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Determinants of Generation Z and Millennial Investment Decisions in Bekasi City: The Role of Financial Literacy, Financial Inclusion, and Risk Tolerance

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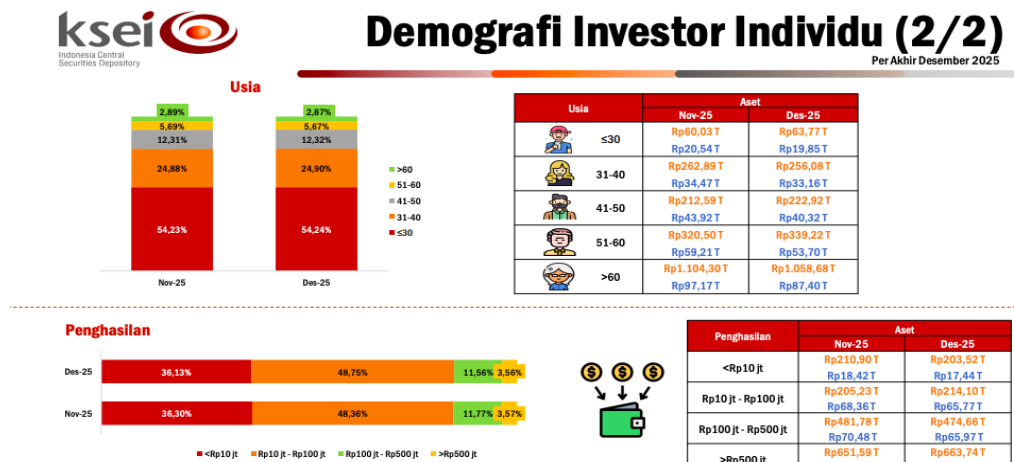
Abstract: This study aims to examine the factors influencing Investment Decision (ID) by analyzing the impact of Financial Literacy (FL) and Financial Inclusion (FI), as well as Risk Tolerance (RT) as a mediating variable. Using a quantitative approach, the data were analyzed using the Partial Least Squares Structural Equation Modeling (PLS-SEM) method through the bootstrapping technique (n = 1,000 resamples). Empirical results show that Financial Literacy has a positive and significant direct effect on Investment Decisions and Risk Tolerance. Similarly, Financial Inclusion significantly affects Risk Tolerance. Furthermore, Risk Tolerance has been proven to have a positive and significant effect on Investment Decisions. However, Financial Inclusion does not show a statistically significant direct effect on Investment Decisions. These findings underscore the importance of Financial Literacy and Risk Tolerance in driving appropriate investment choices, and indicate that Financial Inclusion more significantly influences investment behavior indirectly through the formation of individual risk tolerance.

Keywords: Investment Decisions, Financial Literacy, Financial Inclusion, Risk Tolerance, Generation Z, Millennials.

INTRODUCTION

The massive development of financial technology (fintech) in the digital era has broken down traditional boundaries in personal financial management. Investment activities in the past considered exclusive have now transformed into an inclusive phenomenon that is loved by Generation Z and Millennial (Abu Daqar et al., 2020; Nilawati & Ainiah, 2025a). As one of the satellite cities supporting the megapolitan with very high levels of economic activity, urbanization, and population density, Bekasi City has become one of the largest growth bases for young investors in West Java, as reflected in the high number of Single Investor Identification (SID) ownership in the region (Harianto & Suciati, 2026a). The characteristics of its dynamic and tech-savvy community trigger a shift in behavioral patterns from consumptive to productive through various digital investment instruments, such as stocks, mutual funds, and

even crypto assets (Marjerison et al., 2025). This behavioral shift is also driven by the ease of access to digital investment platforms that reach a wider segment of society, including the younger generation in buffer urban areas such as Bekasi (Yanida et al., 2025).



Source: Kustodian Sentral Efek Indonesia (KSEI)

Figure 1. Individual Investor Demographics

Based on data from the Indonesian Central Securities Depository, Kustodian Sentral Efek Indonesia (KSEI), in December 2025, young investors still dominate the Indonesian capital market, with 18 million Single Investor Identifications (SIDs) registered. Taken from the data shown, 54.24% were under 30, while the 31–40 age group accounted for 25.82%. Investors aged 41–50 accounted for 12.26%, followed by those aged 51–60 at 5.74%, and the remaining 2.95% were from the age group over 60. This indicates that the productive age group is the primary driver of the capital market, in line with findings (Dzaki & Tubastuvi, 2025; Septiani & Kamaludin, 2024), which confirm the dominance of the younger generation in Indonesia's digital investment ecosystem.

From a management science perspective, investment decision-making is not simply a speculative act of purchasing financial assets but rather a series of structured managerial processes that encompass planning, organizing information, evaluating, and controlling risks to achieve future returns (Robbins, SP, & Judge, TA, 2018). This approach asserts that effective investors behave like rational managers in managing their financial resources. Operationally, the managerial capacity of young investors is measured through determining the investment time horizon, establishing realistic return expectations, and optimally diversifying an asset portfolio (asset allocation) (Lusardi & Mitchell, 2023; van Rooij et al., 2011). These three dimensions reflect an empirically proven level of financial literacy that influences individual participation in the capital market and the quality of long-term asset allocation decisions. However, Behavioral Finance Theory (Kahneman, 2011) firmly refutes the assumption of classical economic theory, which assumes that humans always act rationally (*homo economicus*). In reality, the financial decision-making process is often distorted by cognitive biases, emotional influences, and social environmental pressures (Zhang et al., 2022). Empirically, young investors are more susceptible to generational biases such as overconfidence, herding, and fear of missing out when making investment decisions (Altaf & Jan, 2023).

