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The Influence of Financial Literacy, Financial Behavior, and Overconfidence on the Investment Decisions of Generation Z: College Students in Indonesia

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Abstract: This study aims to analyze the influence of financial literacy, financial behavior, and overconfidence on the investment decisions of Generation Z students in Indonesia. This study uses a quantitative approach with a survey method, utilizing a questionnaire distributed via Google Forms with a 5-point Likert scale. A sample of 294 students aged 18–25 years who have made investments was obtained. Data analysis techniques include descriptive statistics, data quality checks, classical assumption tests, and multiple linear regression analysis, including T-tests, F-tests, and coefficient of determination tests, using IBM SPSS version 22. The results indicate that financial literacy, financial behavior, and overconfidence have a positive and significant influence on the investment decisions of Generation Z students in Indonesia.

Keywords: Financial Literacy, Financial Attitude, Overconfidence, Investment Decisions.

INTRODUCTION

Financial management is a crucial aspect of achieving individual financial well-being. One of the most commonly used tools in financial management is investment. Investment is the allocation of capital with the aim of generating future profits. The function of investment is not only to generate profits but also to help individuals protect the value of their assets from future inflation (Yulianti & Hartati, 2023). Technological advancements have also facilitated access to various investment instruments; this trend aligns with the growing desire among individuals to achieve financial freedom the ability to meet both primary and secondary living needs independently. According to previous studies, investment decisions are an aspect that must be thoroughly understood before an individual selects an investment product (Siregar & Anggraeni, 2022). Investment decision-making must be based on an understanding of the relationship between return and risk the higher the potential return, the greater the risk the investor must accept.

Investment decisions are often influenced by various psychological factors that shape investors' perspectives and actions (Gufron & Wibowo, 2024). Data from PT Kustodian

Sentral Efek Indonesia KSEI (2025) show that the number of investors has experienced a significant increase, rising from 7,489,337 investors in 2021 to 15,161,166 active investors as of January 2025. This phenomenon is noteworthy because the number of investors in the Indonesian capital market has increased by 10.4% year to date (YTD), reaching a total of 13.43 million investors, with the majority 55.38% being under 30 years old (OJK, 2024). In this context, Generation Z investors demonstrate the most prominent participation. Generation Z, the majority of whom are students, has now become one of the groups dominating the capital market in Indonesia. At this stage, students are undergoing a transition from financial dependence on their parents to becoming individuals who must manage and decide for themselves how to use their money according to their needs (Soleha & Hartati, 2021).

Furthermore, Generation Z's motivation to enter the investment world is influenced by rapid technological advancements, which make it easier for them to access investment information quickly and conveniently (Toto & Kartika, 2022;Widjanarko et al., 2023). According to the 2025 Indonesian Population Census, Generation Z, born between 1997 and 2012, accounts for 27.94% of the total population of 270.20 million. Continuous exposure to news, social media platforms, and technological innovations shapes their personalities in terms of social interaction, learning, and work.Technology is an integral part of Generation Z's lives; the internet and social media have become inseparable from their daily routines (A'yun, 2025). Generation Z frequently faces various decisions regarding financial management, including how to allocate income for investments amidst the diverse challenges of the modern world (Mayashanti et al., 2025). This indicates that students have the potential to engage in investment activities (Wibowo & Purwohandoko, 2019; Arif et al., 2023).

However, although Generation Z's awareness of investment is high, the quality of their investment decisions is not necessarily optimal. Generation Z finds significant economic opportunities through the content creator industry, with digital platforms such as YouTube, TikTok, and Instagram serving as sources of income from their creative work. This demonstrates Generation Z's ability to leverage technology to create economic opportunities that were previously unavailable to earlier generations (Meilia Qurrota A'yun, 2025). Social media platforms also play a role in their investment decisions. Before making a decision, they tend to seek information through online reviews or rely on recommendations from influencers. However, this often leads Generation Z to engage in high-risk investment behavior due to the influence of the hedonistic lifestyles promoted by influencers, thereby increasing their vulnerability to illegal investments. Investing not only demonstrates courage in facing risk but also reflects the younger generation's interest in the capital market as a means of achieving financial goals (Mandiri & Sriwidharmanely, 2025). Dynamic market conditions and economic uncertainty are challenges that young investors must face in making appropriate decisions.

