefits, as well as information they obtain through technology and financial literacy (C. M. Hidayat & Muntahanah, 2024) An investment decision is the act of choosing to allocate capital in financial instruments such as stocks, mutual funds, bonds, or foreign exchange with the aim of earning returns (Fadhiil & Fariska, 2020).

An investment decision can be defined as a choice made by an individual or institution regarding the allocation of funds to purchase a particular asset or investment in the hope of generating profits in the future.(Riitsalu et al., 2024). Investment decision indicators are Readiness to take risks, Understanding of investment opportunities, Awareness of investment risks and returns (Widiastuti et al., 2024). This is not much different from the research of (C. M. Hidayat & Muntahanah, 2024) that investment decision indicators include willingness to take risks in investments, knowledge and consideration of risks and returns, use of digital technologies or platforms to invest, consideration of long-term returns and dividends (Azmi et al., 2022). Key factors in investment decision-making include risk, expected returns, and the relationship between risk levels and returns (Fadhiil & Fariska, 2020). Level of understanding of the risks and returns of various investment options, Preferences for different types of investments (stocks, bonds, property, etc.), Level of tolerance for risk, Ability to plan and assess investment returns in the long term (Riitsalu et al., 2024).

It has a significant influence on the investment decisions of the Millennial and Gen Z generations (Asta Patma Nugraha et al., 2023). This influence tends to be strong when information is conveyed through digital platforms such as social media (Suci Martaningrat & Kurniawan, 2024). It also has a significant influence on investment decisions. Young investors are often driven by the fear of missing out on investment opportunities, thus making quick and poorly informed investment decisions (Suci Martaningrat & Kurniawan, 2024)

Financial Literacy

Financial literacy, according to Lusardi and Mitchell (2014) quoted in the article, is a person's cognitive abilities and financial education that affect their behavior and financial activities to improve well-being. Financial literacy includes an understanding of financial products, such as savings, investments, insurance, and other financial instruments, which are important in financial decision-making (Mazruk et al., 2023).

Financial literacy is a person's ability to understand financial information and his skills in implementing that knowledge to make decisions related to his financial resources (Mazruk et al., 2023). Financial literacy improves the well-being and financial behavior of individuals (C. M. Hidayat & Muntahanah, 2024). Financial literacy is an individual's understanding and skills in managing financial information and its application in financial decision-making (Fadhiil & Fariska, 2020)

Financial literacy is defined as a person's ability to understand and use financial knowledge in everyday life to make effective financial decisions (Zaimovic et al., 2023). Financial literacy covers a wide range of aspects, from a basic understanding of financial concepts, to the ability to plan personal finances and manage financial risk (Viana et al., 2022). An understanding of the basic economic and financial concepts necessary for the proper management of financial resources to achieve financial well-being (Lone & Bhat, 2024). Financial awareness, financial experience, and financial skills (Lone & Bhat, 2024). Financial literacy refers to an individual's ability to understand and use various financial concepts to make the right financial decisions.(Riitsalu et al., 2024)

Indicators in the study Mazruk (2023) among others, an understanding of savings, an understanding of investment, an understanding of debt, and an understanding of insurance and other financial products. Meanwhile, according to understanding of financial management, knowledge of investment and risk and ability to manage budgets and savings (C. M. Hidayat & Muntahanah, 2024). Financial literacy includes the ability to understand investment risks, manage finances wisely, and make decisions based on proper financial analysis (Fadhiil & Fariska, 2020). Indicators in the study Riitsalu (2024) that financial literacy is basic knowledge of financial concepts such as interest, inflation, and risk diversification. Understanding of financial products such as loans, credit cards, and investments. Skills for long-term financial planning such as retirement preparation and investment.(Riitsalu et al., 2024)

Financial Inclusion

Financial inclusion ensures public access to quality financial services like savings, credit, and insurance to enhance economic welfare (Ofodile et al., 2024). It is closely linked to financial literacy, as better understanding

enables effective use of these services (Mazruk et al., 2023). Financial inclusion refers to an individual's access to formal and legal financial services, including access to investment products (Fadhiil & Fariska, 2020).

Financial inclusion refers to the access and use of financial products and services by all segments of society (Desy Wulan Ayuning Gumilar et al., 2024). Its indicators include the percentage of the population that owns a bank account or utilizes formal financial services, ease of access to credit, use of digital financial services, and the availability of suitable financial products for various groups, including low-income individuals and those living in remote areas (Riitsalu et al., 2024). Financial inclusion is characterized by the ease of opening an investment account, the use of digital platforms to invest, and access to various financial instruments (Fadhiil & Fariska, 2020)

Financial Well-Being

Financial well-being refers to a stable financial condition where individuals can meet their current and future needs without excessive stress (Zaimovic et al., 2023). It is influenced by financial literacy, which helps individuals make informed decisions, manage risks, and achieve financial security (Sonkavde et al., 2023). A good level of financial well-being allows for better quality of life, reduced financial anxiety, and the ability to handle unexpected expenses effectively (Aubrey et al., 2022)

We define FWB as a positive psychological state characterized by a sense of satisfaction about one's personal financial situation and with a positive perception of one's financial situation that is able to actively meet one's current future needs and aspirations (Kadoya & Rahim Khan, 2020). This operational definition is aligned with (Aubrey et al., 2022)

Financial well-being indicators include income adequacy, financial freedom, future security, and financial comparison with others, all of which influence financial satisfaction, stability, and the ability to manage expenses effectively (Aubrey et al., 2022). Control in financial management reflects the ability to plan and manage finances independently (Olajide et al., 2024). Cognitive evaluation assesses financial satisfaction, while emotional evaluation captures stress or calmness regarding one's financial situation (Aubrey et al., 2022). Financial preparedness for emergency, current money management stress, and perceived financial security (Lone & Bhat, 2024).