These psychological dynamics and bounded rationality ultimately trigger an investment management anomaly, a complex phenomenon now strongly reflected in the exponential growth of young investors in urban areas such as Bekasi City. Data from the Indonesian Central Securities Depository (KSEI, 2025) as of December 2025 shows that investors under 30 years old dominate the domestic capital market with 52.59% of the total 20.32 million Single Investor Identifications (SID), even though the accumulated assets managed are only around IDR 63.77

trillion (less than 4% of total market assets). Unfortunately, the massive financial inclusion through easy access to digital platforms has not been matched by cognitive depth; the National Survey of Financial Literacy and Inclusion (SNLIK) by the Financial Services Authority (OJK) and Statistics Indonesia (BPS) (2025) recorded a 14.05% disparity between the inclusion index (80.51%) and the national financial literacy index (66.46%). This gap results in the neglect of ideal managerial processes, where many young investors make impulsive decisions, fall into herding behavior, and transact due to psychological biases such as the Fear of Missing Out (FOMO) (Gupta & Shrivastava, 2022).

Financial literacy, defined as a combination of financial awareness, knowledge, skills, attitudes, and behaviors for achieving financial well-being (OECD, 2022; Zhou et al., 2024), is a key cognitive determinant influencing an individual's investment risk tolerance. In this study, this construct is measured through three dimensions adapted from the OECD/INFE (2022): basic financial knowledge (understanding interest, inflation, and the time value of money), money management (budgeting and cash flow control), and risk and return understanding (analysis of investment product characteristics). This multidimensional understanding has been empirically proven to improve the quality of investment decision-making, savings, and long-term financial planning (Lusardi & Mitchell, 2014). With adequate literacy, young investors tend to be rational in analyzing market fluctuations and no longer view risk as the threat of absolute loss, but rather as a managerial consequence to optimize returns. This positive and significant correlation between financial literacy and increased risk tolerance is supported globally by Gamboa & Flores-Pérez (2025) in the 18–39 age group, and locally by Suherman et al. (2023) in the Indonesian millennial demographic, where this foundation can be formed early through structured financial education (Ryack, 2011). However, domestic literature still shows disparate results, such as the findings of Mahardhika et al. (2023) who actually showed no significant effect of financial literacy on financial risk tolerance in young investors.

Financial inclusion is conceptualized as the ability of individuals to access, obtain, and use affordable, safe, and sustainable formal financial services (OECD/INFE, 2022; OECD, 2023), which serves to expand investor engagement in the digital ecosystem to strengthen their investment risk tolerance. In this study, digital financial inclusion is operationalized through three dimensions: digital accessibility (ease of access to device-based investment applications), product availability (availability of features and product variety on integrated digital platforms), and usage frequency (intensity of service use), which aligns with the frequency indicators from Sharimakin & Akinlo (2024). The integration of digital services, technological infrastructure, and policy support (Ozili, 2021) has been shown to expand access, reduce transaction costs, and increase user convenience (Mohammed & Japee, 2025), as well as strengthen investment participation among the younger generation (P & P, 2025). This ease of interaction and operational accessibility theoretically transforms the perceptions of young investors (Hussain & Rasheed, 2023), so that they no longer view market volatility as a conservative threat but rather as a manageable dynamic. Empirically, this positive correlation is confirmed by Dewi & Mahfirah (2026), who demonstrated a significant influence of financial inclusion on Generation Z's risk tolerance. Although the formation of this risk tolerance is also influenced by psychological biases such as the Fear of Missing Out (FOMO) phenomenon, which triggers risk aggressiveness, in contrast to financial literacy, which encourages caution (Indrasari & Soma, 2025). Although the constellation of domestic literature still shows inconsistencies in the influence of literacy and behavior on risk tolerance (Murhadi et al., 2023), the dominance of theoretical arguments regarding the significance of ease of access on investor mental resilience underpins the assumption that financial inclusion has a positive effect on the investment risk tolerance of Generation Z and Millennials in Bekasi City.

The gap between external accessibility and internal cognitive capacity underscores the complexity of investment decision-making, with risk tolerance acting as a connecting psychological factor. Risk tolerance is defined as the maximum level of uncertainty an investor

is willing to accept regarding fluctuations in the value or potential losses of their portfolio (Grable, 2000; Khan, 2017). Operationally, this psychometric variable is measured through three main dimensions: psychological comfort in facing market price changes (risk attitude), objective financial ability to bear losses (risk capacity), and past investment track record (risk experience) (Kuzniak et al., 2015). Differences in these three dimensions result in varying risk preference thresholds, particularly among younger investors. In Indonesia, Nilawati & Ainiah (2025b) reported intergenerational differences, with Millennials tending to be more measured, while Generation Z appears more aggressive toward high-risk assets. However, this finding contradicts Goyal & Jaroli (2026) who actually showed that Generation Z is more risk-averse than Generation Y and X. Therefore, this intergenerational disparity must be understood as a dynamic tendency that is highly dependent on the sample context and the measurement instrument used.

Consistent empirical findings underscore the crucial role of financial literacy in improving the quality of investment decisions. A meta-analysis of 30 studies demonstrated that financial literacy positively and significantly correlates with investment decisions by stimulating portfolio diversification, acuity in information analysis, and active market participation (Alhabsi et al., 2025). This positive impact has been confirmed globally among investors in India (Shroff et al., 2024) and Indonesia (Baihaqqy et al., 2020). Domestically, the significant influence of financial literacy on investment decisions, both directly and mediated by financial behavior, money management, and risk perception, has been consistently found among Millennials and Generation Z in various major cities (Alif Faturrahman et al., 2025; Mayashanti et al., 2025; Setiawan et al., 2025a; Tamara et al., 2022). Theoretically, this superior financial knowledge equips Generation Z and Millennials in Bekasi City with adequate managerial competencies to mitigate risks through diversification and set realistic return expectations.