To achieve good results in investing, investors need to make wise investment decisions. The success rate of decision-making is determined by the investor's ability to choose the right instruments and determine the appropriate time to invest (Gufron & Wibowo, 2024). It is important for Generation Z to understand their level of financial literacy before deciding to invest (Milzam et al., 2024). According to OJK (2025) financial literacy is defined as the knowledge, skills, and beliefs that influence attitudes and behaviors to improve the quality of decision-making and financial management in order to achieve well being. According to Kusumaningtuti & Cecep (2018); Andreansyah & Meirisa (2022) financial literacy provides individuals with essential life skills to manage and plan their finances effectively, thereby achieving well-being. If students possess good financial literacy, they will be able to understand investment instruments, analyze risks and returns, and make decisions in a more objective and structured manner. However, a clear theoretical problem arises from the inconsistency between rational behavior (driven by financial literacy) versus irrational behavior (driven by

psychological biases). While literacy provides the cognitive tools, it often fails to neutralize the implusive tendencies inherent in toung investors.

An individual's ability to manage various aspects of finance—from planning, budgeting, assessment, management, monitoring, recording, to saving—refers to financial behavior (Kurniawan & Durya, 2025). Financial behavior is directly linked to an individual's responsibility in managing their finances (Fietroh & Andriani, 2021). This is particularly true for Generation Z students who are beginning to manage their finances independently. It is also closely tied to an individual's desire to improve their quality of life in accordance with their income (W. D. Putri et al., 2023; Hernanda & Saputra, 2025). Furthermore, an investor not only evaluates the prospects of the chosen instrument but is also influenced by psychological factors in making investment decisions. This situation highlights the importance of financial behavior for Generation Z students in making wise investment decisions.

In line with this, humans tend to have psychological biases that can hinder rational decision-making. In other words, irrational psychological behavior also plays a role in Generation Z's investment decisions. One of the most commonly observed behaviors is overconfidence (Yulianti & Hartati, 2023). which refers to a state in which an investor is excessively confident and overly optimistic in predicting the future (Ningrum et al., 2023). In the context of investing, this excessive self-confidence can lead individuals to make decisions without adequately analyzing and considering risks (Putri & Soedarsa, 2024). This condition often results in overly optimistic decisions, disregard for risk, and excessive trading, which can lead to financial losses (Mandiri & Sriwidharmanely, 2025). Overconfidence is emphasized as a double-edged effect; it acts as a catalyst for market participation but simultaneously increases vulnerability to risk-blindness.

The factors influencing investment decisions are interrelated and form a distinct phenomenon among college students. Previous research conducted by Yulianti & Hartati (2023) shows that financial literacy, overconfidence, and herding behavior influence Generation Z's investment decisions. However, that study did not consider financial behavior as a concrete manifestation of financial literacy. Meanwhile, the study by Mandiri & Sriwidharmanely (2025) examines the influence of overconfidence on investment decisions with financial literacy as a moderator but does not examine the role of financial behavior or its interactions.

To address this gap, this study adopts the Theory of planned behavior Ajzen (1991) and Self-Attribution Theory Heider (1958). The Theory of Planned Behavior explains that individual decisions are influenced by attitudes, subjective norms, and perceived behavioral control. In the context of investment, financial literacy plays a role in shaping attitudes toward investment, while financial behavior shapes perceived behavioral control in decision-making. On the other hand, Self-Attribution Theory explains the tendency for individuals to attribute success to internal factors, which fosters overconfidence. By synthesizing these two theories, the novelty of this study lies in integrating cognitive, behavioral, and psychological factors in Gen Z investment decisions. This integration provides a more holistic framework compared to previous studies, as it bridges the gap between rational planning and irrational psychological biases.