Fear of Missing Out (FOMO)

FOMO is the anxiety of missing out on trends, influencing impulsive financial decisions (Jowey et al., 2024). Among Generation Z, it drives investments based on social media and peer influence, often without proper risk analysis (Kuldilok & Satitsmitpong, 2023). This fear can overshadow rational planning, leading to uninformed investment choices driven by emotions rather than careful consideration (Mazruk et al., 2023). FOMO is the fear of missing trends, leading Generation Z investors to make decisions based on social pressure rather than analysis, often investing impulsively to follow the majority without proper evaluation (Fadhiil & Fariska, 2020)

FOMO (Fear of Missing Out) is the anxiety of missing experiences or opportunities, amplified by social media showcasing others' achievements (Mazruk et al., 2023). This desire for inclusion influences decision-making, including financial choices, leading individuals to participate in activities or investments they might not otherwise consider (Suci Martaningrat & Kurniawan, 2024)

Indicators of FOMO include a tendency to follow trends without adequate knowledge or readiness, feelings of anxiety if not involved in certain activities or investments, and hasty decision-making due to social pressures or trends (Mazruk et al., 2023) Hidayat & Muntahanah (2024) found that Gen Z's investment decisions are influenced by social pressure and online trends, with easy access to information and platforms fueling FOMO, leading to impulsive investments without thorough evaluation (Hidayat, R., 2019).

Herding Behavior: Investors follow others without assessing risks. Social Pressure: Gen Z relies on social media trends for investment choices (Wardina, 2024). Rush Decisions: FOMO drives quick investments without considering long-term risks (Fadhiil & Fariska, 2020)

FOMO is a person's fear of missing out on an opportunity, which motivates them to engage in an activity or trend (Schwarz, 2023). In the context of investment, FOMO can make investors rush to make decisions for fear of missing out on profit opportunities (C. M. Hidayat & Muntahanah, 2024). Meanwhile, in the research Suci Martaningrat & Kurniawan (2024) Fear: Worry describes the discomfort of not being part of an opportunity or missing out on social interactions, while anxiety refers to the distress felt when connected or disconnected from an experience, event, or conversation (Mazruk et al., 2023). Both emotions stem from the fear of exclusion or feeling threatened by being left out of important moments or connections with others (Suci Martaningrat & Kurniawan, 2024)

Risk Tolerance

Risk tolerance is a very strong predictor in the investment decision-making process (Bailey & Kinerson, 2005). Astuti (2015) reveals that Risk tolerance is a person's comfort level with the risks associated with investing. In other words, it is the extent to which an investor is willing to accept potential risks when making an investment. This tolerance reflects the investor's ability and willingness to deal with possible losses in the chosen investment

instrument (Ummah, 2024). An investor's risk tolerance is closely related to consistent personality characteristics, where individuals tend to choose similar levels of risk in various circumstances (Anandita et al., 2024). While financial risk tolerance assessments are essential, this process is often difficult to carry out due to its highly subjective nature (Putri, 2017).

Risk tolerance is a measure of the degree of variation in investment returns that an investor is willing to bear (Song et al., 2023). It measures the investor's ability or willingness to deal with investment losses and still achieve the goal (Listiani & Soleha, 2023). It guides corporate strategy, asset allocation, and risk management practices (Widiastuti et al., 2024). Risk tolerance affects investment decisions by determining how much loss investors are willing to bear. It helps investors create an investment plan that suits their risk profile. (Listiani & Soleha, 2023)

An investor's preference for risk hence each dimension of *Risk tolerance* Measured as follows (Abdul, 2005): Investors can be divided into three types based on risk tolerance. First, risk-seeker investors tend to choose higher-risk investment options if the returns are the same, often enjoying challenges. Second, risk-neutral investors expect an increase in returns in proportion to increased risk, be flexible and prudent in investment decisions, and choose instruments such as government bonds and stock mutual funds. Third, investors who do not like risk (risk averters) choose options with lower risk, are more conservative in their investment approach, and prefer instruments such as deposit savings, unit-linked funds, and government bonds (Dunne et al., 2023).

Budiarto (2017) Risk tolerance reflects an individual's willingness to accept investment risks. Investors are categorized as risk seekers, risk-neutral, or risk-averse. Risk seekers prefer high-risk, high-reward investments; risk-neutral choose balanced options; and risk-averse prioritize stability (Ummah, 2024). Understanding risk tolerance helps investors make informed decisions, aligning investments with their financial goals and comfort levels (Adiputra, 2021).

Risk tolerance measured by the following indicators Bailey and Kinerson, 2005), including the willingness to choose high-risk investments to get high returns, the willingness to buy investments with debt, profits are more important than security, not assuming that risk always leads to losses, the willingness to provide unsecured loans (Javier et al., 2024).

Empirical Review and Hypothesis

Hypothesis 1 : Financial literacy has a positive and significant effect on risk tolerance

The effect of financial literacy on financial risk tolerance (FRT) among investors, with an emphasis on the role of financial behavior mediation (Rabbani & Hasan, 2023). The results showed that higher financial literacy contributed to better financial behavior, which further increased risk tolerance (Ariany, 2024). The study concluded that although financial literacy had a positive impact on FRT, the effect size was relatively weak, suggesting that other factors may also play a significant role in determining risk tolerance (Reddy et al., 2024). The influence of financial literacy and investment experience on risk tolerance and investment decisions. The results of the study showed a significant relationship between financial literacy and risk tolerance, which suggests that better knowledge makes investors more confident in investing in high-risk instruments (Awais et al., 2016). The findings show that financial literacy has a positive effect on risk tolerance, but does not directly affect financial decisions (Said & Sumarsih, 2023). The results show that both financial literacy and excessive confidence have a significant effect on investment decisions, but risk tolerance has no direct effect (EBGC & EBGC, 2021).

