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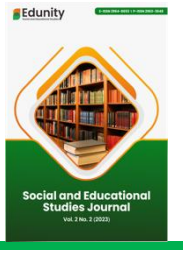

Determinants of Investment Decisions in the Capital Market Among Generation Z

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ABSTRACT

This study was conducted to analyze the factors influencing investment decisions, namely: the phenomenon of *fear of missing out*, social media influencers, financial literacy, and risk tolerance on Generation Z's investment decisions in the capital market, as well as to identify the dominant variable affecting Generation Z's investment decisions in the capital market. The study used a quantitative method with primary data collected through the distribution of questionnaires to 150 respondents, all of whom were Generation Z individuals who had previously invested in the capital market. The sampling technique employed was non-probability sampling using purposive sampling. Data were analyzed using the PLS-SEM method with the help of SmartPLS software. The results show that *fear of missing out*, financial literacy, and risk tolerance have a positive and significant influence on Generation Z's investment decisions, whereas social media influencers do not have a significant effect on Generation Z's investment decisions in the capital market. Financial literacy is the dominant variable influencing Generation Z's investment decisions in the capital market.

Keywords: social media influencer, fear of missing out, investment decisions, financial literacy, and risk tolerance

INTRODUCTION

In the digital era filled with abundant information, investing has become an increasingly popular financial activity, especially among younger generations such as Generation Z. Investment decisions are the result of a series of processes that include risk assessment, profit expectations, as well as the emotional and social drivers accompanying the process. In the capital market, investment decisions are crucial because they are directly related to the allocation of funds that involve uncertainty and potential losses. Investment has become an inseparable part of people's lives in the era of the Industrial Revolution 4.0. Investment is an activity carried out today by allocating funds or capital with the expectation of gaining returns in the future (Rika & Syaiah, 2022). The growing public awareness of the importance of planning and preparing for the future, driven by continuous economic and technological developments, has created a new perspective on managing and allocating finances more wisely and strategically. The capital market plays an important role in supporting the economy needed by the state, enabling investors to invest with affordable capital, while offering significant returns that are easily liquidated. The capital market allows both individual and institutional investors to channel their excess funds to be invested for the benefit of the general public, with the aim of generating profits and expanding business networks in the future. Investment activity in the capital market is considered a wise decision for investors (Azizah, Wahono, & Bastomi, 2024).

The increasing number of investors in the capital market has been driven by the growing awareness of Indonesians about the importance of long-term financial planning. One age

segment that makes a significant contribution to the increase in investment is Generation Z, or Gen Z, namely those born between 1995 and 2012 (Frey, 2020). Generation Z is known for their ability to quickly adapt to technological developments. Their capability in keeping up with technological advancements not only drives progress in the field of information technology but also strengthens the economy (Tedianta & Purwaningrum, 2024). Statistical data reported by KSEI, in Figure 1.2, shows that as of December 2024, the capital market was dominated by investors under the age of 30, making up 54.83% of the total. The growing interest and awareness of Gen Z indicate the influence of certain social and psychological factors.

The phenomenon of *Fear of Missing Out* (FoMO) is the feeling of anxiety or distress that arises when individuals perceive others as living better, luckier, or more successful lives. This psychological phenomenon reflects the fear of being left behind from valuable information, events, experiences, or moments considered trendy or important in one's environment (McGinnis, 2020). This naturally drives Gen Z to invest impulsively and hastily without going through a clear and adequate risk analysis process. *FoMO* can easily arise in the minds of novice investors when they see others profiting from favorable investments (IDX Channel, 2024). These feelings emerge when someone sees close acquaintances or perceived credible individuals sharing enticing investment opportunities. This aligns with the findings of studies by Lestari & Ramadhani (2024) and Prasaja, Kurniawan, & Fatmawati (2023), which confirm that *Fear of Missing Out* plays a role in influencing investment decisions. There are three main indicators of this phenomenon (Przybylski, Murayama, Dehaan, & Gladwell, 2013:1842): *Fear*, *Worry*, and *Anxiety*.