METHODS

Research Framework

This study employs a quantitative approach by analyzing variables through statistical testing methods using IBM SPSS version 22. Data were collected via a survey by distributing a closed-ended questionnaire through a Google Form link to respondents. The sampling technique employed was non-probability sampling with a purposive sampling method, where the established respondent criteria included Gen Z students in Indonesia aged 18–25 years who

had experience making investment decisions. Based on the screening of all respondents who completed the questionnaire, data from 294 respondents met the research criteria and were deemed suitable for further analysis in this study. The selection of Gen Z students as the primary sample is justified by their unique position as 'digital natives' who face a high exposure to investment information via social media, yet often possess limited practical experience. This creates a specific psychological dynamic (high curiosity vs. emotional bias) that is central to testing the integration of financial literacy and overconfidence.

Financial Literacy

Financial literacy refers to an individual's understanding of financial concepts and practices, including investment, risk, interest, inflation, and other financial instruments. High financial literacy enables individuals to make more optimal investment decisions by understanding the risks and benefits associated with each type of investment (Amirtha, 2024). Individuals with good financial literacy tend to choose investments with high risk levels that are balanced by high potential returns.

In the Theory of Planned Behavior, individuals with good financial literacy exhibit a stronger attitude toward investment; in other words, the higher a person's level of financial literacy, the more rational their attitude toward the investment decisions they choose Research conducted by (Andreansyah & Meirisa, 2022) shows that financial literacy has a positive and significant effect on investment decisions. Similarly (Hernanda & Saputra, 2025) indicate that financial literacy significantly influences investment decision-making.

Financial Behavior

Financial behavior reflects an individual's attitudes and actions in managing personal finances, encompassing money management, debt management, saving practices, and expenditure control. Individuals with a high sense of responsibility and good risk management skills tend to manage their finances and make decisions more accurately and effectively (Hasibuan et al., 2018;Kurniawan & Durya, 2025). This is because individuals with good financial behavior are able to allocate funds appropriately for investment.

Based on the Theory of Planned Behavior, students with planned financial behavior demonstrate perceived behavioral control, which reflects an individual's perception of their financial capability regarding investment decisions. Research conducted by (Kurniawan & Durya, 2025) indicates that financial behavior has a significant positive influence on investment decisions. Similarly, the study by (Sobari & Tresnawati, 2024) shows that financial behavior positively influences students' investment decisions.

Overconfidence

Overconfidence refers to individuals who overestimate their abilities by excessively predicting or analyzing investment outcomes. According to Bangun (2020);Ningrum et al. (2023), investors with excessive self-confidence tend to be more daring in making investment decisions, pay less attention to potential risks, and are convinced that their investments will yield future profits. Research conducted by Savira et al. (2021);Pinem (2021);Yulianti & Hartati (2023) explains that overconfidence is a behavior in which investors are overly certain when making investment decisions, exhibiting excessive self-confidence in estimating profits whose outcomes are still uncertain.

Self-attribution bias can further reinforce the influence of overconfidence on students' investment decision-making. When experiencing gains, they become more confident in their abilities and continue to take higher risks; however, when experiencing losses, they tend to attribute the causes to external factors such as market conditions or economic policies.

Research conducted by Yulianti & Hartati, (2023) indicates that overconfidence has a positive and significant influence on Generation Z's investment decisions.

Conceptual Framework

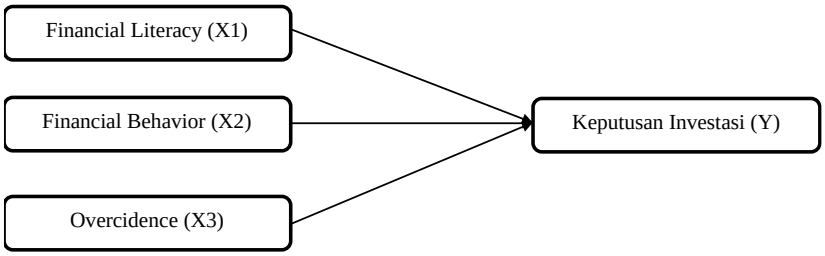


Figure 1. Research Framework

The following research hypotheses are based on the research framework mentioned above:

H1: Financial literacy has a positive effect on the investment decisions of Generation Z students in Indonesia.