Recent meta-analysis studies confirm that financial literacy has a strong positive effect on investment decision-making and financial participation (Alhabsi et al., 2025). Moreover, experimental evidence shows that financial education programs significantly improve investment choices.

Hypothesis 2: Financial inclusion has a positive and significant effect on risk tolerance

Financial inclusion has the potential to positively affect risk tolerance by providing individuals with more access to financial products and services (Mishra et al., 2024). This allows individuals to make informed financial decisions, which can reduce uncertainty and increase their confidence in managing financial risks (Uma Shankar et al., 2021). With financial tools more accessible, individuals are likely to be more involved in high-risk investments, as their understanding and comfort with financial options increases (Oppong et al., 2023). Financial inclusion increases access to financial services, which can increase an individual's risk tolerance by making them more confident in taking greater risks due to a better understanding of financial products (Dorfleitner & Nguyen, 2024). Financial inclusion increases public participation in financial activities, including investments (Bãndoi et al., 2021). In situations where individuals have easier access to investment products through digital platforms or inclusive financial services, they are more likely to make investment decisions (Jowey et al., 2024).

Hypothesis 3: FOMO (Fear of Missing Out) has a positive and significant effect on risk tolerance

Financial inclusion has the potential to positively affect risk tolerance by providing individuals with more access to financial products and services (Laguerre & Barnes-Farrell, 2024). This allows individuals to make informed financial decisions, which can reduce uncertainty and increase their confidence in managing financial risks (Oppong et al., 2023). FOMO encourages individuals to have a higher risk tolerance, as psychological stress makes them more likely to engage in risky decisions in favor of pursuing opportunities that are considered lucrative without fully considering the risks (Dorfleitner & Nguyen, 2024). For individuals with a high risk tolerance, FOMO

can reinforce their drive to invest in high-risk instruments such as speculative stocks or cryptocurrencies, as they are prepared for potential volatility and losses in order to make quick profit (Jowey et al., 2024). *Fear of Missing Out* (FOMO) can increase *Risk tolerance* on individuals (Alhassan Musah, Abigail Padi, Marshall Wellington Blay, Daniel Odei Okyere, 2025). When a person feels that they are about to miss out on opportunities taken by others, this emotional impulse can make them more prepared to take greater risks than they would normally do. (Aubrey et al., 2022). Behavioral factors and psychological biases, including social influence and emotional pressure, are increasingly recognized as key determinants of investment decisions in modern financial markets (Darwish, 2025).

Hypothesis 4: Financial well-being has a positive and significant effect on risk tolerance

Financial well-being directly influences an individual's risk tolerance, as those with higher financial well-being tend to feel more secure and willing to take risks, while those with lower financial well-being are more likely to avoid risks to protect their limited resources (Oppong et al., 2023). Financial well-being provides a sense of security and stability, which allows individuals to be more comfortable taking risks in their financial decisions, including investments (Sonkavde et al., 2023). When a person has better control over their finances and feels confident in the stability of their income as well as their ability to cope with emergencies, they are more likely to be open to risk (Dorfleitner & Nguyen, 2024).

Hypothesis 5: Risk tolerance mediates the relationship between financial literacy and investment decisions.

Higher levels of financial literacy allow individuals to better understand the risks associated with a variety of investment choices, leading to more informed decision-making (Sabri et al., 2024). Financial literacy has a significant impact on risk tolerance and investment decisions (Sabri et al., 2024). A person who has high financial literacy tends to have a better understanding of investment products, risks, and potential profits faced (Awais et al., 2016). This knowledge allows them to make more informed investment decisions, based on careful analysis (Schwarz, 2023). Risk tolerance plays a moderating factor in the relationship between financial literacy and investment decisions (Schwarz, 2023). *Risk tolerance* or risk tolerance mediates the relationship between financial literacy and investment decisions by influencing the extent to which a person uses his or her financial knowledge to take risks in investments (Aubrey et al., 2022)

Hypothesis 6: Risk tolerance mediates the relationship between financial inclusion and investment decisions.

When moderated by risk tolerance, the effects become more pronounced. Individuals belonging to the financial system tend to have better access to information, allowing them to take on a higher level of risk if they are more tolerant (Sabri et al., 2024). However, those with a low risk tolerance can still choose safer investments, regardless of financial inclusion (Sabri et al., 2024). Financial inclusion increases access to a wide range of financial services and products, making it easier for individuals to participate in investment activities (Lathief et al., 2024). Risk tolerance mediates this relationship by determining whether a person is willing to take advantage of available financial products, especially those that have higher risks, such as stocks or mutual funds (Aubrey et al., 2022). For those with a high risk tolerance, financial inclusion leads to more active participation in high-risk investment activities, such as stocks or mutual funds (Awais et al., 2016).

Hypothesis 7: Risk tolerance mediates the relationship between financial well-being and investment decisions.

Risk tolerance moderates this relationship by determining how much risk a person is willing to take, based on their financial well-being (Hirawati et al., 2021). If someone feels financially stable, they may be more willing to accept riskier investment options in pursuit of higher returns (Sabri et al., 2024). People with *Financial well-being* good and *Risk tolerance* high ones are more likely to invest in riskier assets in the hope of earning greater profits (Schwarz, 2023). Risk tolerance mediates this effect by determining how much risk a person is willing to take based on their financial well-being (Aubrey et al., 2022). People with high financial well-being and high risk tolerance are more likely to make riskier investment decisions, confident in their ability to absorb potential losses (Alhassan Musah, Abigail Padi, Marshall Wellington Blay, Daniel Odei Okyere, 2025). Conversely, those with a low risk tolerance may prefer safer investment options, even if they are financially secure (Awais et al., 2016)

Hypothesis 8: Risk tolerance mediates the relationship between FOMO and investment decisions.