In addition to *FoMO*, the presence of social media influencers also shapes public perception, particularly among Gen Z, when it comes to investing. Engaging and persuasive content shared across various digital platforms such as Instagram, TikTok, and YouTube can instill motivation and encourage Gen Z to take similar actions, ultimately driving their investment decisions. Social media has become an integral part of daily life. Beyond communication, it enables the rapid dissemination and expansion of information to an unlimited audience in a very short time. The rise of social media has given birth to influencers, who play a role in distributing information to the public. In the investment context, influencers act as parties capable of spreading information, educating, and influencing audiences about capital market investments (Pradja & Taufiq, 2024). Investment influencers—individuals with strong influence on social media who discuss investment-related topics—possess the ability to shape others' interests and investment decisions (Jumiyani, Wibowo, & Indirastuti, 2024). Influencers with large followings are often perceived as credible sources of information, which can encourage their followers to invest. This explanation supports the conclusions found in studies by Maulida & Effendy (2024) and Pradja & Taufiq (2024), which demonstrate that social media influencers can indeed affect investment behavior. Some key indicators used to measure social media influencers (Pramesthi, 2021) are: *Attractiveness*, *Expertise*, and *Trustworthiness*.

When investing, investors are required to conduct in-depth analysis of various aspects that will affect the expected returns in the future. The knowledge, skills, and confidence that support wise financial decision-making toward financial well-being define the importance of financial literacy (OJK, 2024). Financial literacy is regarded as an essential guideline that plays a vital role in guiding individuals toward rational financial decisions. Those who thoroughly understand investment are more likely to think rationally about potential returns and risks ahead. Financial literacy is a crucial foundation for Generation Z to make prudent investment decisions. A high level of financial literacy enables individuals to rationally weigh every aspect

of their financial decisions. This discussion is consistent with studies conducted by Apriliawati & Indriastuti (2025), Lestari & Ramadhani (2024), Zahwa & Soekarno (2023), Prasaja, Kurniawan, & Fatmawati (2023), Utami & Sitanggang (2021), Sitinjak, Afrizawati, & Ridho (2021), Rosdiana (2020), and Mandagie, Febrianti & Fujianti (2020), which all indicate that financial literacy influences investment decisions. Comprehensive indicators identified by Riani et al. (2023) include: *Understanding of Financial Concepts*, *Personal Financial Management*, *Access to Financial Information*, *Evaluation of Financial Information*, *Ability to Understand Financial Products*, *Wise Financial Decision-Making*, *Identification and Mitigation of Financial Risks*, and *Utilization of Financial Technology*. Another aspect closely linked to financial literacy is understanding risk tolerance. Risk is an inherent part of investment and a major factor that determines one's investment decisions. Risk tolerance refers to the extent to which an investor is willing and able to face and accept risks. An individual's level of risk tolerance significantly affects their preferences in choosing investment instruments (Lathifatunnisa & Wahyuni, 2021). These preferences vary from person to person, which impacts patterns of investment decision-making (Jumiyani, Wibowo, & Indirastuti, 2024). Before making investment decisions, investors must consider various factors to ensure their choices align with their goals and risk profiles (Mandagie, Febrianti, & Fujianti, 2020). When individuals clearly understand the extent of risks they can bear, their decisions tend to be more rational and aligned with their personal financial conditions. This not only prevents impulsive decision-making but also helps individuals identify the most appropriate investments according to their risk profiles. Supporting this discussion, studies by Rika & Syaiah (2022) and Mandagie, Febrianti & Fujianti (2020) found that risk tolerance significantly influences investment decisions. The foundation of investment decision-making includes three key factors: expected return, level of risk, and the relationship between return and risk (Tandelilin, 2017).

The partial effects of *Fear of Missing Out* (FoMO), *Social Media Influencers*, *Financial Literacy*, and *Risk Tolerance* on investment decisions, as well as analyzing the most dominant variable influencing Capital Market Investment Decisions among Generation Z. Therefore, this study aims to analyze the partial effects of *Fear of Missing Out* (FoMO), social media influencers, financial literacy, and risk tolerance on investment decisions in the capital market, as well as to identify the most dominant variable influencing investment behavior among Generation Z. Theoretically, this research contributes to the enrichment of behavioral finance literature by integrating psychological, social, and financial factors into the analysis of Gen Z investment decisions. Practically, the findings are expected to provide useful insights for young investors in making rational financial choices, for educators and policymakers in designing targeted financial literacy programs, and for capital market stakeholders in developing effective strategies to attract and guide Gen Z investors toward sustainable investment practices.