Previous research confirms that financial inclusion plays a crucial role as a primary determinant in driving investment decisions, particularly among younger investors. Recent studies on the Generation Z demographic confirm that the integration of financial inclusion and digital financial literacy has a positive and significant impact on their investment decision-making (Harianto & Suciati, 2026b). Regional empirical evidence, such as findings on the Generation Z group in West Java, also reinforces the premise that financial inclusion consistently shapes targeted investment behavior (Fadilah & Lubis, 2024). This phenomenon applies not only to high-risk instruments but also to specific instruments such as mutual funds, where the level of financial inclusion and literacy has been shown to be key determinants in driving investment participation decisions (Mutamimah et al., 2023; Selviana & Pertiwi, 2025). Furthermore, fintech adoption now serves as an essential channel that expands accessibility, with financial inclusion acting as a strategic mediator that bridges financial literacy to realize more active and sustainable investment decisions (Yuliana et al., 2025).

Risk tolerance, understood as an individual's willingness to accept uncertainty in financial decisions (Grable, 2000; Khan, 2017), is a fundamental psychological determinant crucial in shaping the quality of investment decision-making management. Young investors with high risk tolerance generally possess strong mental resilience to evaluate market opportunities rationally without being distorted by emotions (Setiawan et al., 2025b; Hidayat & Pamungkas, 2022), thus encouraging a more measured decision-making process in the Generation Z demographic (Milzam et al., 2024). Despite empirical inconsistencies, such as the findings of Zahwa & Soekarno (2023) who reported no significant effect of this variable on Millennials and Generation Z in Jakarta and Bandung, the majority of empirical evidence on young investors in various major domestic cities continues to show a significant positive trend. On the other hand, the debate regarding the position of risk tolerance in the interaction model also continues to spark polarization; Masruroh et al. (2021) and Dian Indiraswari et al. (2023) found that financial literacy was unable to moderate the relationship between risk tolerance and investment decisions, while Sani & Paramita (2024) actually proved a significant moderating effect on

Generation Z investors. Based on these theoretical and empirical gaps, this study aims to test and re-prove the direct influence of risk tolerance on investment decision management, while confirming the dynamics of its moderation in samples of Generation Z and Millennials in Bekasi City.

The role of risk tolerance in bridging financial inclusion and investment decisions is understood as a psychological determinant that determines whether easy access to digital services can be transformed into rational investment actions. This theory is supported by Dewi & Mahfirah (2026), who proved that financial inclusion, along with literacy and psychological biases, influences investment decisions both directly and indirectly through the mediation of risk tolerance; this confirms that pure digital accessibility is insufficient without individual risk management capacity. However, the effectiveness of financial inclusion as a consistent pathway of influence is still debated. Milzam et al. (2024) reported that financial inclusion had no significant influence on investment decisions and failed to mediate the relationship between literacy and risk tolerance, in line with Dian Indiraswari et al. (2023) who found limited role of psychological-attitude factors in the interaction model. Based on this empirical polarization, the seventh hypothesis (H7) in this study is formulated moderately: risk tolerance is suspected to moderate or strengthen the effectiveness of digital financial inclusion in encouraging wiser investment decisions, instead of placing it as a linear relationship that has been established in various literatures.

Based on these dynamics, this study contains a formulation of the main problem that must be explained in the discussion and answered in the conclusion. The questions in this article include whether financial literacy and financial inclusion influence the investment decision-making management of Generation Z and Millennials in Bekasi City; whether financial literacy and financial inclusion influence the investment risk tolerance of the group; whether risk tolerance influences their investment decision-making management; and whether risk tolerance can moderate the influence of financial literacy and financial inclusion on the investment decision-making management of Generation Z and Millennials in Bekasi City. In line with this, the purpose of this study is to analyze and empirically explore the influence of financial literacy, financial inclusion, and risk tolerance on investment decision-making management, as well as to test the role of risk tolerance as a moderating variable in Generation Z and Millennials in Bekasi City.

METHOD

Research Approach and Design

This study employed a quantitative approach with an associative causality method. This research design was chosen to empirically test the strength of the direct influence between variables, while simultaneously confirming the interaction model of moderating variables using the Moderated Structural Equation Modeling approach. The research and data collection focused on Bekasi City between April and June 2026, taking into account the massive digital penetration among the young demographic in the agglomeration area.

Research Population and Sample

The population in this research is all residents of Bekasi City who are classified as Millennials (born 1981–1996) and Generation Z (born 1997–2012) and who have owned and operated a digital investment portfolio. In accordance with the parametric analysis principles of structural equation modeling (SEM), the sample size was determined based on an estimated ratio of 5 to 10 times the number of statement indicators in the questionnaire. Considering that this research has 12 operational indicators, the target sample was set at a minimum of 100 to 150 respondents. The sampling technique used a non-probability sampling method with a purposive sampling approach. The inclusion criteria for respondents were strictly determined, namely, (1) domiciled or having primary activities in Bekasi City, (2) falling within the

Generation Z or Millennial age range, and (3) having a digital investment application (fintech) and actively transacting in at least the last six months.

Data Collection Instruments and Procedures

The data used is primary data collected through a structured questionnaire. The questionnaire was distributed online through a digital form (Google Form) distributed widely through the youth investment community network and local social media platforms in the Bekasi area. The questionnaire was designed with closed-ended questions using a 5-point Likert scale to measure respondents' level of agreement, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Data Analysis Techniques

To simultaneously test the hypotheses and the moderation interaction model, the data analysis technique used was variance-based SEM (SEM) using SmartPLS software. The testing process involved two main evaluation procedures: the outer model and the inner model.

In the outer model evaluation, convergent validity testing was measured based on the minimum limit of loading factor values > 0.70 and Average Variance Extracted (AVE) > 0.50 . Furthermore, discriminant validity was measured using the Heterotrait-Monotrait Ratio (HTMT) value with a maximum limit of < 0.85 . The reliability and internal consistency of the instrument were ensured through a reliability test with minimum limits on Cronbach's alpha and composite reliability values > 0.70 .

After the measurement model is declared valid and reliable, the next step is to evaluate the inner model. The model's predictive power is evaluated using the coefficient of determination (R^2), which measures the percentage of variation in the dependent variable explained by the model. Hypothesis testing (path coefficients) is executed through a bootstrapping calculation procedure to extract the t-statistics (accepted if > 1.96) and p-value (accepted if < 0.05). Specifically, to test the moderation effect, this study applies the two-stage approach by analyzing the coefficients of the interaction variable multiplication. If the p-value for the interaction path shows a figure < 0.05 , then Risk Tolerance (Z) is declared valid and empirically proven to act as a moderating variable.