H2: Financial behavior has a positive effect on the investment decisions of Generation Z students in Indonesia

H3: Overcofidence has a positive effect on the investment decisions of Generation Z students in Indonesia

RESULTS AND DISCUSSION

Results

Characteristics of Respondent

Respondent characteristics provide a general overview of the subjects in this study. The characteristics presented include gender, institution, age, place of residence, and investment experience. The results of the respondent characteristics are presented in the following table.

Tabel 1. Respondent Characteristics

Characteristics	Category	Total	Percentage
Gender	Male	90	30,6%
	Female	204	69,4%
Institution	Public Universities	219	74,4%
	Private Universities	75	25,5%
Age	18-20 years	69	23,5%
	21-23 years	210	71,4%
	24-25 years	15	5,1%
Island	Sumatra	165	56,1%
	Jawa	111	37,7%
	Kalimantan	4	1,4%
	Sulawesi	6	2,0%
	Bali & Nusa Tenggara	5	1,7%
	Papua	3	1,0%
Have you ever made an investment?	Yes	294	100%

Source: Primary Data Processing Results 2025

The results of this study show that 294 students who had made investments participated in the questionnaire. By gender, there were 90 male respondents (30,6%) and 204 female respondents (69,4%). In terms of institutional affiliation, public universities accounted for 219 students (74,4%), while private universities accounted for 75 students (25,5%). By age, 69 students (23,5%) were aged 18–20, 210 students (71,4%) were aged 21–23, and 15 students (5,1%) were aged 24–25.

When examined by region of origin, the sample was dominated by Sumatra with 165 respondents (56,1%) and Java with 111 respondents (37,7%). The number of respondents from other regions was relatively small, 4 students (1,4%) from Kalimantan, 6 students (2%) from Sulawesi, 5 students (1,7%) from Bali and Nusa Tenggara, and 3 students (1%) from Papua. These findings indicate that the level of respondent participation in investment activities is relatively high, reflecting students' awareness of and engagement in financial management and investment decision-making.

Descriptive Analysis

The descriptive analysis in this study aims to identify trends in respondents' answers regarding each research variable. Categorization was performed using theoretical scores based on the Mean Ideal (Mi) and Standard Deviation Ideal (SDi) approaches. The table below presents the results of the descriptive analysis.

Tabel 2. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy	294	30	50	39.48	4.500
Financial Behavior	294	17	35	29.11	3.803
Overconfidence	294	4	20	16.22	2.492
Investment Decisions	294	5	25	20.85	2.772
Valid N (listwise)	294				

Source: Primary Data Processing Results 2025

Based on Table 2, the financial literacy variable had a mean score of 39.48, indicating that the respondents fall into the moderate category and possess a fairly good understanding of finance. The financial behavior variable had a mean score of 29.11, indicating that the respondents fall into the moderate category and exhibit fairly good behavior in managing their finances. The overconfidence variable had a mean score of 16.22, indicating that the respondents have a high level of self-confidence and fall into the high category. The investment decision variable yielded a mean score of 20.85, show that respondents fall into the high category and able to make the right invesment desisions.

Data Quality

Validity Test

Validity tests were conducted to determine the extent to which each questionnaire item could measure the variables under study. The results of the validity tests for each questionnaire item are presented in the table below.

Tabel 3. Validity Test Results

Variable	R count (*Pearson Correlation*)	Sig. (2-tailed)	information
Financial Literacy	(-0.105)-0.680	0.001-0.971	Not Valid
Financial Behavior	0.211-0.604	0.000-0.000	Valid
Overconfidence	0.526-0.603	0.000-0.000	Valid

Investment Decisions	0.362-0.577	0.000-0.000	Valid

Source: Primary Data Processing Results 2025

The validity of the instrument was initially evaluated using Pearson Correlation across all questionnaire items. An item is considered valid if its significance value (2-tailed) is below the 0.05 threshold. As presented in Table 3 (Initial Validity), the results indicated that two specific indicators within the Financial Literacy variable FL5 and FL6 yielded significance values above 0.05. Consequently, these two items were deemed invalid as they failed to accurately measure the intended construct.