FOMO encourages individuals to make impulsive investment decisions to avoid missing out on perceived opportunities (Kuldilok & Satitsmitpong, 2023). Individuals with a higher risk tolerance are more likely to act on FOMO-driven impulses, while those with a lower risk tolerance may refrain from doing so despite the pressure from FOMO (Sabri et al., 2024). FOMO causes individuals to feel compelled to take quick action so as not to miss out on attractive investment opportunities, even though it may not always be rational or in line with their long-term goals (Schwarz, 2023). FOMO also affects the perception of the emotional and social value of investment products (Schwarz, 2023). FOMO causes investors, especially from the younger generation, to feel pressured to follow trends or investment opportunities that are currently popular for fear of missing out on opportunities (Mazruk et al., 2023). FOMO-driven decisions are often made without careful consideration or sufficient risk analysis. (Jowey et al., 2024)

Hypothesis 9: Financial literacy has a positive and significant effect on investment decisions

The study shows that financial literacy has a significant impact on financial well-being through the mediation

of financial self-efficacy (Ristanović et al., 2021). In other words, people who have good financial literacy tend to be more confident in managing their finances, which in turn improves their financial well-being (Dong et al., 2024). Individuals with higher financial literacy tend to better understand the various risks involved in financial decisions, so they are more confident in facing greater risks (Rahman & Gan, 2020). With better knowledge, they are able to make more informed and strategic decisions in managing risk (Dorfleitner & Nguyen, 2024). Financially literate individuals are better able to assess potential returns and risks, which increases their ability to tolerate risk and make optimal investment choices (Sabri et al., 2024). Financial literacy plays a crucial role in influencing how one makes investment decisions (Schwarz, 2023).

Hypothesis 10: Financial inclusion has a positive and significant effect on investment decisions.

Financial inclusion, or access to financial products and services, allows more people to participate in investing (Alrikabi, 2022). With better access to investment products, such as mutual funds or stocks, individuals have more opportunities to diversify their portfolios and manage their investment risks more effectively (Riitsalu et al., 2024). Financial inclusion significantly influences investment decisions by expanding access to financial services—such as savings, loans, and investment accounts thereby enhancing individuals' ability to manage resources, save, and invest confidently, which supports economic growth and personal financial outcomes (Amara et al., 2013). Access to financial services increases individual participation in investing, as they better understand financial products and can make more informed investment decisions (Dorfleitner & Nguyen, 2024). Financial inclusion positively influences investment decisions, especially when individuals have access to financial services and products (Sabri et al., 2024).

Hypothesis 11: Financial well-being has a positive and significant effect on investment decisions.

Perspective *Financial well-being*, an understanding of financial concepts such as financial management skills, social comparison, and financial resilience are important factors in healthy financial decision-making (Widiastuti et al., 2024). In other words, good financial literacy can help individuals achieve a higher FWB, which ultimately supports better and wiser investment decision-making (Aubrey et al., 2022). In this context, financial well-being is a key factor influencing investment decisions, as people who feel financially secure are more likely to make riskier and more diversified investments (Lone & Bhat, 2024). A lack of objective knowledge often leads to high-risk investment decisions, such as investing in crypto assets, especially among young people (Riitsalu et al., 2024). Financial well-being has a direct influence on investment decisions (Aubrey et al., 2022). Individuals who feel they have good financial well-being are more likely to invest, especially in instruments that can help them achieve financial freedom in the future (Riitsalu et al., 2024). Financial well-being directly influences investment decisions, as individuals with higher financial well-being have more income to spend, feel safer, and are in a better position to invest (Oppong et al., 2023). Better financial well-being makes individuals more confident to make risky investment decisions, as they have financial security (Dorfleitner & Nguyen, 2024). Financial well-being significantly influences investment decisions, as individuals with a strong sense of financial security are more likely to make confident investment decisions (Sabri et al., 2024). *Financial well-being* or a person's financial well-being plays an important role in how they make investment decisions. (Schwarz, 2023)

Hypothesis 12: FOMO has a positive and significant effect on investment decisions.

FOMO has a strong impact on investment decisions, especially in an environment influenced by social media and market hype (Aubrey et al., 2022).. Individuals driven by FOMO can make impulsive investment decisions based on the fear of missing out on opportunities that are perceived to be profitable (Oppong et al., 2023). FOMO encourages individuals to make hasty investment decisions without considering the risks, for fear of missing out on opportunities that are considered profitable (Dorfleitner & Nguyen, 2024). Investment decisions are influenced by a variety of factors, including emotional, cognitive, as well as external factors such as social and regulatory influences (Schwarz, 2023). In the context of investments, particularly investments in cryptocurrencies, FOMO is often utilized in marketing by *influence* on social media to trigger impulsive investment behavior (Schwarz, 2023).

Hypothesis 13: Risk tolerance has a positive and significant effect on investment decisions

Risk tolerance it determines how a person chooses to allocate his funds in various investment instruments (Aubrey et al., 2022). Individuals with a higher risk tolerance are more comfortable dealing with market volatility and tend to choose more speculative investments such as high-risk stocks or cryptocurrencies (Schwarz, 2023). Risk tolerance plays an important role in shaping investment decisions (Ummah, 2024). Individuals with a high risk tolerance are more likely to invest in higher-risk, higher-reward assets such as stocks, real estate, or cryptocurrencies (Aubrey et al., 2022). Risk tolerance directly affects how individuals make investment decisions (Lindner et al., 2021). In contrast, individuals with lower risk tolerances prefer safer, lower-risk investments such as bonds or savings accounts, as they prioritize the safety of their funds over the potential for higher returns (Awais et al., 2016). Empirical evidence shows that risk perception and tolerance significantly influence investment behavior, particularly among millennials and Gen Z investors (Sunarko et al., 2025).