RESULTS AND DISCUSSION

Respondent Profile

This study collected data from 150 valid respondents consisting of Generation Z and Millennial investors who are domiciled and actively transacting through digital investment platforms in Bekasi City. The complete respondent profile is presented in **Table 1**.

Table 1. Respondent Profile (n = 150)

Category	Classification	Frequency (n)	Percentage (%)
Generation	Generation Z (born 1997–2012)	82	54.7
	Millennials (born 1981–1996)	68	45.3
Gender	Male	49	32.7
	Female	101	67.3
Occupation	Student / University Student	64	42.7
	Private Employee	55	36.7
	Civil Servant / Military / State-Owned Enterprise	15	10.0
	Freelancer / Professional	11	7.3
	Entrepreneur / Business Owner	5	3.3
Investment Duration	< 1 year	65	43.3
	1–3 years	62	41.3
	3–5 years	16	10.7

	> 5 years	7	4.7
Main Instrument	Digital/Physical Gold	40	26.7
	Stocks	25	16.7
	Mutual Funds	9	6.0
	Deposits	6	4.0
	Cryptocurrency / P2P / Others	70	46.7
Total		150	100

Source: Primary data processed (2026)

The demographic profile of the sample reveals several key characteristics. In terms of generation, Generation Z (born 1997–2012) constitutes the majority at 54.7% ($n = 82$), while Millennials (born 1981–1996) account for 45.3% ($n = 68$). This distribution reflects the broader national trend documented by KSEI (2025), in which investors aged 30 and under continue to dominate the Indonesian capital market, comprising over 52% of all registered investor accounts. From a gender perspective, female respondents outnumber male respondents (67.3% vs. 32.7%), a pattern increasingly observed in digital investment research in Indonesia, where female investors have shown growing participation in accessible, low-threshold digital platforms such as digital gold and mutual funds (OJK & BPS, 2025).

In terms of occupation, students and university students form the largest group (42.7%), followed by private employees (36.7%), suggesting that the respondents represent the early-to-mid career stage of young investors. With regard to investment duration, the majority have been investing for less than one year (43.3%) or between one and three years (41.3%), indicating that most respondents are in the early-to-intermediate phase of their investment journey, making the role of financial literacy and platform familiarity particularly salient. The most popular investment instrument is digital or physical gold (26.7%), followed by stocks (16.7%) and mutual funds (6.0%), with a notable 46.7% of respondents holding cryptocurrency, P2P lending, or other non-conventional instruments reflecting the risk appetite and digital-native behavior of young investors in the Bekasi agglomeration area.

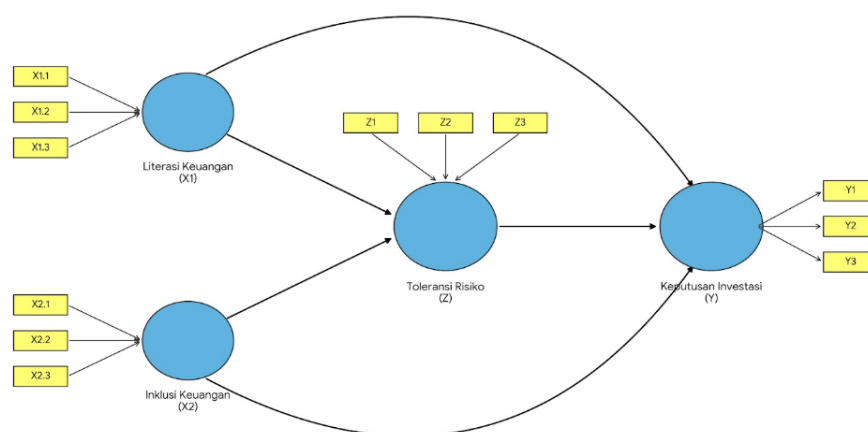


Figure 2. Conceptual Framework

Outer Model Evaluation (Measurement Model)

The outer model evaluation was carried out in two stages: convergent validity and reliability testing, followed by discriminant validity testing. This evaluation is a prerequisite before proceeding to structural model (inner model) analysis, to ensure that all construct indicators measure what they are theoretically intended to measure.

Convergent Validity and Reliability

The outer model evaluation assessed the convergent validity and reliability of the four constructs. Convergent validity is evaluated through the Average Variance Extracted (AVE) and outer loading values, while reliability is assessed using Cronbach's Alpha and Composite Reliability (CR). The results are presented in **Table 2** and **Table 3**.

Table 2. Reliability and Convergent Validity Summary

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE	Interpretation
Financial Literacy (X1)	0.884	0.905	0.445	Reliable; AVE $\approx$ 0.50
Financial Inclusion (X2)	0.909	0.923	0.502	Reliable; AVE $\geq$ 0.50
Risk Tolerance (Z)	0.907	0.921	0.496	Reliable; AVE $\approx$ 0.50
Investment Decision (Y)	0.876	0.900	0.438	Reliable; AVE $<$ 0.50*

Source: Primary data processed with PLS-SEM (2026) *Note: AVE for Y below 0.50; X2 crosses the 0.50 threshold; see discussion.