RESEARCH METHOD

The study used a quantitative research method. The data used in this study are primary data, obtained directly from the sources or research subjects through an online questionnaire distributed via Google Forms to 150 respondents, all of whom are Generation Z individuals who have invested in the capital market in the Greater Jakarta (Jabodetabek) area.

The sampling method applied in this study determined the respondents based on the following criteria:

1. Belonging to Generation Z
2. Minimum age of 17 years
3. Having previously invested or currently investing in the capital market

According to Hair, Black, Babin, & Anderson (2019), the minimum sample size required for SEM analysis is between five to ten times the number of indicators included in the research model. This study contains 20 indicators, meaning the minimum required sample size ranges from 100 to 200. However, to enhance data reliability, strengthen the validity of findings, and obtain results that are more representative of the population, this study employed a total of 150 samples or respondents.

As a data collection tool, the questionnaire must meet the main criteria of validity and reliability. The accuracy of research results depends heavily on the quality of the measurement instruments applied. Therefore, instrument testing is required through validity and reliability tests. In this process, the researcher utilized IBM SPSS 25 software to test a smaller sample, aiming to simplify the process of data processing and analysis.

RESULTS AND DISCUSSION

Data Processing

Data processing in this study employed the SEM (Structural Equation Model) method using SmartPLS software. Structural Equation Modeling (SEM) is a statistical analysis method used to model and estimate complex relationships between various latent variables that cannot be measured directly, by using several indicators as their measurements (Hair et al., 2022).

Measurement Model or Outer Model

The measurement model is the first stage in the evaluation of the measurement model. In the SEM-PLS method, the evaluation of the measurement model consists of validity testing and reliability testing.

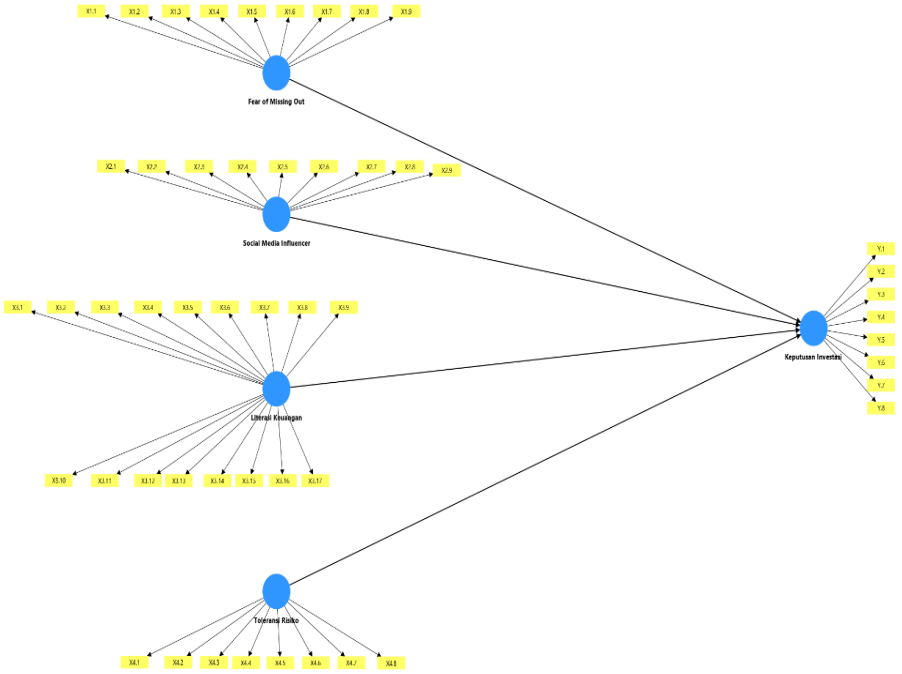

Figure 1 Results of Outer Model Testing using SmartPLS

Source: SmartPLS Output (2025)

Validity Test

The validity test is a measurement used to determine whether a questionnaire can be considered valid (Ghozali, 2021). This test aims to assess whether the statements contained in the questionnaire meet the criteria to measure what is intended to be studied.