RESEARCH AND METHODOLOGY

In this study, the focus is on individuals from the zoomer generation (Gen' Z) domiciled in DKI Jakarta, which has a total zoomer generation population of approximately 2,454,583 (Saubani, 2024; Central Statistics

Agency, 2024). The specific segment targeted for this study consists of the zoomer generation between 18 - 27 years old who have a minimum monthly income of Rp 5,000,000. The study employed a total sample of 200 respondents to ensure adequate representation and sufficient statistical power for the analysis.

To collect data, a non-probability sampling approach will be used, using purposive sampling methods and convenience sampling. Data for this study will be collected directly from selected participants through a structured questionnaire. This study uses a quantitative research methodology, which allows statistical analysis of the collected data (Sugiyono, 2016).

The study investigated four independent variables: financial literacy (X1), regret experienced (X2), framing effect (X3), and mental accounting (X4). In addition, risk tolerance is considered an intervention variable, while a successful decision-making process (Y) functions as a dependent variable.

To analyze the data, this study will use the Structural Equation Modeling (SEM) technique, specifically using Partial Least Squares (PLS) version 3.0. SEM offers a comprehensive analysis that integrates factor analysis and path analysis, allowing the examination of complex relationships between various independent and dependent variables within the framework of the study. This methodological approach aims to provide insight into the interconnected dynamics that influence decision-making among the targeted demographic

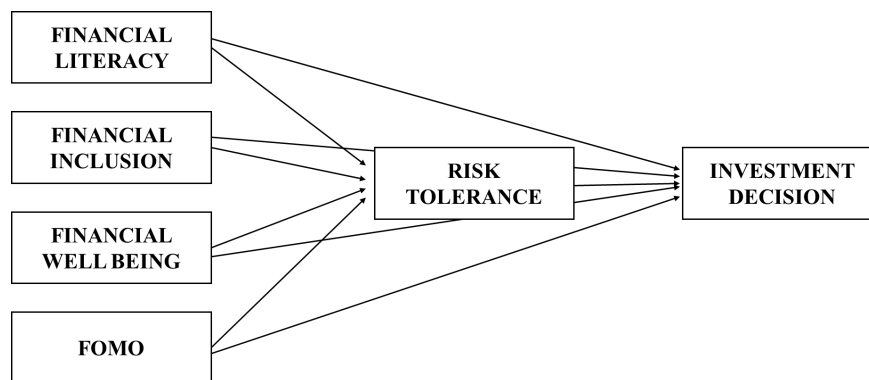


Figure 2. Conceptual Framework
Source: Authors (2025)

RESULT AND DISCUSSION

Result

The characteristics of the respondents in this study were organized based on several aspects, including gender, age, education level, occupation, annual income, and investment experience. From the results of the analysis that included 200 respondents who participated in this study, the majority of respondents were men, with a percentage of 56.5%, while the rest, 43.5%, were women.

In terms of age, the analysis showed that most respondents were in the age range of 18 to 20 years, which accounted for 44.5% of the total respondents. Meanwhile, 25% of respondents were between 21 and 23 years old, 24.5% were in the age range of 24 to 26 years old, and only 6% of respondents were 26 to 28 years old.

In terms of education, the majority of respondents who are studying and have a bachelor's degree (S1), which was recorded at 72%. Meanwhile, 20.5% of respondents are pursuing and have a master's degree (S2), and the other 7.5% have a diploma education. This shows that the education level of respondents is generally quite high, with many of them having good academic qualifications.

When viewed in terms of employment, the results of the analysis show that most of the respondents are private employees, accounting for 45% of the total respondents. In addition, 31% work in state-owned enterprises (SOEs), while the other 20.5% are entrepreneurs. There are also 3% of respondents who are still students, and 0.5% are civil servants.

From the perspective of annual income, the analysis shows that many respondents have an income between 5 and 10 million rupiah per month. As many as 19.5% of respondents earn between 11 to 15 million, 17% get 16 to 20 million, and another 11% have an income above 20 million per month. This gives an idea that respondents generally have a relatively good financial condition.

Finally, related to investment experience, the results of the analysis show that the majority of respondents (52%) have less than one year of investment experience. Meanwhile, 31.5% of respondents had between 1 to 3 years of experience, 14.5% had 4 to 8 years of experience, and only 2% had more than 8 years of experience. This shows that most respondents are still classified as beginner investors, which may affect the way they make investment decisions.

In this study, before the questionnaire was distributed to 200 respondents, the questionnaire was first tested on 30 respondents. The data from filling out this questionnaire is then tested to ensure validity and reliability. The validity test was carried out using the corrected item-total correlation method through the SPSS program, while the reliability test was applied with Cronbach's Alpha, which involved checking the value of each instrument.

According to Ghazali (2015: 53), the validity test was carried out by comparing the value of the calculated r with the r of the table at the free degree $n - 2$ and the significance level of 5%. If the calculated r value is greater than the table r and has a positive value, the indicator is declared valid; otherwise, the indicator is considered invalid. In this study, with 30 respondents, the r value of the table used was 0.361 (at a significance level of 0.05). Therefore, an item is declared valid if r counts > 0.361 and invalid if r counts < 0.361 .