Table 3. Outer Loadings of Indicator Variables (Top 3 per Construct)

Construct	Indicator	Outer Loading	Status
Financial Literacy (X1)	X1.1 – Risk & Return Awareness	0.776	Valid
	X1.2 – Investment Principle Knowledge	0.738	Valid
	X1.3 – Pre-Purchase Due Diligence	0.713	Valid
Financial Inclusion (X2)	X2.1 – Product Findability	0.794	Valid
	X2.2 – Product Availability	0.746	Valid
	X2.3 – Platform Information Quality	0.741	Valid
Risk Tolerance (Z)	Z1 – Loss-Response Behavior	0.799	Valid
	Z2 – Risk Experience	0.783	Valid
	Z3 – Post-Loss Evaluation	0.755	Valid
Investment Decision (Y)	Y1 – Portfolio Diversification	0.749	Valid
	Y2 – Time Horizon Setting	0.747	Valid
	Y3 – Instrument-Goal Alignment	0.739	Valid

Source: Primary data processed with PLS-SEM (2026) Note: All reported items have outer loading $\geq$ 0.70, meeting the threshold for confirmatory PLS research (Hair et al., 2019).

As shown in Table 2, all four constructs demonstrate strong reliability. Cronbach's Alpha values range from 0.876 (Y) to 0.909 (X2), and Composite Reliability (CR) values range from 0.900 (Y) to 0.923 (X2), all substantially exceeding the minimum threshold of 0.70 (Hair et al., 2019). With the expanded sample of $n = 150$, a notable improvement in measurement quality is observed relative to the preliminary wave ($n = 99$). Specifically, Financial Inclusion (X2) now achieves an AVE of 0.502, formally crossing the ideal convergent validity threshold of ≥ 0.50 . Risk Tolerance (Z) achieves an AVE of 0.496, approaching the threshold. The remaining constructs Financial Literacy (X1, AVE = 0.445) and Investment Decision (Y, AVE = 0.438) remain below 0.50, which is attributable to the multidimensional nature of these constructs, each measured with 12 indicators spanning multiple sub-dimensions. Hair et al. (2019) affirm that such conditions are acceptable when CR values are high, as is the case here.

Table 3 shows that all reported outer loadings range from 0.713 to 0.799, comfortably exceeding the ideal threshold of ≥ 0.70 for confirmatory research. The top-loading indicators across constructs indicate theoretically coherent measurement: for Financial Literacy, understanding of investment product characteristics and risk-return principles are the strongest indicators; for Financial Inclusion, product accessibility and platform information quality

dominate; for Risk Tolerance, behavioral responses to portfolio losses and investment experience are most salient; and for Investment Decision, portfolio diversification and time horizon setting emerge as the primary behavioral manifestations.

Discriminant Validity

Discriminant validity was assessed using the Fornell-Larcker criterion (**Table 4**) and the Heterotrait-Monotrait Ratio (HTMT) criterion (**Table 5**).

Table 4. Fornell-Larcker Criterion Matrix

Construct	X1	X2	Z	Y
Financial Literacy (X1)	0.667	0.768	0.763	0.753
Financial Inclusion (X2)	0.768	0.709	0.826	0.714
Risk Tolerance (Z)	0.763	0.826	0.704	0.763
Investment Decision (Y)	0.753	0.714	0.763	0.662

Source: Primary data processed with PLS-SEM (2026) Note: Bold diagonal values = square root of AVE. Values above the diagonal represent inter-construct correlations.

Table 5. Heterotrait-Monotrait Ratio (HTMT) Matrix

Construct	X1	X2	Z	Y
Financial Literacy (X1)	–			
Financial Inclusion (X2)	0.853	–		
Risk Tolerance (Z)	0.842	0.900	–	
Investment Decision (Y)	0.849	0.790	0.838	–

Source: Primary data processed with PLS-SEM (2026) Note: HTMT threshold < 0.85 (strict) or < 0.90 (lenient, for conceptually similar constructs). Values exceeding 0.90 indicate discriminant validity concerns.

Examination of Table 4 reveals that the Fornell-Larcker criterion is not fully satisfied: the AVE square roots (ranging from 0.662 to 0.709 on the diagonal) are consistently lower than several off-diagonal inter-construct correlations. Notably, the correlation between Financial Inclusion (X2) and Risk Tolerance (Z) reaches 0.826, exceeding the AVE roots of both constructs. This pattern reflects a strong theoretical relationship: extensive engagement with digital financial platforms (inclusion) naturally cultivates experiential risk knowledge and behavioral adaptation to market uncertainty (risk tolerance), making partial construct overlap theoretically expected.

Table 5 shows that most HTMT values fall below or near the strict threshold of 0.85. The X1–X2 pair (0.853), X1–Z (0.842), and Y–Z (0.838) are in the acceptable range, while the X2–Z pair (0.900) reaches the lenient threshold of 0.90. This single instance of an elevated HTMT warrants contextual interpretation: Financial Inclusion and Risk Tolerance are theoretically intertwined in the digital investment context, as platform-mediated experiential access serves as a direct input into risk tolerance formation. Henseler et al. (2015) note that in cases of established theoretical overlap, the 0.90 threshold provides a more appropriate benchmark. Given that four out of five HTMT pairs meet the strict criterion, the overall discriminant validity of the measurement model is considered acceptable for further structural analysis.

Inner Model Evaluation (Structural Model)

Coefficient of Determination (R^2) and Effect Size (f^2)

The predictive power of the structural model was assessed using the coefficient of determination (R^2) and Cohen's (1988) f^2 effect size. The results are summarized in **Table 6**.

Table 6. Coefficient of Determination (R^2) and Effect Size (f^2)

Construct	R^2	R^2 Classification	Predictor	f^2	f^2 Classification
Risk Tolerance (Z)	0.723	Strong	X1 → Z	0.147	Medium

			X2 → Z	0.504	Large
Investment Decision (Y)	0.654	Moderate–Strong	X1 → Y	0.145	Medium
			X2 → Y	0.008	Negligible
			Z → Y	0.124	Medium

Source: Primary data processed with PLS-SEM (2026) Note: f^2 interpretation — ≥ 0.02 small, ≥ 0.15 medium, ≥ 0.35 large (Cohen, 1988). Bootstrap 1,000 resamples.