Convergent Validity

This test is conducted to determine the extent to which the indicators of reflective constructs are positively correlated with one another (Hair et al., 2022). The results of the convergent validity test in this study are as follows:

Table 1. Results of Convergent Validity Test

Variable	Question	*Outer Loadings*	*Average Variance Extracted (AVE)*	Explanation
Fear of Missing Out (X1)	X1.1	0.778	0.577	Valid
	X1.2	0.739		Valid
	X1.3	0.776		Valid
	X1.4	0.777		Valid
	X1.5	0.762		Valid
	X1.6	0.777		Valid
	X1.7	0.771		Valid
	X1.8	0.600		Valid
	X1.9	0.832		Valid
Social Media Influencer (X2)	X2.1	0.797	0.585	Valid
	X2.2	0.711		Valid
	X2.3	0.794		Valid
	X2.4	0.793		Valid
	X2.5	0.824		Valid
	X2.6	0.630		Valid

Variable	Question	*Outer Loadings*	*Average Variance Extracted (AVE)*	Explanation
	X2.7	0.765		Valid
	X2.8	0.757		Valid
	X2.9	0.791		Valid
Financial Literacy (X3)	X3.1	0.761	0.583	Valid
	X3.2	0.787		Valid
	X3.3	0.733		Valid
	X3.4	0.740		Valid
	X3.5	0.802		Valid
	X3.6	0.810		Valid
	X3.7	0.779		Valid
	X3.8	0.756		Valid
	X3.9	0.781		Valid
	X3.10	0.756		Valid
	X3.11	0.789		Valid
	X3.12	0.762		Valid
	X3.13	0.738		Valid
	X3.14	0.776		Valid
	X3.15	0.683		Valid
	X3.16	0.750		Valid
	X3.17	0.766		Valid
Risk Tolerance (X4)	X4.1	0.771	0.602	Valid
	X4.2	0.757		Valid
	X4.3	0.731		Valid
	X4.4	0.823		Valid
	X4.5	0.786		Valid
	X4.6	0.791		Valid
	X4.7	0.802		Valid
	X4.8	0.740		Valid
Investment Decision (Y)	Y.1	0.722	0.553	Valid
	Y.2	0.790		Valid
	Y.3	0.735		Valid
	Y.4	0.734		Valid
	Y.5	0.727		Valid
	Y.6	0.729		Valid
	Y.7	0.761		Valid
	Y.8	0.749		Valid

Source: SmartPLS Output (2025)

The results of the validity test based on the measurement of Average Variance Extracted (AVE) in Table 1 show that all constructs in this study meet the testing criteria, namely above > 0.5. This indicates that all variables in the research model fulfill the rule of thumb assessment and have adequate representational ability for the indicators used.

Discriminant Validity

Table 2 Results of Discriminant Validity Testing (Cross Loading)

	FoMo	*SMI*	LK	TR	KI	Explanation
X1.1	0.778	0.513	0.486	0.463	0.471	Valid
X1.2	0.739	0.378	0.347	0.413	0.416	Valid
X1.3	0.776	0.339	0.356	0.402	0.534	Valid
X1.4	0.777	0.427	0.532	0.454	0.519	Valid

