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The Influence of Financial Inclusion, Digital Financial Literacy, and Risk Perception on Investment Decisions in Generation Z

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Abstract: This study aims to analyze the influence of financial inclusion, digital financial literacy, and risk perception on investment decisions in Generation Z in Greater Jakarta. The background of the research is based on the increasing number of young investors in the Indonesian capital market, but there is still a gap between access to finance, digital-financial capabilities, and the quality of investment decisions. This study uses a quantitative approach with purposive sampling techniques. The respondents of the study were 244 Generation Z aged 18-29 years old who were domiciled in Greater Jakarta, had experience investing in the capital market, and used financial or digital investment applications. The data was analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS) with the help of SmartPLS. The results of the study show that financial inclusion has a positive and significant effect on investment decisions. Digital financial literacy also has a positive and significant effect on investment decisions. In addition, risk perception has been proven to have a positive and significant effect on investment decisions. The R-square value of 0.652 shows that the three variables are able to explain 65.2% of the variation in investment decisions. These findings confirm that Generation Z's investment decisions are influenced by the ease of access to finance, the ability to understand digital financial services, and the ability to evaluate investment risks.

Keywords: Financial Inclusion, Digital Financial Literacy, Risk Perception, Investment Decisions, Generation Z.

INTRODUCTION

Indonesia's capital market is experiencing very rapid investor growth and is increasingly dominated by young investors. Statistics from the Indonesian Central Securities Depository (KSEI) as of January 2026 show that the number of capital market investors has reached 21,066,415 SID, with 54.35% of individual investors aged 30 years and below. The distribution of domestic investors is also still concentrated on the island of Java at 68.25%, and DKI Jakarta is the province with the largest proportion of domestic SIDs. These findings show that Generation Z in Greater Jakarta is a strategic group to be studied in the context of investment decisions in the capital market (KSEI, 2026).

The growth of young investors has occurred at the same time as the acceleration of digital transformation in Indonesia. BPS reports that by 2024, as many as 72.78% of the population will have access to the internet and 68.65% will have a mobile phone (BPS, 2025). This digital environment encourages the use of securities applications, investment education platforms, and digital financial transaction services more widely. For Generation Z who grew up in the digital ecosystem, this condition lowers technical barriers to investing. However, the ease of digital access does not automatically result in quality investment decisions, as investment still requires the ability to understand information, evaluate alternatives, and assess risks appropriately (Palesta & Paramita, 2024).

The urgency of this research is even stronger when it is associated with national financial literacy and inclusion data. The results of SNLIK 2025 show a national financial literacy index of 66.46% and financial inclusion of 80.51%. However, in the capital market sector, the literacy rate is only 17.78% and the inclusion rate is 1.34%. Even in urban areas with a higher financial access base, literacy and inclusion indices reached 70.89% and 83.61%, respectively, but engagement in the capital market remained low (OJK, 2025). This condition shows that the main issue is no longer just expanding access to finance, but how that access translates into the right investment decisions.

In addition, the expansion of access to digital finance is also overshadowed by the risk of misuse and mismanagement of investments. OJK reported that as of August 2025, 1,840 illegal financial entities have been stopped, consisting of 1,556 illegal online loans and 284 illegal investment entities (Setiawan, 2025). In the same period, the Indonesia Anti-Scam Centre has blocked 76,541 accounts and secured Rp350.3 billion in victims' funds (Primary, 2025). This deed shows a paradox: access to investment is widening, but the risk of choosing the wrong product, getting caught up in illegal offers, or making decisions without adequate understanding also remains high. Therefore, Generation Z's investment decisions need to be analyzed not only in terms of access, but also in terms of digital-financial capabilities and risk perception (Le et al., 2019).

Theoretically, the title of this study has a strong connection with *Theory of Planned Behavior* (TPB) and *Behavioral Finance Theory*, in particular *Prospect Theory*. In the perspective of SDGs, financial inclusion and digital financial literacy are related to perceived *Behavioral control*, as both reflect the availability of access and the ability of individuals to carry out investment activities. The higher a person's digital access and capabilities, the more confident they will be to make investment decisions. Meanwhile, *Behavioral Finance Theory* Explain that financial decisions are not always rational, but are influenced by biases, emotions, and subjective perceptions (Purnomo et al., 2025). This is emphasized by *Prospect Theory* from Kahneman & Tversky (1979) which states that individuals tend to be more sensitive to potential losses than equivalent gains, so risk perception becomes an important factor in investment decisions. Thus, the variables in the title of this study are financial inclusion, digital financial literacy, and risk perception which are directly connected to the theory used to explain Generation Z's investment decisions (Ronak et al., 2025).