The model demonstrates strong predictive relevance. Risk Tolerance (Z) achieves an R^2 of 0.723, indicating that Financial Literacy (X1) and Financial Inclusion (X2) together explain 72.3% of the variance in risk tolerance, a substantial improvement from the preliminary wave ($R^2 = 0.645$). Investment Decision (Y) achieves an R^2 of 0.654, meaning that the three predictors collectively account for 65.4% of the variance in investment decision quality. Both values are classified as strong by Hair et al. (2019) and indicate that the model has excellent explanatory power within the Bekasi City young investor context.

In terms of effect sizes, Financial Inclusion's effect on Risk Tolerance ($X2 \rightarrow Z$: $f^2 = 0.504$) is the largest in the model, exceeding the large-effect threshold of 0.35, which underscores the dominant role of digital platform engagement in shaping risk psychological posture. Financial Literacy also exhibits medium effects on both Risk Tolerance ($X1 \rightarrow Z$: $f^2 = 0.147$) and Investment Decisions ($X1 \rightarrow Y$: $f^2 = 0.145$), while Risk Tolerance has a meaningful medium effect on Investment Decisions ($Z \rightarrow Y$: $f^2 = 0.124$). The negligible f^2 for the direct Financial Inclusion $\rightarrow$ Investment Decision path ($X2 \rightarrow Y$: $f^2 = 0.008$) further confirms that this relationship operates exclusively through the mediating mechanism of risk tolerance.

Hypothesis Testing Results

The five research hypotheses were tested using the bootstrapping procedure with 1,000 resamples. A path coefficient is accepted as significant when $t > 1.96$ and $p < 0.05$. The results are presented in **Table 7** and illustrated in **Figure 1**.

Table 7. Hypothesis Testing Results

Hyp.	Path	β	Boot. SE	t-stat.	p-value	95% CI	Decision
H1: FL→ID	X1→Y	0.374	0.071	5.277	< 0.001	[0.244, 0.527]	Supported
H2: FI→ID	X2→Y	0.102	0.104	0.983	0.326	[−0.079, 0.318]	Not Supported
H3: FL→RT	X1→Z	0.315	0.080	3.944	< 0.001	[0.177, 0.492]	Supported
H4: FI→RT	X2→Z	0.584	0.083	7.052	< 0.001	[0.400, 0.723]	Supported
H5: RT→ID	Z→Y	0.393	0.101	3.899	< 0.001	[0.181, 0.573]	Supported

Source: Primary data processed with PLS-SEM (2026) FL = Financial Literacy; FI = Financial Inclusion; RT = Risk Tolerance; ID = Investment Decision. * $p < 0.05$; n.s. = not significant

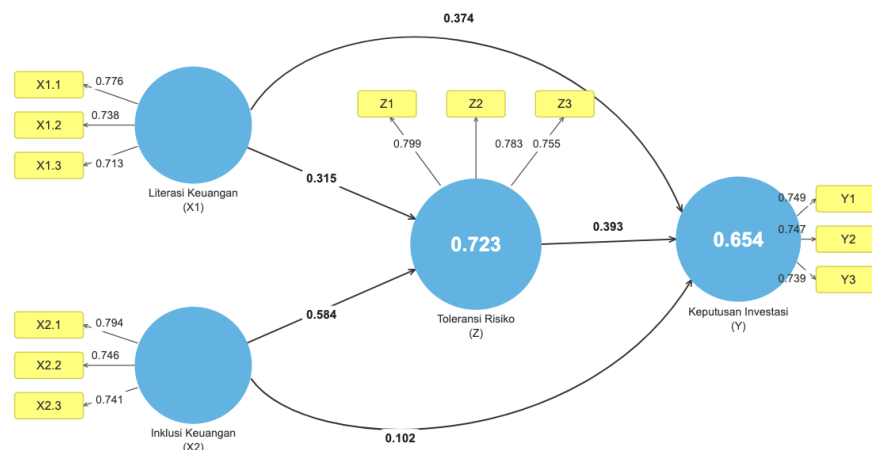


Figure 3. PLS-SEM Structural Model Results — Determinants of Investment Decisions of Generation Z and Millennials in Bekasi City

Discussion

Financial Literacy and Investment Decisions (H1)

The results of statistical tests prove that Financial Literacy (X1) has a positive and significant contribution directly in determining the quality of investment decisions (Y) of generation Z and millennial investors in Bekasi City ($\beta = 0.374$; $t = 5.277$; $p < 0.001$; 95% CI [0.244, 0.527]). The f^2 value of 0.145 indicates that this variable has an effect size (effect size) moderate category, which emphasizes the practical urgency of financial literacy in driving superior investment decisions. Based on field findings, young investors' strong understanding of investment principles, pre-purchase evaluation, and risk-retention calculations has a significant impact on the formation of more structured investment behavior. This is evident in their ability to systematically diversify their portfolios, set precise timeframe targets, and align their asset selection with realistic financial goals.

Theoretically and empirically, these findings strengthen the validity of Behavioral Finance Theory pioneered by Kahneman (2011), where mastery of financial literacy acts as a cognitive instrument that mitigates risky behavioral biases such as herd behavior, overconfidence, and phenomena Fear of Missing Out (FOMO) that often dominates young digital investors (Altaf & Jan, 2023; Gupta & Shrivastava, 2022). The legitimacy of this research also aligns with global confirmation through Alhabsi et al.'s (2025) meta-analysis of 30 cross-cultural studies, as well as a series of empirical studies in various developing countries such as India, Lebanon, and Pakistan (Alaaraj & Bakri, 2023; Sarwar & Iqbal, 2023; Shroff et al., 2024). Furthermore, this conceptualization extends the generalization of previous research on domestic millennial and Gen Z cohorts in the Jakarta, Bandung, Medan, Denpasar, and Semarang areas (Alif Faturrahman et al., 2025; Mayashanti et al., 2025; Setiawan et al., 2025a; Tamara et al., 2022) to the metropolitan urban landscape of Bekasi City.