The overall validity test results show that all the indicators tested are valid. Each indicator of the studied variable has a calculated r value that exceeds the table r value, which is 0.361. This indicates that the instruments used in this study are reliable and feasible to be used in further analysis. Thus, this study has a solid basis for exploring the relationship between existing variables.

The results of the reliability test for six variables were analyzed using Cronbach's Alpha values. Each variable showed a very high Cronbach's Alpha value, which was above 0.9, which means that the instrument used in this study had an excellent level of reliability. These values are Financial Literacy of 0.978, Financial Inclusion of 0.949, Financial Well-Being of 0.952, Fomo of 0.964, Risk Tolerance of 0.989, and Investment Decision of 0.906. Thus, it can be concluded that all variables in this study have high internal consistency and can be considered reliable or reliable for use in further research.

Once the validity and reliability of the construct are met at the outer model testing stage, the next step is to test the Goodness of Fit model. In the Partial Least Squares (PLS) model, Goodness of Fit is measured through the Standardized Root Mean Square Residual (SRMR) value. The PLS model is said to meet the Goodness of Fit criteria if the SRMR value is below 0.10. More specifically, a model can be considered to have a perfect fit if the SRMR value is less than 0.08. Thus, an SRMR value of \leq 0.10 indicates a viable model, while an SRMR value of \leq 0.08 indicates an excellent model. The results of the *goodness of fit* test of the PLS model show that the SRMR value in the estimated model is 0.052.

Based on the results of the direct influence analysis, there are several key findings related to the influence of variables on risk tolerance and investment decisions of the zoomer generation. First, financial literacy (LK) showed a p-value of 0.002 and a T-value of 3.153, which indicates a positive and significant influence on risk tolerance with a contribution of 20.1%. In addition, Financial Inclusion (FI) has a p-value of 0.000 and a T-value of 4.217, indicating a significant positive influence with a contribution of 27.5%. Financial well-being (FWB) also has a significant positive effect on risk tolerance, with a p-value of 0.000 and a T-value of 4.429 and a contribution of 24.7%. Fomo (FM) showed a p-value of 0.000 and a T-value of 3.788, which means a significant positive effect with a contribution of 22.9%.

In the context of investment decisions, financial literacy (LK) has a p-value of 0.032 and a T-value of 2.150, showing a significant positive influence with a contribution of 15.2%. Financial Inclusion (FI) and Financial well-being (FWB) also contributed significantly to investment decisions, with p-values of 0.027 and 0.049, respectively. However, Fomo did not show a significant influence on investment decisions with a p-value of 0.657 and a T-value of 0.445. Finally, risk tolerance (RT) had a significant positive effect on investment decisions with a p-value of 0.001 and a T-value of 3.494, contributing 15.2%. Overall, this study underscores the importance of various psychological factors in shaping investment decisions among the zoomers generation.

For the indirect influence test, there are several important findings on investment decisions through risk tolerance mediators, which can be concluded as follows. First, financial literacy showed a p-value of 0.049 and a T-statistic of 1.974, which indicates that financial literacy has an indirect effect on investment decisions through increased risk tolerance, with a path coefficient of 0.066. Second, financial inclusion has a p-value of 0.006 and a T-statistic of 2.774, which shows a significant indirect influence on investment decisions with a contribution of 0.090 through the mediation of risk tolerance. Third, financial well-being also contributed significantly with a p-value of 0.002 and a T-statistic of 3.181, showing an indirect influence on investment decisions (path coefficient of 0.081). Fourth, the fomo shows a p-value of 0.008 and a T-statistic of 2.650, indicating an indirect influence on investment decisions through risk tolerance, with a path coefficient of 0.075.

The results of the hypothesis test showed that financial literacy had a significant positive effect on risk tolerance, with a p-value of 0.002 and a T-value of 3.153, as well as a contribution of 20.1%, so this hypothesis was accepted. Likewise, financial inclusion had a significant positive effect with a p-value of 0.000 and a T-value of 4.217, contributing 27.5%. Financial well-being was also proven to have a significant positive effect on risk tolerance, with a p-value of 0.000 and a T-value of 4.429, as well as a contribution of 24.7%. In addition, FOMO showed a significant positive influence with a p-value of 0.000 and a T-value of 3.788, a contribution of 22.9%. Financial literacy can influence investment decisions indirectly through risk tolerance, with a p-value of 0.049 and a T-value of 1.974, contributing 6.6%. Financial inclusion and financial well-being also had an indirect effect on investment decisions with contributions of 9% and 8.1%, respectively. FOMO also contributed 7.5% in the same context. In addition, financial literacy and financial inclusion had a significant positive effect on investment decisions with contributions of 15.2% and 17%, respectively. Financial well-being showed a contribution of 15.9%, while FOMO had no significant influence with a p-value of 0.657 and a T-value of 0.445, so this hypothesis was rejected. Finally, risk tolerance had a significant positive effect on investment decisions with a p-value of 0.001 and a T-value of 3.494, contributing 32.7%, which supported this hypothesis.

Discussion

This study shows that financial literacy has a positive and significant influence on the risk tolerance of the millennial generation, with a contribution of 20.1%. The higher the financial literacy, the greater the risk tolerance of the individual (Song et al., 2023). Previous research has also supported that low financial literacy is associated with low risk tolerance in investments (Alim & Ali, 2021). The findings show that financial literacy has a positive effect on risk tolerance, but does not directly affect financial decisions (Song et al., 2023). It shows a complex interaction in which risk tolerance mediates the influence of financial literacy on investment choices (Said & Sumarsih, 2023).