According to Independent Evaluation Group (2023) Financial inclusion reflects the ease of access to and use of formal financial services. While OECD (2024). views digital financial literacy as the ability to understand, evaluate, and use digital financial services safely and effectively. In the context of investment, according to Brigham & Houston (2019), investment decisions are an individual's choice in placing funds in financial instruments to obtain economic benefits in the future. Therefore, investment decisions are not enough to be explained only in terms of the availability of access, but must also be understood through digital-financial capabilities and the way individuals perceive risk.

Previous research supports this relationship, although the results have not been completely consistent. Rahayu et al. (2022) found that *Digital Financial Literacy* affects

Saving Behavior, *spending behavior*, and *investment behavior* in the Indonesian millennial generation. Muta6mimah et al. (2023) shows that *Financial Inclusion* has a positive effect on *mutual funds investment decision*, while *Financial Literacy* and *Financial Technology* has no direct effect on *Investment Decision*, but affects *Financial Inclusion*. Then, Maulana et al. (2025) found that *Digital Financial Literacy* has a significant effect on *Investment Decision*, with *intention to invest* Acting as a mediator. Furthermore, Rudianto et al. (2025) also shows that the *Financial Inclusion*, financial behavior, and risk perception contribute to Generation Z's capital market participation.

METHODS

Population and Sample

The population of this study is Generation Z adults aged 18–29 years who are domiciled in Greater Jakarta and have investment experience in the capital market. Generation Z in this study is defined as individuals born in the range of 1997–2012. Samples are selected using the *purposive sampling* with the criteria: aged 18–29 years, domiciled in Greater Jakarta, have or are investing in the capital market, and have or are using financial or digital investment applications. The number of samples in this study was determined based on the (Hair et al., 2019), which is at least 5–10 times the number of indicators. With a total of 22 indicators, the minimum sample number is 110–220 respondents. To increase the reliability of the research results, this study targets a minimum of 220 respondents.

Data Collection Techniques

The data in this study is primary data obtained through the distribution of online questionnaires using Google Form. The questionnaire was distributed through various investment communities, social media, and student networks in the Greater Jakarta area. At the beginning of the questionnaire, respondents were asked to fill out a short profile to ensure compatibility with the research criteria. Only respondents who meet the criteria can continue filling out the questionnaire.

Research Variables

This study uses one dependent variable, namely *investment decision*, and three independent variables consisting of *financial inclusion*, *digital financial literacy*, and *risk perception*. All variables were measured using indicators adapted from previous research and adjusted to the research context. The measurement was carried out using a Likert scale with a range of 1 to 5, where the number 1 indicates strongly disagree and the number 5 indicates strongly agree.

Data Analysis

This research uses analytical techniques *Structural Equation Modeling* based *Partial Least Squares* (SEM-PLS) with the help of SmartPLS software. This method was chosen because it is able to analyze the relationships between latent variables simultaneously and does not require normal distribution assumptions (Hair et al., 2019).

Data analysis is carried out through two main stages, namely the evaluation of the measurement model (*outer model*) and the evaluation of the structural model (*inner model*). The *evaluation of the outer model* was carried out to test the validity and reliability of the construct through *the outer loading* values, *composite reliability*, and *average variance extracted* (AVE).

Furthermore, *an internal model evaluation* was carried out to test the relationship between variables by looking at the R-square value, *path coefficient*, and significance of the relationship through *a bootstrapping test* with a p-value criterion of < 0.05.

RESULTS AND DISCUSSION

The questionnaire that has been distributed received responses from 244 respondents. The characteristics of the respondents were gender, age group, domicile, occupation, investment application, income and investment period. The data shows that the majority of respondents are men amounting to 126 people (51.6%). Meanwhile, the predominantly age group is 20-25 years old which amounts to 122 people (50%). The majority of respondents came from Tangerang as many as 78 people (32%) with the most jobs being private employees amounting to 72 people (29.5%). The respondents most used the pluang application to invest as many as 80 people (32.9%) by choosing an investment period at most 3-4 times in 1 year for 68 people (27.9). The most respondents' income was Rp. 5,000,001 – Rp. 10,000,000 as many as 116 people (48.1%) with the majority of medium-term investment goals of 1-3 years as many as 118 people (48.6%).