Financial Inclusion and Investment Decisions (H2)

The path analysis results show that financial inclusion (X2) does not have a significant direct influence on investment decisions (Y) of young investors in Bekasi City ($\beta = 0.102$; $t = 0.983$; $p = 0.326$; 95% CI [-0.079, 0.318]). This hypothesis rejection phenomenon is proven to be consistent and valid because it replicates the results of a preliminary study ($n = 99$) with similar sample characteristics. Empirically, this finding confirms the existence of structural gaps in Indonesia as reported by the OJK and BPS (2025), where the financial inclusion index (80.51%) exceeds the financial literacy index (66.46%). In the context of the urban landscape of Bekasi City which is dense with digital instruments such as digital gold to crypto assets, ease of accessibility, product availability

(*findability*), and the quality of digital platform information has proven incapable of autonomously driving structured investment behavior. Without cognitive capacity, massive access risks triggering impulsive speculative behavior and simply following market trends, rather than long-term goal-oriented investment decisions.

Theoretically and policy-wise, this lack of direct impact confirms that financial inclusion requires psychological and behavioral mediating mechanisms, particularly risk tolerance (risk tolerance), in order to have a productive impact on the quality of investment decisions. This finding is supported by international literature from Yanida et al. (2025) and Mohammed and Japee (2025) which states that the accessibility of digital platforms requires enabling factors (enablers) complementary psychological and cognitive factors. Hussain and Rasheed (2023) also strengthen the argument that the availability of affordable financial services must first be translated into investor readiness to manage risk in a measured manner. Furthermore, the formation of risk tolerance itself is strongly influenced by financial behavior (Hamurcu et al., 2025), financial literacy levels (Thanki et al., 2021) as well as investment attitudes and educational background (Ghosh, 2025). Therefore, for Generation Z and millennial investors, financial inclusion is more appropriately positioned as an environmental stimulus variable (*enabling factor*) which will influence investment decisions optimally when mediated by a mature risk tolerance and financial behavior framework.

Financial Literacy and Risk Tolerance (H3)

The results of the structural analysis prove that financial literacy (X1) has a positive and significant direct effect on the risk tolerance (Z) of generation Z and millennial investors in Bekasi City ($\beta = 0.315$; $t = 3.944$; $p < 0.001$; 95% CI [0.177, 0.492]). The f^2 value of 0.147 indicates a moderate effect size, which means that financial literacy contributes significantly to shaping practical risk tolerance. Empirically, a deep understanding of product characteristics, principles, risk-return, and the impact of an undiversified portfolio triggers a rational reassessment (cognitive reappraisal) to market volatility, thereby mitigating psychological anxiety about uncertainty (Grable, 2000; Kuzniak et al., 2015). This positive impact is reinforced by domestic findings on young cohorts in Padang and Indonesia in general (Berlianti & RE, 2025; Suherman et al., 2023).

These findings align with the global consensus linking financial knowledge to a willingness to take calculated risks through improved financial behavior (Gibson et al., 2013; Grable & Rabbani, 2023; Hamurcu et al., 2025; Morales Gamboa & Flores-Pérez, 2025; Reddy & Mahapatra, 2017; Thanki & Baser, 2021). However, the literature review shows an anomaly: while financial literacy consistently increases risk tolerance, its impact on direct investment decisions is often insignificant or even negative (Asfira et al., 2020; Murhadi et al., 2023; Sastri, 2025). This inconsistency is what makes novelty. This research, which confirms that the transmission of literacy into real investment actions is highly dependent on sample characteristics, literacy dimensions, and psychological mediation interventions.

Financial Inclusion and Risk Tolerance (H4)

The results of the structural analysis confirm a positive, significant, and strong influence of financial inclusion (X2) on the risk tolerance (Z) of young investors in Bekasi City ($\beta = 0.584$; $t = 7.052$; $p < 0.001$; 95% CI [0.400, 0.723]). This path holds the highest coefficient with an effect size (effect size) superior ($f^2 = 0.504$), proving digital financial inclusion as a psychological determinant that is far more dominant than financial literacy ($f^2 = 0.147$). Ease of product navigation, platform integration, and the quality of financial information significantly escalate investors' mental readiness to face uncertainty. Theoretically, this phenomenon validates experiential learning theory (Kolb, 1984); intensive interaction with digital ecosystems (such as digital gold, mutual funds, P2P lending, and crypto) build experience

capital (experiential capital) which reconstructs market volatility from a detrimental threat into a manageable variable.

Empirically, these findings extend the domestic documentation of Dewi and Mahfirah (2026) while strengthening the global consensus on the strategic role of digital financial inclusion in maturing risk preferences (He & Liu, 2024; Ye et al., 2023). Platform accessibility works to mitigate information asymmetry and expand investment channels to stimulate risk appetite measurable. However, Lu et al. (2024) noted that digital inclusion does not encourage extreme speculation, but rather guides rational portfolio formation through diversification. As a result, optimizing the feature architecture and educational design on the platform fintech proven to be effective in engineering the psychological maturity of generation Z and millennials in responding to fluctuations in modern financial instruments.

Risk Tolerance and Investment Decisions (H5)

The results of the structural model prove that risk tolerance (Z) has a positive and significant direct effect on investment decision-making (Y) of young investors in Bekasi ($\beta = 0.393$; $t = 3.899$; $p < 0.001$; 95% CI [0.181, 0.573]). With a moderate effect size of 0.124, this variable is the second strongest direct predictor after financial literacy. Empirically, psychological resilience to asset fluctuations, wealth of experience, and objectivity of post-loss evaluations are proven to encourage structured and long-term oriented investment actions. Furthermore, the increase in the path coefficient in the second wave confirms the stability of this relationship as the sample expands.

These findings reinforce the domestic (Hidayat & Pamungkas, 2022; Milzam et al., 2024; Setiawan et al., 2025b) and global consensus that places risk tolerance as a crucial determinant in instrument allocation according to financial targets (Lamichhane & Simkhada, 2022; Mukhdoomi & Shah, 2020; Nguyen et al., 2016; Sharma, 2021). Conversely, these results differ from Zahwa and Soekarno (2023) who reported insignificant impacts in Jakarta and Bandung. This discrepancy is driven by sample heterogeneity, where the dominance of novice investors with less than one year of experience (43.3%) in this study amplifies the behavioral impact of risk tolerance, making them more susceptible to decision distortions due to *risk aversion* as well as extreme overconfidence.

