THE INFLUENCE OF FINANCIAL LITERACY, COGNITIVE BIAS AND EMOTIONAL BIAS ON INVESTMENT DECISION IN DIGITAL PLATFORMS AMONG GENERATION Y (MILLENIALS) AND GENERATION Z IN INDONESIA WITH RISK PERCEPTION AS A MEDIATING VARIABLE

THESIS

As a Requirement to Obtain Bachelor's Degree in Management Science

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KEVIN

PENGARUH LITERASI KEUANGAN, BIAS KOGNITIF DAN BIAS EMOSIONAL TERHADAP KEPUTUSAN INVESTASI PADA PLATFORM DIGITAL DI KALANGAN GENERASI Y (MILENIAL) DAN GENERASI Z DI INDONESIA DENGAN PERSEPSI RISIKO SEBAGAI VARIABEL MEDIASI

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh literasi keuangan, bias kognitif *(overconfidence, cognitive dissonance, illusion of control)* dan bias emosional *(loss aversion*) terhadap keputusan investasi di platform digital, dengan persepsi risiko sebagai variabel mediasi. Penelitian ini difokuskan pada Generasi Y (Milenial) dan Generasi Z di Indonesia yang aktif menggunakan platform investasi digital. Metode yang digunakan adalah kuantitatif dengan Teknik pengambilan sample *non-probability sampling* melalui *snowball sampling*, melibatkan 406 responden. Pengolahan data dilakukan menggunakan (SEM-PLS) *Partial Least Square* Versi 4.0. Hasil penelitian menunjukkan bahwa literasi keuangan, *overconfidence, cognitive dissonance* berpengaruh positif dan signifikan terhadap keputusan investasi. *Illusion of control dan loss aversion* tidak memiliki pengaruh langsung yang signifikan terhadap keputusan investasi. Persepsi risiko secara langsung meningkatkan keputusan investasi dan memediasi hubungan literasi keuangan dan *illusion of control* dengan keputusan investasi, tetapi tidak memediasi *overconfidence, cognitive dissonance dan loss aversion.* Temuan menegaskan pentingnya meningkatkan literasi keuangan dan pengelolaan persepsi risiko untuk mendorong keputusan investasi yang lebih rasional pada generasi muda Indonesia.

Kata kunci: Literasi Keuangan, Overconfidence, Cognitive Dissonance, Illusion of Control, Loss Aversion, Persepsi Risiko, Keputusan Investasi.

THE INFLUENCE OF FINANCIAL LITERACY, COGNITIVE BIAS AND EMOTIONAL BIAS ON INVESTMENT DECISION IN DIGITAL PLATFORMS AMONG GENERATION Y (MILLENIALS) AND GENERATION Z IN INDONESIA WITH RISK PERCEPTION AS A MEDIATING VARIABLE

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ABSTRACT

This study aims to determine the influence of financial literacy, cognitive biases (overconfidence, cognitive dissonance, illusion of control), and emotional bias (loss aversion) on investment decisions on digital platforms, with risk perception as a mediating variable**.** The research focuses on Generation Y (Millennials) and Generation Z in Indonesia who actively use digital investment platforms. A quantitative method was employed with a non-probability sampling technique using snowball sampling, involving 406 respondents. Data were processed using Partial Least Squares-Structural Equation Model (PLS-SEM) version 4.0. The results indicate that financial literacy, overconfidence, and cognitive dissonance have a positive and significant effect on investment decisions. In contrast, illusion of control and loss aversion do not have a direct significant effect on investment decisions. Risk perception directly enhances investment decisions and mediates the relationship between financial literacy and illusion of control with investment decisions, but does not mediate the effects of overconfidence, cognitive dissonance, and loss aversion. These findings highlight the importance of improving financial literacy and managing risk perception to promote more rational investment decisions among Indonesia's younger generations.

Keywords**:** Financial Literacy, Overconfidence, Cognitive Dissonance, Illusion of Control, Loss Aversion, Risk Perception, Investment Decision.

PENGARUH LITERASI KEUANGAN, BIAS KOGNITIF DAN BIAS EMOSIONAL TERHADAP KEPUTUSAN INVESTASI PADA PLATFORM DIGITAL DI KALANGAN GENERASI Y (MILENIAL) DAN GENERASI Z DI INDONESIA DENGAN PERSEPSI RISIKO SEBAGAI VARIABEL MEDIASI

RINGKASAN

A. Latar Belakang dan Tujuan Penelitian

Perkembangan teknologi digital telah memberikan dampak besar dalam dunia keuangan, khususnya dalam aktivitas investasi. Munculnya platform investasi digital seperti saham mempermudah akses masyarakat terhadap instrument keuangan. Generasi Y (Milenial) dan Generasi Z menjadi kelompok yang paling aktif dalam memanfaatkan platform tersebut. Berdasarkan data KSEI, hingga Agustus 2024 jumlah investor pasar modal mencapai 13,9 juta, naik 1,6 juta pada 2019 atau meningkat sebesar 760%, dengan Generasi Z mendominasi 55,07% dan Generasi Y sebesar 24,27%.