Analysis Results Using SEM-PLS

Outer Model (Measurement Model)

An outer model test needs to be carried out to determine the measurement quality of latent variables in this study, namely Financial Inclusion (X1), Digital Financial Literacy (X2), Risk Perception (X3), and Investment Decision (Y). Validity and reliability tests are tested to check whether the characteristics of each variable meet certain criteria. Characteristics that indicate validity and reliability can be used as a measuring tool for the variables in question. Figure 1 below shows the results of *the outer model test*.

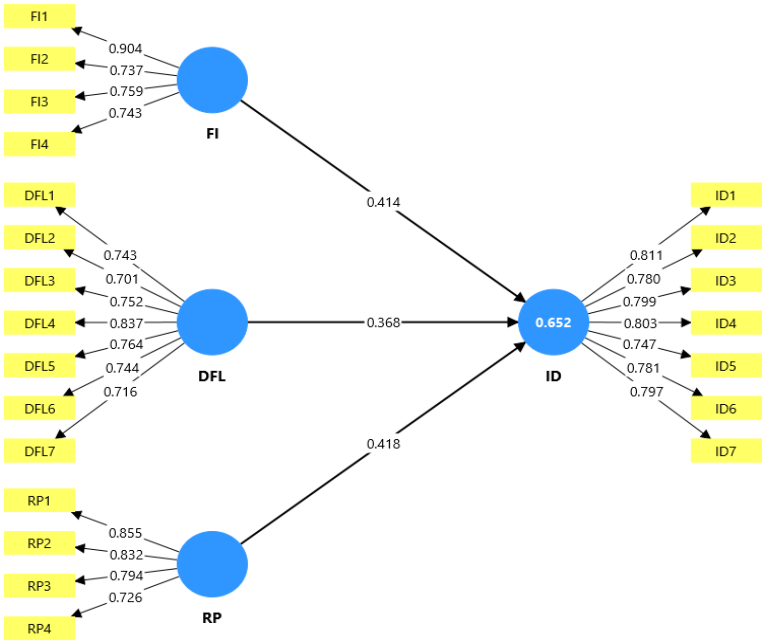


Figure 1. Outer Model Test Results
Source: Processed Author (2026)

Table 1. Outer Loadings

	FI	DFL	RP	Id. at 1
FI1	0,904			
FI2	0,737			
FI3	0,759			
FI4	0,743			
DFL1		0,743		
DFL2		0,701		

DFL3	0,752		
DFL4	0,837		
DFL5	0,764		
DFL6	0,744		
DFL7	0,716		
RP1		0,855	
RP2		0,832	
RP3		0,794	
RP4		0,726	
ID1			0,811
ID2			0,780
ID3			0,799
ID4			0,803
ID5			0,747
ID6			0,781
ID7			0,797

Source: Processed Author (2026)

According to Hair et al. (2019), an indicator for each variable is considered valid if the score reaches ≥ 0.70. With Looking at Table 1, all reflective indicators of the latent variable present show the value of *Loading Factors* ≥ 0.70, so it can be said that all indicators have met the validity criteria.

Table 2. Construct Reliability & Validity

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	AVE
FI	0,796	0,829	0,867	0,622
DFL	0,872	0,877	0,901	0,565
RP	0,816	0,825	0,879	0,645
Id. at 1	0,899	0,900	0,920	0,622

Source: Processed Author (2026)

Hair et al. (2019) states that the indicator for a latent variable is considered valid if the AVE value of that variable ≥ 0.50. The results of the reliability and validity of the construct in Table 2 show the AVE value for all latent variables ≥ 0.50, confirming that each indicator can be used to measure the latent variables of each of these studies.

Hair et al. (2019) states that the indicator is considered reliable if Cronbach's Alpha and Composite Reliability (rho_c) values for each variable ≥ 0.70. The results in Table 2 support the fact that the parameters of each of the latent variables of this study meet the necessary reliability criteria.

Inner Model (Structural Model)

Structural model testing is intended to evaluate the assumed causal relationships between variables in a study. This testing stage includes R-Square analysis as well as hypothesis validation. The illustration in Figure 2 below presents the results of the inner model test.