Mediation Role of Risk Tolerance (H3–H5 Combined Analysis)

The mediation role of Risk Tolerance (Z) in the relationship between the independent variables and Investment Decisions (Y) was examined by analyzing both direct and indirect effects. The results are presented in **Table 8**.

Table 8. Mediation Analysis — Risk Tolerance as Mediator

Mediation Path	Direct Effect (β)	Indirect Effect ($\beta \times \beta$)	Total Effect	Mediation Type
X1 → Z → Y (FL via RT → ID)	0.374* ($p < 0.001$)	$0.315 \times 0.393 = 0.124^*$	0.498	Partial Mediation
X2 → Z → Y (FI via RT → ID)	0.102 (n.s.)	$0.584 \times 0.393 = 0.229^*$	0.331	Full Mediation

Source: Primary data processed with PLS-SEM (2026) * $p < 0.05$; n.s. = not significant. Indirect effects computed as the product of the constituent path coefficients.

The mediation analysis reveals two distinct and theoretically meaningful mediation patterns. For the Financial Literacy → Risk Tolerance → Investment Decision pathway, the indirect effect is 0.124 (0.315×0.393). Since both the indirect effect and the direct effect of X1 → Y ($\beta = 0.374$; $p < 0.001$) are significant, Risk Tolerance acts as a partial mediator. This indicates that Financial Literacy improves Investment Decisions through two complementary channels: a direct cognitive channel, whereby financial knowledge directly enhances decision-

making capacity, and an indirect psychological channel, whereby financial literacy first builds risk tolerance, which subsequently generates more structured investment behavior. Both channels are empirically active and meaningful.

For the Financial Inclusion $\rightarrow$ Risk Tolerance $\rightarrow$ Investment Decision pathway, the indirect effect is substantially larger at 0.229 (0.584×0.393). Critically, the direct effect of $X_2 \rightarrow Y$ remains non-significant ($\beta = 0.102$; $p = 0.326$), establishing Risk Tolerance as a full mediator. This pattern reveals a fundamentally important policy insight: Financial Inclusion does not independently produce superior investment decisions in the Bekasi City young investor context. Instead, its entire influence on investment decision quality is channeled through and contingent upon the psychological mechanism of risk tolerance. Platform accessibility and product availability build risk tolerance; risk tolerance, in turn, drives disciplined, goal-aligned investment decisions. This finding provides novel empirical support for the theoretical proposition that financial inclusion's behavioral impact is mediated by psychological readiness mechanisms (Dewi & Mahfirah, 2026; Yuliana et al., 2025).

Overall Model Interpretation and Theoretical Implications

The integrated PLS-SEM results from Wave 2 ($n = 150$) converge on a coherent and theoretically grounded picture of investment decision determinants among Generation Z and Millennial investors in Bekasi City. The model explains 65.4% of the variance in investment decision quality ($R^2 = 0.654$) a strong result in the behavioral finance domain and 72.3% of the variance in risk tolerance ($R^2 = 0.723$), indicating excellent overall model fit and predictive relevance.

Financial Literacy emerges as a dual-channel determinant: it directly improves investment decisions ($\beta = 0.374$; H1 supported) and indirectly does so by cultivating risk tolerance ($\beta = 0.315$; H3 supported), which subsequently drives investment decisions ($\beta = 0.393$; H5 supported). Financial Inclusion, while exerting no significant direct effect on investment decisions (H2 not supported), is the single most powerful antecedent of risk tolerance ($\beta = 0.584$; $f^2 = 0.504$; H4 supported), establishing risk tolerance as its exclusive and necessary behavioral bridge to investment decision quality (full mediation). Together, these findings paint a nuanced portrait of young investor behavior in Indonesia's most dynamic urban corridor: knowledge enables, experience builds tolerance, and tolerance disciplines decisions.

These findings carry important theoretical and practical contributions. Theoretically, they advance Portfolio Theory and Behavioral Finance Theory by providing evidence that in digitally-embedded investment environments, the pathway from financial inclusion to investment behavior is fully mediated by psychological risk calibration, a mechanism that cannot be assumed a priori but must be explicitly cultivated. Practically, the results imply that policymakers and fintech platform developers aiming to improve the investment decision quality of young Bekasi investors should pursue a dual-track strategy: simultaneously expanding financial literacy through structured financial education programs and enhancing platform design to actively build risk tolerance through educational features, risk simulation tools, portfolio trackers, and transparent market volatility communication. Expanding access alone, without building the psychological capacity to harness that access, will not translate into higher-quality investment decisions.

CONCLUSION

Based on the results of hypothesis testing using PLS-SEM with the bootstrapping method ($n = 1,000$ resamples), the conclusions of this study are as follows:

1. Hypothesis 1 (Accepted): Financial Literacy has a positive and significant direct effect on Investment Decisions. The higher an individual's level of financial knowledge, the better and more accurate their ability to make investment decisions.

2. Hypothesis 2 (Rejected): Financial Inclusion does not have a significant direct effect on Investment Decisions. This indicates that merely having access to financial instruments or services does not necessarily encourage an individual to invest directly without the presence of other supporting factors.
3. Hypothesis 3 (Accepted): Financial Literacy has a positive and significant effect on Risk Tolerance. A sound financial understanding helps individuals become more rational and prepared in facing and managing investment risks.
4. Hypothesis 4 (Accepted): Financial Inclusion has a positive and significant effect on Risk Tolerance. Easy access to various formal financial services can enhance an individual's confidence and capacity to tolerate risks in the financial markets.
5. Hypothesis 5 (Accepted): Risk Tolerance has a positive and significant effect on Investment Decisions. A higher level of risk tolerance tangibly encourages individuals to be more decisive in taking action and committing their funds to investment instruments.

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