The results of the analysis showed that the experience of regret had a positive and significant effect on risk tolerance, with a contribution of 27.5%. Financial Inclusion, both positive and negative, increases investor confidence and their risk tolerance (Desy Wulan Ayuning Gumilar et al., 2024). Previous research has shown that good financial inclusion in investing is positively associated with bold decision-making (Viana et al., 2022). Financial inclusion increases access to financial services, which can increase an individual's risk tolerance by making them more confident in taking greater risks due to a better understanding of financial products (Dorfleitner & Nguyen, 2024).

Financial Well-Being has proven to have a positive and significant effect on risk tolerance, with a contribution of 24.7%. The presentation of information can affect an individual's attitude in taking risks (Khin & Ho, 2019). Financial well-being provides a sense of security and stability, which allows individuals to be more comfortable taking risks in their financial decisions, including investments (Bhutto et al., 2020). When a person has better control over their finances and feels confident in the stability of their income as well as their ability to cope with emergencies, they are more likely to be open to risk (Dorfleitner & Nguyen, 2024).

FOMO showed a significant positive influence on risk tolerance, with a contribution of 22.9%. Investors' attitudes regarding risk and return vary, depending on how they frame their decisions (Schwarz, 2023). This research shows that mental accounting can influence investment decision-making (Mazruk et al., 2023). FOMO can strengthen their drive to invest in high-risk instruments such as speculative stocks or cryptocurrencies, as they are prepared to face potential volatility and losses in order to make quick profits (Jowey et al., 2024). In contrast, for individuals with low risk tolerance (Jowey et al., 2024)

The results of the study show that financial literacy has an indirect effect on investment decisions through risk tolerance (Kepramareni et al., 2025). High financial literacy increases the risk tolerance and investment decisions of the millennial generation (Rodrigues & B.V., 2024). Previous research has also indicated that financial literacy is positively related to investment decisions (Alhassan Musah, Abigail Padi, Marshall Wellington Blay, Daniel Odei Okyere, 2025). Financial literacy has a significant impact on risk tolerance and investment decisions (Sabri et al., 2024). A person who has high financial literacy tends to have a better understanding of investment products, risks, and potential profits faced (Widiastuti et al., 2024). This knowledge allows them to make more informed investment decisions, based on careful analysis (Schwarz, 2023).

This study found that Financial Inclusion can influence investment decisions indirectly through risk tolerance (Alhassan Musah, Abigail Padi, Marshall Wellington Blay, Daniel Odei Okyere, 2025). The higher the Financial Inclusion, the greater the risk tolerance and investment decisions of the millennial generation (Lathief et al., 2024). Previous research supports that the investment experience is positively related to decision-making (Reinholtz et al., 2020). Those with low risk tolerance, however, may still opt for safer investments, regardless of financial inclusion (Sabri et al., 2024)

Financial Well-Being has been proven to influence investment decisions indirectly through risk tolerance (Lathief et al., 2024). The presentation of different information can change an individual's attitude towards risk (Ummah, 2024). This research shows that positive or negative frames can influence the investment decisions of the millennial generation. People with *Financial well-being* good and *Risk tolerance* high ones are more likely to invest in riskier assets in the hope of earning greater profits (Schwarz, 2023).

FOMO has an indirect influence on investment decisions through risk tolerance (Kuldilok & Satitsmitpong, 2023). The higher the FOMO, the greater the risk tolerance that enhances investment decisions (Jowey et al., 2024). This research shows that FOMO can play a role in investor decision-making (Jowey et al., 2024). FOMO also affects the perception of the emotional and social value of investment products (Lathief et al., 2024). Emotional values such as feelings of pleasure or satisfaction from successfully following trends can encourage investors to invest in less sustainable or high-risk products (Schwarz, 2023).

The results of the analysis show that financial literacy has a positive and significant effect on investment decisions, with a contribution of 15.2%. The higher the financial literacy, the better the investment decisions of the millennial generation (Nur & Wulandari, 2024). Previous research has shown that individuals with good financial literacy tend to make more informed investment decisions (Hirawati et al., 2021). Individuals with higher financial literacy tend to better understand the various risks involved in financial decisions, so they are more confident in facing greater risks (Widiastuti et al., 2024). With better knowledge, they are able to make more informed and strategic decisions in managing risk (Dorfleitner & Nguyen, 2024).

This study shows that Financial Inclusion has a positive and significant effect on investment decisions, with a contribution of 17%. The higher the Financial Inclusion, the bolder the individual will be in choosing risky investments (Hirawati et al., 2021). Previous research supports that Financial Inclusion can influence investment decision-making (Riitsalu et al., 2024). Financial inclusion enhances individuals' ability to manage resources, save, and invest more confidently, contributing to improved economic growth and personal financial outcomes (Amara et al., 2013).

Financial Well-Being has proven to have a positive and significant effect on investment decisions, with a contribution of 15.9%. Different Financial Well-Being can influence investors' decision-making behavior (Widiastuti et al., 2024). Previous research has shown that Financial Well-Being can change perceptions of risk and return (Hirawati et al., 2021). Financial well-being has a direct influence on investment decisions (Schwarz, 2023). Individuals who feel they have good financial well-being are more likely to invest, especially in instruments that can help them achieve financial freedom in the future (Riitsalu et al., 2024).

FOMO does not show any significant influence on investment decisions directly (Schwarz, 2023). While it can influence decisions regarding assets in a portfolio, the influence is not strong enough. This study found that FOMO plays a greater role through risk tolerance in decision-making (Hirawati et al., 2021). FOMO encourages individuals to make hasty investment decisions without considering the risks, for fear of missing out on opportunities that are considered profitable (Dorfleitner & Nguyen, 2024). Investment decisions are influenced by a variety of factors, including emotional, cognitive, as well as external factors such as social and regulatory influences (Schwarz, 2023).