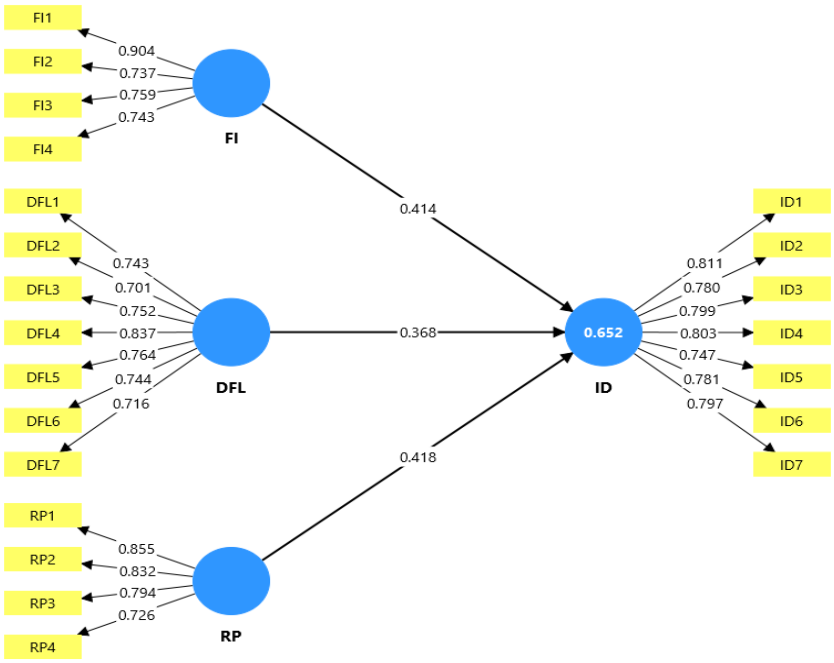


Figure 2. Inner Model Test Results
Source: Processed Author (2026)

Table 3. R-Square

Variable	R-square
Id. at 1	0,652

Source: Processed Author (2026)

According to Hair et al. (2019), the R-Square value is generally in the range of 0 to 1. The results of the R-Square test shown in Table 3 show a number of 0.652, which indicates that independent variables such as Financial Inclusion (X1), Digital Financial Literacy (X2), and Risk Perception (X3) together explain 65.2% of the dependent variable model, namely Investment Decision (Y).

Table 4. Path Coefficient

Relationships	Original Sample (O)	Sample Mean (M)	STDEV	T Statistics	P Values
FI → ID	0,414	0,415	0,044	9,306	0,000
DFL → ID	0,368	0,368	0,041	9,001	0,000
RP → ID	0,418	0,419	0,045	9,241	0,000

Source: Processed Author (2026)

Hypothesis testing was carried out to assess the relationship between variables in the structural model, by utilizing P values to determine the existence or absence of these relationships. According to Hair et al. (2019), results with P values ≤ 0.05 indicate a significant relationship, while P values > 0.05 indicate that the relationship is not significant. From the results of hypothesis testing seen in Table 4 above, the following conclusions can be deduced:

The Influence of Financial Inclusion on Investment Decisions

Referring to the results of hypothesis testing, it was found that Financial Inclusion has a positive influence on the Investment Decisions of Generation Z investors in Greater Jakarta. This indicates that H1 is accepted. This is supported by P values of 0.000, lower than 0.05, which means the relationship is positive and significant.

The results of this study show that the higher the level of financial inclusion that Generation Z has, the better the investment decisions they make. Ease of access to formal

financial services, the availability of digital investment platforms, and the ease of obtaining information and making transactions online encourage Generation Z to be more active and confident in investing. Financial inclusion not only expands access to financial products, but also increases the opportunities for the younger generation to understand and utilize investment instruments more optimally.

On the other hand, high financial inclusion also makes it easier for Generation Z to obtain information and make investment transactions in real time, so that investment decisions can be made faster and more efficiently. However, the ease of access needs to be balanced with adequate financial understanding so that Generation Z is not trapped in impulsive investment decisions or only following the popular digital investment trends. Therefore, financial inclusion not only plays a role in expanding investment access, but is also an important factor in shaping the quality of Generation Z's investment decisions in a more rational and sustainable manner.

These findings are in line with *Theory of Planned Behavior* (TPB) which explains that individual behavior is influenced by the perception of ability and control over an action (Ajzen, 1991). The easier access to formal financial services, the greater the perceived behavioral control of investors to carry out investment activities. In other words, when individuals feel that the means, access, and support to invest are available, then the tendency to make investment decisions also becomes stronger.

The results of this study are also in line with the research Mutamimah et al. (2023) and Squirt (2025) which states that financial inclusion has a positive effect on investment decisions. The findings reinforce the argument that the more inclusive the financial system that investors feel, the more likely they are to make active and targeted investment decisions.

The Influence of Digital Financial Literacy on Investment Decisions

Based on the results of hypothesis testing, it shows that Digital Financial Literacy has a positive influence on the Investment Decisions of Generation Z investors in Greater Jakarta. This indicates that H2 is accepted. This is supported by a P value of 0.000, lower than 0.05, so that the relationship between variables is declared positive and significant.