Tabel 4. Validity Test Results

Variable	R count (*Pearson Correlation*)	Sig. (2-tailed)	information
Financial Literacy	0.117-0.432	0.000	Valid
Financial Behavior	0.211-0.604	0.000	Valid
Overconfidence	0.526-0.603	0.000	Valid
Investment Decisions	0.362-0.577	0.000	Valid

Source: Primary Data Processing Results 2025

The results of this second stage are presented in Table 4 (Final Validity). Following the removal of the invalid indicators, all remaining items across all variables demonstrated significance levels well below 0.05. This confirm that the final instrument is statistically valid and suitable for further hypothesis testing.

Reliability Test

A reliability test was conducted to determine the consistency of the research instrument. This test aimed to ensure that each indicator in the research variables has an adequate level of reliability. The results of the reliability test for each questionnaire item are presented in the table below.

Tabel 5. Reliability Test Results

Variable	Cronbach's Alpha	information
Financial Literacy	0.758	*Reliable*
Financial Behavior	0.719	*Reliable*
Overconfidence	0.824	*Reliable*
Investment Decisions	0.841	*Reliable*

Source: Primary Data Processing Results 2025

The internal consistency of the research instrument was tested using Cronbach's Alpha. While the generally accepted minimum threshold is 0.60, the results for this study showed that all variables achieved Cronbach's Alpha values exceeding 0.70. This indicates a high level of internal consistency, suggesting that the instrument is capable of producing stable and consistent measurements for the variables under study.

Classical Assumption Tests

Normality Test

The normality test was conducted to determine whether the residuals in the regression model were normally distributed. Data are considered normally distributed if the significance value is greater than 0.05. The results of the normality test are presented in the table below.

Tabel 6. Normality Test Results

Test Statistic	Asymp. Sig. (2-tailed)
One-Sample Kolmogorov-Smirnov Test	0.000c

Source: Primary Data Processing Results 2025

A normality test using the Kolmogorov–Smirnov test yielded a significance value of 0.000, indicating that the data were not normally distributed. An attempt to apply a natural logarithm (LN) transformation also failed to correct this issue. Therefore, the data were reverted to their pre-transformed state (before the natural logarithmic transformation) and analyzed using the Central Limit Theorem (Khilyuk et al., 2005) The non-normality of the data in this study can be tolerated because the sample size is sufficiently large, namely more than 30. Consequently, although the normality test results indicate that the data are not normally distributed, regression analysis can still be performed.

Multicollinearity Test

A multicollinearity test was conducted to ensure that there were no high correlations among the independent variables in the regression model. The test results are presented in the table below.

Tabel 7. Multicollinearity Test Results

Model	Tolerance	VIF
Financial Literacy	0.454	2.205
Financial Behavior	0.447	2.238
Overconfidence	0.556	1.798

Source: Primary Data Processing Results 2025

The results of the multicollinearity test show that all independent variables have Tolerance values greater than 0.10 and Variance Inflation Factor (VIF) values less than 10. This indicates that the regression model does not suffer from multicollinearity. This condition is important because it ensures that each independent variable does not interfere with the others in explaining the dependent variable.

Heteroscedasticity Test

A heteroscedasticity test was conducted to determine whether there is unequal residual variance in the regression model. In a well specified regression model, the residual variance should be constant (homoscedastic) across all observations. If the residual variance is not constant, it indicates heteroscedasticity, which can distort the analysis results and render the regression estimates inefficient.

Tabel 8. Heteroscedasticity Test Results

Model	Sig.
Financial Literacy	0.262
Financial Behavior	0.193
Overconfidence	0.000

Source: Primary Data Processing Results 2025

The heteroscedasticity test indicated that the financial literacy (0.262) and financial behavior (0.193) variables met the homoscedasticity assumption with significance values

greater than 0.05. Although the overconfidence variable initially exhibited heteroscedasticity, corrective measures were taken using natural logarithm (LN) transformation and the Weighted Least Squares (WLS) method. While some degree of heteroscedasticity persisted in the overconfidence variable, the study proceeded as the estimators remain unbiased and consistent. This approach ensures that the focus remains on the direction and significance of the relationships, providing valuable preliminary insights into Gen Z behavior, while acknowledging these variance patterns in the study's limitations.