	FoMo	*SMI*	LK	TR	KI	Explanation
X1.5	0.762	0.442	0.456	0.429	0.465	Valid
X1.6	0.777	0.402	0.391	0.442	0.453	Valid
X1.7	0.771	0.406	0.417	0.396	0.529	Valid
X1.8	0.600	0.365	0.372	0.403	0.533	Valid
X1.9	0.832	0.395	0.452	0.429	0.578	Valid
X2.1	0.506	0.797	0.476	0.463	0.471	Valid
X2.2	0.379	0.711	0.507	0.299	0.395	Valid
X2.3	0.449	0.794	0.480	0.340	0.413	Valid
X2.4	0.394	0.793	0.523	0.443	0.412	Valid
X2.5	0.374	0.824	0.535	0.342	0.375	Valid
X2.6	0.346	0.630	0.345	0.255	0.253	Valid
X2.7	0.362	0.765	0.529	0.299	0.279	Valid
X2.8	0.332	0.757	0.448	0.384	0.355	Valid
X2.9	0.495	0.791	0.562	0.387	0.429	Valid
X3.1	0.378	0.490	0.761	0.513	0.551	Valid
X3.2	0.437	0.549	0.787	0.498	0.541	Valid
X3.3	0.367	0.499	0.733	0.405	0.435	Valid
X3.4	0.431	0.488	0.740	0.499	0.533	Valid
X3.5	0.512	0.567	0.802	0.484	0.563	Valid
X3.6	0.437	0.499	0.810	0.517	0.612	Valid
X3.7	0.538	0.477	0.779	0.523	0.626	Valid
X3.8	0.482	0.530	0.756	0.469	0.619	Valid
X3.9	0.436	0.444	0.781	0.481	0.563	Valid
X3.10	0.421	0.465	0.756	0.398	0.554	Valid
X3.11	0.438	0.532	0.789	0.540	0.556	Valid
X3.12	0.468	0.526	0.762	0.505	0.490	Valid
X3.13	0.373	0.478	0.738	0.435	0.532	Valid
X3.14	0.367	0.442	0.776	0.386	0.493	Valid
X3.15	0.381	0.416	0.683	0.366	0.461	Valid
X3.16	0.421	0.470	0.750	0.478	0.558	Valid
X3.17	0.349	0.475	0.766	0.443	0.556	Valid
X4.1	0.449	0.369	0.508	0.771	0.570	Valid
X4.2	0.412	0.370	0.526	0.757	0.572	Valid
X4.3	0.400	0.370	0.364	0.731	0.470	Valid
X4.4	0.478	0.394	0.494	0.823	0.527	Valid
X4.5	0.435	0.361	0.452	0.786	0.523	Valid
X4.6	0.449	0.392	0.464	0.791	0.515	Valid
X4.7	0.470	0.354	0.486	0.802	0.544	Valid
X4.8	0.387	0.343	0.499	0.740	0.540	Valid
Y.1	0.522	0.337	0.497	0.526	0.722	Valid
Y.2	0.461	0.392	0.545	0.607	0.790	Valid
Y.3	0.500	0.344	0.510	0.502	0.735	Valid
Y.4	0.425	0.396	0.545	0.468	0.734	Valid
Y.5	0.567	0.384	0.525	0.491	0.727	Valid
Y.6	0.466	0.325	0.502	0.502	0.729	Valid
Y.7	0.495	0.417	0.615	0.492	0.761	Valid
Y.8	0.522	0.400	0.523	0.506	0.749	Valid

Source: SmartPLS Output (2025)

Table 2 The cross-loading values show that each instrument item is able to consistently reflect the measured variable and does not display any striking similarity of meaning between instruments, indicating that all statements have validity values that meet the

testing requirements.

Another test in discriminant validity assessment is the Heterotrait-Monotrait Ratio (HTMT), as follows:

Table 3 Results of Discriminant Validity Testing (HTMT)

	Fear of Missing Out	***Social Media Influencer***	**Financial Literacy**	**Risk Tolerance**	**Investment Decision**
Fear of Missing Out					
Social Media Influencer	0.584				
Financial Literacy (X3)	0.597	0.687			
Risk Tolerance (X4)	0.620	0.515	0.655		
Investment Decision (Y)	0.736	0.548	0.775	0.767	

Source: SmartPLS Output (2025)

Based on the discriminant validity test shown in Table 3, the heterotrait-monotrait ratio (HTMT) values for all variables in this study are < 0.85, which indicates that all instruments in this study are able to measure different dimensions in accordance with the established conceptual framework.