The results of the analysis show that risk tolerance has a positive and significant effect on investment decisions, with a contribution of 15.2%. The higher the risk tolerance, the greater the investment decisions taken by the millennial generation (Jowey et al., 2024). This research supports that risk tolerance is an important factor in investment decision-making (Schwarz, 2023). Risk tolerance plays a critical role in shaping investment decisions (Hirawati et al., 2021). Individuals with high risk tolerance are more likely to invest in higher-risk, higher-reward assets such as stocks, real estate, or cryptocurrencies (Aubrey et al., 2022).

CONCLUSION

This study provides comprehensive empirical insights into how financial behavior, specifically financial literacy, financial inclusion, financial well-being, and the psychological construct of Fear of Missing Out (FOMO), influence the investment decisions of Generation Z, with risk tolerance playing a critical moderating role (Schwarz, 2023). Focusing on Gen Z individuals in Jakarta, aged 18–27 and earning at least IDR 5 million per month, the study reveals nuanced behavioral and psychological dynamics that shape how young investors make decisions in a digitally driven financial ecosystem (Asif et al., 2023).

The key finding is that risk tolerance serves as a pivotal mediating variable, translating various financial and psychological factors into actual investment behavior (Mishra et al., 2024). Financial literacy, inclusion, and well-being were all found to significantly and positively influence risk tolerance (Salman et al., 2021). Gen Z individuals with stronger financial knowledge and access to financial services, and those who perceive their financial status as secure, tend to show greater willingness to take on investment risks (Alhassan Musah, Abigail Padi, Marshall Wellington Blay, Daniel Odei Okyere, 2025). This confirms existing behavioral finance theories which suggest that financial decisions are not solely a product of rational analysis but are also driven by perceived control, confidence, and emotional comfort with uncertainty (Juniarti et al., 2024).

Notably, FOMO does not significantly influence investment decisions directly, but it does so indirectly through risk tolerance (Schwarz, 2023). This shows that FOMO manifested as social anxiety and pressure to follow financial trends heightens individuals' willingness to engage in risk-taking behaviors (Dorfleitner & Nguyen, 2024). In the context of Gen Z, whose lives are deeply integrated with social media and digital platforms, FOMO can be a strong emotional driver that alters their perception of risk. It motivates impulsive investment behavior, particularly in trendy or speculative assets like cryptocurrencies or digital gold, even if these decisions are not always rooted in sound financial analysis (Schwarz, 2023).

Another important insight is that while financial literacy has a direct effect on investment decisions, its impact is significantly enhanced when mediated by risk tolerance (Ariany, 2024). In other words, knowledge alone does not guarantee action unless individuals are psychologically prepared to face investment risks (Dorfleitner & Nguyen, 2024). Similarly, financial inclusion and well-being, while positively influencing investment behavior, also work more effectively when individuals possess higher risk tolerance (Schwarz, 2023). This layered influence underscores the importance of psychological readiness in translating financial resources and knowledge into tangible investment decisions (Dorfleitner & Nguyen, 2024).

The finding that risk tolerance has the strongest direct effect on investment decisions (32.7% contribution) reinforces its central role (Wardina, 2024). Investors with high risk tolerance are more confident in engaging with volatile or high-return investment options, such as stocks or mutual funds (Ummah, 2024). Conversely, those with lower risk tolerance may opt for conservative instruments, regardless of their financial knowledge or access (Salman et al., 2021). This suggests that investment interventions should prioritize developing risk awareness and

resilience, not just improving financial knowledge (Salman et al., 2021).

From a practical standpoint, the study suggests that financial education programs aimed at Gen Z must go beyond conventional teaching (Olajide et al., 2024). They should incorporate psychological elements such as risk profiling, emotional regulation, and critical evaluation of social influence (T. Hidayat et al., 2024). Digital investment platforms should also consider embedding features that help users assess their risk tolerance, avoid impulsive decisions triggered by FOMO, and make long-term financial planning easier (Astuty et al., 2025).

Theoretically, this research enriches the field of behavioral finance by affirming that financial decisions among young investors are complex outcomes of rational and emotional factors, shaped by both personal competencies and external social triggers (Schwarz, 2023). Risk tolerance emerges not only as a moderator but also as a catalyst that converts intention into action (Salman et al., 2021).

Theoretically, this study contributes to the development of behavioral finance literature by integrating financial literacy, FOMO, and risk tolerance into a unified framework. Recent studies (Ghozi et al., 2025; Maheshwari et al., 2025) emphasize that financial decision-making is not purely rational but influenced by psychological and behavioral factors. This study extends prior models by demonstrating the mediating role of risk tolerance in translating financial knowledge into actual investment behavior.

Empirically, this study provides evidence from an emerging market context, supporting recent findings that financial literacy significantly influences investment behavior when combined with behavioral factors (Darwish, 2025; Alhabsi et al., 2025). Furthermore, this study confirms that financial literacy alone is insufficient without psychological readiness, as supported by Jiang & Shimizu (2026), highlighting the importance of integrating behavioral aspects into financial education programs.

In summary, investment decisions among Gen Z are shaped by a combination of cognitive, emotional, and social variables. Financial literacy, inclusion, and well-being play foundational roles, while FOMO adds a layer of psychological urgency (Listiani & Soleha, 2023). However, it is ultimately risk tolerance that determines whether these factors lead to concrete investment behavior (Bhadeshiya & Pitroda, 2021). Future policy, educational efforts, and platform design must recognize this and develop holistic approaches that empower Gen Z not only to understand investment but to do it wisely, confidently, and sustainably (Olajide et al., 2024).

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