Multiple Regression Analysis Test

Determination Coefficient Test (R^2)

The Coefficient of Determination (R^2) test was conducted to assess the extent to which the independent variables explain the dependent variable in the regression model. The results of the coefficient of determination test are presented in the table below.

Tabel 9. R^2

R Square	Adjusted R Square
0,681	0,678

Source: Primary Data Processing Results 2025

Based on the R^2 test results presented in the table, the Adjusted R^2 value of 0.681 indicates that the research model can explain 68.1% of the variation in investment decisions. The remaining 31.9% is influenced by external factors not included in the model.

F Test

The F-test was conducted to assess the validity of the regression model used in this study. The results of the F-test as a model validity test are presented in the table below.

Tabel 10. F-Test Results

Model	Sig.
Regression	0.000

Source: Results of Primary Data Processing 2025

Based on the F-test results in Table 10, a significance value of 0.000 was obtained, which is less than 0.05. Therefore, the regression model used in this study is valid and can be employed for further analysis.

T Test

Hypothesis testing in this study was conducted using a partial t-test to measure the effect of each independent variable on the dependent variable. The results of this t-test are presented in the following table.

Tabel 11. T-Test Result

Model	t	Sig.
(Constant)	2.398	0.017
Financial Literacy	3.949	0.000
Financial Behavior	6.575	0.000
Overconfidence	9.798	0.000

Source: Results of Primary Data Processing 2025

Partial tests were conducted by examining the significance probability values. If the significance probability value is less than 0.05, the hypothesis is accepted. The t-test results indicate that all three independent variables have a significant effect on investment decisions. The financial literacy variable has a significance value of 0.000 and a calculated t-value of 3.949; therefore, financial literacy has a positive effect on the investment decisions of Generation Z students in Indonesia, and H1 is accepted. Financial behavior has a significance value of 0.000 and a t-value of 6.575; therefore, financial behavior has a positive effect on the investment decisions of Generation Z students in Indonesia, and H2 is accepted. Overconfidence has a significance value of 0.000 and a t-value of 9.798; therefore, overconfidence has a positive effect on the investment decisions of Generation Z students in Indonesia, and H3 is accepted. These results demonstrate that all three variables make a significant contribution to influencing investment decisions individually.

Discussion

The Influence of Financial Literacy on Investment Decisions of Generation Z College Students in Indonesia

Based on the research results, financial literacy has a positive and significant effect on the investment decisions of Generation Z students in Indonesia, indicating that H1 is accepted. This finding suggests that the students in this study possess a sufficiently good level of financial understanding and are able to apply it in making investment decisions. According to the Theory of Planned Behavior adopted in this study, good financial literacy plays a role in shaping attitudes toward investment, as an adequate understanding of financial concepts, risk, and return increases students' confidence in the potential profits to be gained.

More specifically, students with good financial literacy tend to critically evaluate investment information, compare alternative instruments, and consider risks more rationally before making a decision. As a result, their investment decisions are not speculative but are based on logical considerations and relevant information. Therefore, the higher the level of financial literacy, the better the quality of the resulting investments.

The results of this study confirm that financial literacy functions not only as knowledge but also as a foundation for fostering a rational mindset in investing. These findings align with the studies (Andreansyah & Meirisa, 2022), (Ika Novita Yulianti & Nani Hartati, 2023), and (Hernanda & Saputra, 2025) which concluded that the financial literacy variable has a significant positive effect on investment decisions.

The Influence of Financial Behavior on Investment Decisions of Generation Z College Students in Indonesia

The results of the study indicate that financial behavior has a positive and significant effect on the investment decisions of Generation Z college students in Indonesia, meaning that H2 is accepted. This suggests that the students in this study exhibit sound financial behavior, including financial planning, budgeting, management, and saving. From the perspective of the Theory of Planned Behavior, financial behavior reflects perceived behavioral control, that is, the extent to which individuals feel capable of managing their financial actions.