Reliability Test

Reliability is the degree of consistency of an instrument in measuring a construct (Hair et al., 2022). The reliability test in this study includes:

a. Composite Reliability

Composite reliability is a measure of the internal consistency reliability of each variable indicator in the study, without assuming equal indicator loadings (Hair et al., 2022). The results of the composite reliability test are presented as follows:

Table 4 Results of Composite Reliability Testing

Variable	***Composite Reliability (rho_a)***	***Composite Reliability (rho_c)***	**Explanation**
Fear of Missing Out	0.909	0.924	Reliable
Social Media Influencer	0.919	0.926	Reliable
Financial Literacy (X3)	0.957	0.960	Reliable
Risk Tolerance (X4)	0.906	0.924	Reliable
Investment Decision (Y)	0.885	0.908	Reliable

Source: SmartPLS Output (2025)

Based on the test results using SmartPLS shown in Table 4, the composite reliability values in this study are ≥ 0.80. This indicates that all indicators included in this study have a

high level of internal consistency as well as satisfactory composite reliability criteria.

b. Cronbach's Alpha

Cronbach's Alpha is a classical measure of reliability for internal consistency, assuming that all items have similar loadings (Hair et al., 2022). The test results in this study are as follows:

Table 5 Results of Cronbach's Alpha Testing

Variable	*Cronbach's Alpha*	Explanation
Fear of Missing Out	0.907	Reliable
Social Media Influencer	0.911	Reliable
Financial Literacy (X3)	0.955	Reliable
Risk Tolerance (X4)	0.905	Reliable
Investment Decision (Y)	0.884	Reliable

Source: SmartPLS Output (2025)

Based on the test results using SmartPLS shown in Table 5, the Cronbach's Alpha values are ≥ 0.90. This finding reflects that all statement indicators contained in the research variables have strong internal consistency in the classical sense and demonstrate a satisfactory reliability scale.

Structural Model or Inner Model

The structural model represents the part that illustrates the constructs and the relationships between constructs based on theories and logic that explain the interconnections among variables (Hair et al., 2022), as shown in Figure 2.

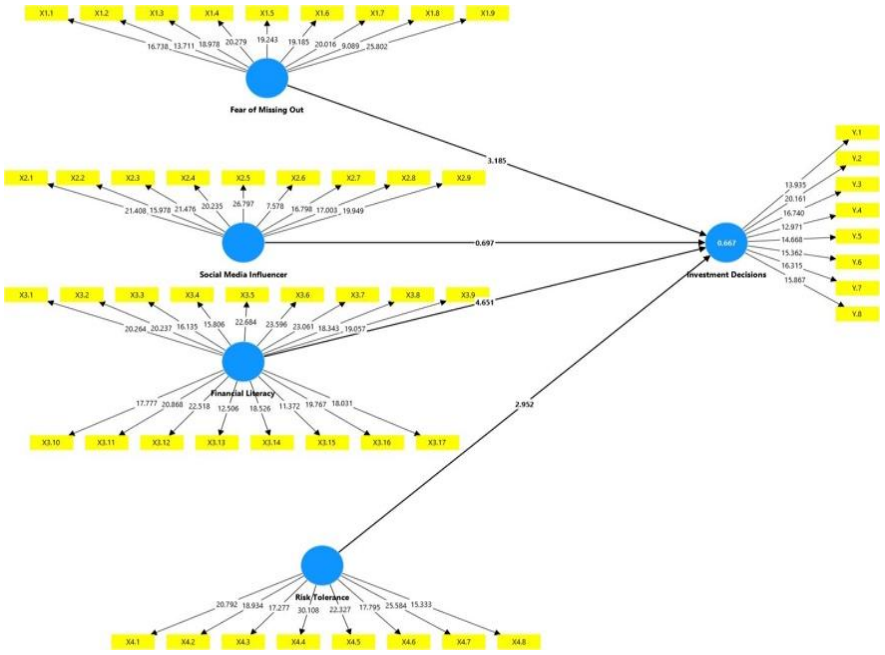

Figure 2. Results of Inner Model Testing Using SmartPLS Software

Model Fit Test (Goodness of Fit)

The model fit or goodness of fit test is a concept developed as a comprehensive evaluative approach to assess the overall suitability of the model.