These findings show that the higher the individual's ability to understand, evaluate, and use digital financial services, the better the quality of their investment decisions. Digital financial literacy helps investors understand digital investment products, assess the legality of service providers, read potential transaction risks, and utilize investment applications more effectively. In the context of Generation Z who are very close to digital technology, this ability is an important factor that supports more rational and appropriate investment decision-making.

The results of this research have a significant impact on Generation Z, because this generation is a digital native who is highly dependent on digital technology and information in their financial activities. High digital financial literacy can help Generation Z be more selective in choosing investment instruments, understand the risks of digital investment fraud, and improve their ability to manage finances and assets from a young age. In addition, the ability to understand digital financial information can also reduce impulsive investment behaviors that are often influenced by social media trends or the phenomenon of *fear of missing out* (FOMO). With good digital financial literacy, Generation Z tends to be more confident in making investment decisions that suit their goals and risk profile.

Theoretically, these results are consistent with *Theory of Planned Behavior*, because digital financial literacy reflects an individual's ability to control and carry out investment activities (Ajzen, 1991). The higher a person's digital-financial understanding, the higher his confidence that he is able to invest correctly. In addition, from a behavioral finance perspective, good literacy can help investors reduce impulsive decisions and focus more on considering relevant information before investing.

The results of this study are in line with the findings Rahayu et al. (2022) and Maulana et al. (2025) which shows that digital financial literacy has a positive effect on investment behavior and decisions. This means that adequate digital-financial capabilities can be an important foundation for young investors to make more directed, safe, and productive investment decisions.

The Influence of Risk Perception on Investment Decisions

The results of the hypothesis test found that Risk Perception has a positive influence on the Investment Decisions of Generation Z investors in Greater Jakarta. This indicates that H3 is accepted. This is evidenced by the P values of 0.000, lower than 0.05, which indicates a positive and significant relationship. The findings show that the better Generation Z's understanding and perception of investment risks, the better the investment decisions they make.

The results of this study indicate that risk perception is one of the important considerations for Generation Z before investing. Investors who are able to understand the risk level of an investment instrument tend to be more careful and rational in determining investment choices that are in accordance with their financial goals and risk profile. With an understanding of the potential losses and profits, investment decisions taken become more measurable and not only based on speculation or momentary trends.

The results of this study have an important impact on Generation Z, because this generation tends to have very wide access to information through digital media and social media, including information about investment opportunities with high levels of profits. However, on the other hand, these conditions also increase the risk of exposure to speculative investments or investment decisions influenced by market hype and *fear of missing out* (FOMO). Therefore, a good perception of risk can help Generation Z be better able to consider the consequences of every investment decision, so that they are more selective in choosing investment instruments and are not easily influenced by information that is not necessarily valid. A good understanding of risk can also help Generation Z build more disciplined, realistic, and long-term oriented investment behavior.

This result can be explained through *Behavioral Finance Theory*, specifically Prospect Theory, which states that individuals tend to evaluate decisions in conditions of uncertainty based on their perception of potential gains and losses. Investors who have a more mature perception of risk do not necessarily avoid investments, but instead use an understanding of risk as a basis for making wiser decisions. Thus, risk perception can serve as an evaluative mechanism that strengthens the quality of investment decisions.

These findings are in accordance with research conducted by Rudianto et al. (2025), Sunarko & Sutrisno (2025), and Purnomo et al. (2025) which states that risk perception has a positive effect on investment decisions. These results confirm that investors who are able to understand the risks proportionately will be better prepared to make investment decisions than investors who do not understand the risks faced.

CONCLUSION

Based on the results of the study, it can be concluded that financial inclusion, digital financial literacy, and risk perception have a positive and significant effect on investment decisions in Generation Z in Greater Jakarta. These findings show that the better an individual's access to formal financial services, the higher the ability to understand and use digital financial services, and the better the ability to perceive investment risks, the better the investment decisions made.

Theoretically, the results of this study support the Theory of Planned Behavior and Behavioral Finance Theory, especially Prospect Theory, which explains that investment

decisions are influenced by the perception of individual ability, access, and assessment of risk. Practically, the results of this study indicate that improving the quality of investment decisions in Generation Z is not enough only through expanding access to finance, but also needs to be supported by strengthening digital financial literacy and education about investment risks.

This study still has limitations because it only focuses on Generation Z in the Greater Jakarta area and uses three independent variables. Therefore, further research is recommended to expand the scope of the region, increase the number of variables, or develop a research model with mediation and moderation variables in order to gain a more comprehensive understanding of the factors influencing investment decisions.

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