In essence, students with sound financial behavior tend to have greater control over their financial circumstances, which enables them to allocate funds for investment effectively. The ability to create a budget, maintain disciplined savings, and manage expenditures ensures that students consistently have funds available for investment. This situation guarantees that investment decisions are made not impulsively but through careful planning.

Thus, financial behavior not only reflects an individual's financial habits but also serves as a determining factor in their readiness to invest. The better an individual's financial behavior, the greater their ability to make sound investment decisions. These findings align with the

studies (Andreansyah & Meirisa, 2022), (Rizki Sobari & Amilia Tresnawati, 2024), dan (Kurniawan & Durya, 2025) which concluded that the financial behavior variable has a significant positive influence on investment decisions.

The Influence of Overconfidence on Investment Decisions of Generation Z College Students in Indonesia

The research results indicate that overconfidence has a positive and significant effect on the investment decisions of Generation Z students in Indonesia, meaning H3 is accepted. This suggests that the students exhibit a relatively high level of self-confidence in making investment decisions. In this study, Self-Attribution Theory is used to explain that overconfidence arises from an individual's tendency to attribute success to personal ability and failure to external factors.

More specifically, students who have previously profited from investments tend to attribute such success to their own abilities and knowledge, thereby increasing their confidence in subsequent decision-making. However, this excessive self-confidence may lead individuals to overlook risks and make investment decisions without adequate analysis. Conversely, when experiencing losses, students tend to attribute them to external factors, such as market conditions, and consequently fail to critically evaluate their mistakes.

This phenomenon highlights that overconfidence acts as a "double-edged effect" for Generation Z investors. On one hand, it serves as a psychological catalyst that provides the necessary courage and optimism to participate in the capital market. On the other hand, it functions as a bias that fosters risk-blindness, leading to irrationality when not balanced by theoretical knowledge. Thus, overconfidence has a dual effect: it can drive boldness in investing while also increasing the risk of irrational decision-making. These findings suggest that although overconfidence may stimulate investment activity, without being balanced by adequate financial literacy and sound financial behavior, it can elevate the likelihood of losses. By identifying this interaction, the study strengthens the theoretical integration of rational planning and irrational psychological tendencies in investment behavior. The results of this study align with the research titled (Ika Novita Yulianti & Nani Hartati, 2023) which concluded that the overconfidence variable has a significant positive effect on investment decisions.

CONCLUSION

This study demonstrates that financial literacy has a positive and significant influence on investment decisions among Generation Z students in Indonesia. These findings indicate that a higher level of financial literacy enhances a student's ability to make sound investment choices. A solid understanding of financial concepts, investment vehicles, and risk management coupled with the practical application of these skills enables investors to make wise and accurate decisions. Furthermore, financial behavior significantly influences investment decisions; proficiency in financial planning, budgeting, and saving encourages students to be more disciplined and risk-aware. In this context, positive financial behavior serves to reinforce the impact of financial literacy on the decision-making process. This study also concludes that overconfidence significantly and positively affects the investment decisions of Generation Z students, suggesting that high self-confidence encourages more active market participation.

Notably, the study identifies overconfidence as a "double-edged effect": while it provides the necessary psychological drive to enter the capital market, it simultaneously fosters "risk-blindness" that can lead to irrational choices. The theoretical contribution of this research lies in its integration of rational-cognitive factors (Financial Literacy) and irrational-psychological biases (Overconfidence), providing a holistic framework for understanding the unique financial behavior of Generation Z. However, these findings should be interpreted with caution due to several limitations. First, the sample is restricted to Indonesian students, which may limit the

generalizability of the results to the broader Generation Z population. Second, the reliance on self-reported data may introduce response bias. Methodologically, certain levels of heteroscedasticity persisted in the model, suggesting a need for refined estimation in future studies. To address these limitations, future research should expand the sample size to include diverse Gen Z backgrounds and employ more robust estimation methods. Additionally, incorporating variables such as herd behavior, financial attitudes, risk tolerance, and income would provide a more comprehensive analysis. Ultimately, these results serve as a call for young investors to improve their financial literacy and discipline to minimize risks and mitigate the cognitive biases associated with excessive overconfidence.

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