Table 6 Model Fit Test Results

	Saturated model	*Estimated model*	Criteria
SRMR	0.057	0.057	Meets the suitability criteria

Source: SmartPLS Output (2025)

Referring to the SmartPLS analysis results shown in Table 6, the SRMR score for the model fit test is 0.057, which is > 0. This indicates that the research model demonstrates a satisfactory level of fit and adequately meets the model fit criteria.

Coefficient of Determination (R^2)

This test is the most common measure used to evaluate the explanatory power of the structural model, ranging from 0–1 (Hair et al., 2022). The R^2 test results in this study are:

Table 7 Results of Coefficient of Determination (R^2) Test

	R-square	*R-square adjusted*	Category
Investment Decision	0.667	0.658	Moderate

Source: SmartPLS Output (2025)

Referring to the statistical analysis results in Table 7, the R-square value obtained is 0.667 with an adjusted R-square of 0.658, which falls into the moderate category. This means that the independent variables in this study significantly contribute 65.8% to the dependent variable, while the remaining 34.2% is influenced by other variables not included in this analysis.

Predictive Relevance (Q^2)

To ensure that the research findings can be generalized, researchers need to evaluate whether the results obtained are not only applicable to the data used when the model was estimated, but also relevant to other data outside that context through the Q^2 test (Hair et al., 2022). The predictive relevance test results are as follows:

Table 8 Results of Predictive Relevance (Q^2) Test

	Q^2 *predict*	Category
Investment Decision	0.609	Meets the Criteria

Source: SmartPLS Output (2025)

The predictive relevance test results in Table 8 show that the Q^2 predict value is 0.609, which is > 0. Thus, it can be said that the research model has relevant predictive ability for

the investment decision variable.

Path Coefficients Test

Path coefficient values are estimation tests that reflect the strength and direction of the relationships between variables in the structural model (Hair et al., 2022). In this study, the path coefficient test results are as follows:

Table 9 Path Coefficients Test Results

	Original Sample	*T statistics*	*P values*	Explanation
Fear of Missing Out on Investment Decision	0.306	3.185	0.001	Accepted
Social Media Influencer on Investment Decision	-0.060	0.697	0.486	Rejected
Financial Literacy on Investment Decision	0.400	4.651	0.000	Accepted
Risk Tolerance on Investment Decision	0.300	2.952	0.003	Accepted

Source: SmartPLS Output (2025)

Effect of Fear of Missing Out (X1) on Investment Decisions (Y)

Statistical analysis results on the path coefficients show that the fear of missing out phenomenon has an original sample value of 0.306, T-statistic of 3.185, and P-value of 0.001. These findings indicate that the fear of missing out variable has a statistically significant and positive effect on Generation Z's investment decisions. This reveals that the higher the level of fear of missing out experienced, the greater the tendency for Generation Z to make investment decisions.

In this study, the respondents (Generation Z) showed a tendency to be influenced by the fear of missing trending investment opportunities, the influence of peers giving positive reviews, anxiety about missing momentum for big gains, and stress when others earn lucrative profits. The desire to gain high returns, achieve financial goals, be recognized, not be left behind, and the social push to follow investment trends are psychological drivers behind their decisions.

These findings strengthen the studies of Lestari & Ramadhani (2024) and Prasaja, Kurniawan & Fatmawati (2023), which indicate that investment decisions are not solely based on rational considerations or fundamental analysis, but are also influenced by social pressure and psychological factors.

Effect of Social Media Influencers on Investment Decisions

Statistical analysis results on the path coefficients show that the social media influencer variable has an original sample value of -0.060, T-statistic of 0.697, and P-value of 0.486. This indicates that social media influencers have no significant effect and even show

a negative direction in relation to Generation Z's investment decisions.

In this study, although respondents generally had a positive view of influencers on social media in terms of trust, popularity, or content appeal, this did not translate into actual investment actions. When influencers merely appear credible but do not provide concrete encouragement or roles, their impact on investment decisions becomes weak. This reflects that influencers act as passive references, supportive at best, but not as a main factor in financial decision-making.

This result aligns with Azizah, Afifudin & Nandiroh (2024), who found that social media influencers negatively affect investment decisions. This indicates that although investment information can be obtained through social media, investment decisions are more influenced by rational factors such as financial literacy, knowledge, and financial market conditions.

Effect of Financial Literacy on Investment Decisions

Statistical analysis results on the path coefficients show that financial literacy has an original sample value of 0.400, T-statistic of 4.651, and P-value of 0.000. These findings indicate that financial literacy has a statistically significant and positive effect on Generation Z's investment decisions. This means the higher the level of financial literacy mastered, the greater the tendency for Generation Z to make investment decisions.

In this study, Generation Z's understanding of basic financial concepts such as inflation, interest, diversification, and risk gives them confidence and rationality in making investment choices. The ability to manage and evaluate financial information helps them base decisions on analysis rather than trends. Furthermore, preparedness, such as using financial technology and having emergency funds, equips them better for market dynamics.

These findings show that Generation Z has a fairly good level of financial literacy, enabling them to critically filter information and make well-informed decisions. This aligns with the studies of Apriliawati & Indriastuti (2025), Lestari & Ramadhani (2024), Zahwa & Soekarno (2023), Utami & Sitanggang (2021), Sitinjak, Afrizawati & Risho (2021), Febrianti & Fujianti (2020), Rosdiana (2020), and Hikmah, Siagian & Siregar (2020).

Effect of Risk Tolerance (X4) on Investment Decisions (Y)

Statistical analysis results on the path coefficients show that risk tolerance has an original sample value of 0.300, T-statistic of 2.952, and P-value of 0.003. These findings indicate that risk tolerance has a statistically significant and positive effect on Generation Z's investment decisions. This reveals that the higher the understanding of risk tolerance, the greater the tendency for Generation Z to make investment decisions.

In this study, Generation Z respondents showed awareness that higher potential returns come with higher risks, making them more selective in choosing investment instruments. They tend to choose investments that align with their risk profiles, considering stability and individual financial conditions. Their confidence in asset allocation demonstrates

more planned and rational investment behavior.

These findings are consistent with studies by Mandagie, Febrianti & Fujianti (2020), Rika & Syaiah (2022), Hikmah, Siagian & Siregar (2020), and Masruroh & Perwita Sari (2021), which reflect adequate conceptual awareness of the risk-return tradeoff, where higher risk tolerance leads to higher-quality investment decisions.

Financial Literacy as the Dominant Variable in Influencing Investment Decisions

In this study, the variable that dominantly influences Generation Z's investment decisions is financial literacy. This is shown by the path coefficient statistical test results, with an original sample value of 0.400, T-statistic of 4.651, and P-value of 0.000. These findings indicate a significant, strong, and positive statistical relationship between financial literacy and investment decisions. This reflects that the higher one's financial literacy, the better the quality of investment decisions taken.

With broad access to information and technology, Generation Z is able to internalize knowledge and make rational financial decisions. Those with high financial literacy can critically evaluate information, understand investment products, and consider long-term goals in decision-making. These findings reinforce the view that deep financial understanding and rational action are the foundations of wise investment behavior.

CONCLUSION

This study achieved its objectives by empirically testing the effects of *fear of missing out*, social media influencers, financial literacy, and risk tolerance on Generation Z's investment decisions in the capital market, revealing that financial literacy, risk tolerance, and *fear of missing out* significantly influence decisions, while social media influencers have no effect. Among these, financial literacy emerged as the most dominant factor, underscoring the importance of strengthening knowledge, skills, and rational decision-making in investment behavior. These findings contribute to behavioral finance literature by integrating psychological, social, and financial dimensions into the analysis of Gen Z investors, while also offering practical implications for educators, policymakers, and investment service providers to design targeted literacy programs and risk education strategies. Future research should expand by employing longitudinal approaches to capture decision-making dynamics over time, conducting cross-cultural comparisons to test generalizability, and exploring additional factors such as digital trust, peer influence, or technological innovation to provide a more comprehensive understanding of investment behavior in the digital era.

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