Namun, meningkatnya partisipasi tidak selalu diiringi dengan pengambilan keputusan investasi yang rasional. Banyak investor muda masih dipengaruhi oleh literasi keuangan yang rendah serta bias psikologis seperti *overconfidence, cognitive dissonance, illusion of control* dan *loss aversion*. Dalam kondisi ini, persepsi risiko berperan sebagai mekanisme psikologis yang menjembatani pengaruh faktor-faktor tersebut terhadap keputusan investasi.

Penelitian ini bertujuan untuk mengetahui pengaruh literasi keuangan, bias kognitif dan bias emosional terhadap keputusan investasi pada platform digital, dengan persepsi risiko sebagai variabel mediasi di kalangan Generasi Y dan Generasi Z di Indonesia.

B. Pertanyaan Penelitian

1. Bagaimana pengaruh literasi keuangan terhadap keputusan investasi pada Generasi Y dan Z pengguna platform digital di Indonesia?
2. Bagaimana pengaruh *overconfidence* terhadap keputusan investasi pada Generasi Y dan Z?
3. Bagaimana pengaruh *cognitive dissonance* terhadap keputusan investasi pada Generasi Y dan Z?
4. Bagaimana pengaruh *illusion of control* terhadap keputusan investasi pada Generasi Y dan Z?
5. Bagaimana pengaruh *loss aversion* terhadap keputusan investasi pada Generasi Y dan Z?
6. Bagaimana pengaruh persepsi risiko terhadap keputusan investasi pada Generasi Y dan Z?

7. Bagaimana pengaruh literasi keuangan terhadap persepsi risiko pada Generasi Y dan Z?
8. Bagaimana pengaruh *overconfidence* terhadap persepsi risiko pada Generasi Y dan Z?
9. Bagaimana pengaruh *cognitive dissonance* terhadap persepsi risiko pada Generasi Y dan Z?
10. Bagaimana pengaruh *illusion of control* terhadap persepsi risiko pada Generasi Y dan Z?
11. Bagaimana pengaruh *loss aversion* terhadap persepsi risiko pada Generasi Y dan Z?
12. Apakah persepsi risiko memediasi hubungan antara literasi keuangan dan keputusan investasi pada Generasi Y dan Z?
13. Apakah persepsi risiko memediasi hubungan antara *overconfidence* dan keputusan investasi pada Generasi Y dan Z?
14. Apakah persepsi risiko memediasi hubungan antara *cognitive dissonance* dan keputusan investasi pada Generasi Y dan Z?
15. Apakah persepsi risiko memediasi hubungan antara *illusion of control* dan keputusan investasi pada Generasi Y dan Z?
16. Apakah persepsi risiko memediasi hubungan antara *loss aversion* dan keputusan investasi pada Generasi Y dan Z?

C. Tujuan Penelitian

1. Untuk memperoleh hasil empiris mengenai pengaruh literasi keuangan terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
2. Untuk memperoleh hasil empiris mengenai pengaruh *overconfidence* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
3. Untuk memperoleh hasil empiris mengenai pengaruh *cognitive dissonance* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
4. Untuk memperoleh hasil empiris mengenai pengaruh *illusion of control* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
5. Untuk memperoleh hasil empiris mengenai pengaruh *loss aversion* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
6. Untuk memperoleh hasil empiris mengenai pengaruh persepsi risiko terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
7. Untuk memperoleh hasil empiris mengenai pengaruh literasi keuangan terhadap persepsi risiko pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.

8. Untuk memperoleh hasil empiris mengenai pengaruh *overconfidence* terhadap persepsi risiko pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
9. Untuk memperoleh hasil empiris mengenai pengaruh *cognitive dissonance* terhadap persepsi risiko pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
10. Untuk memperoleh hasil empiris mengenai pengaruh *illusion of control* terhadap persepsi risiko pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
11. Untuk memperoleh hasil empiris mengenai pengaruh *loss aversion* terhadap persepsi risiko pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
12. Untuk memperoleh hasil empiris mengenai peran mediasi variabel persepsi risiko terhadap pengaruh literasi keuangan terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
13. Untuk memperoleh hasil empiris mengenai peran mediasi variabel persepsi risiko terhadap pengaruh *overconfidence* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
14. Untuk memperoleh hasil empiris mengenai peran mediasi variabel persepsi risiko terhadap pengaruh *cognitive dissonance* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
15. Untuk memperoleh hasil empiris mengenai peran mediasi variabel persepsi risiko terhadap pengaruh *illusion of control* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.
16. Untuk memperoleh hasil empiris mengenai peran mediasi variabel persepsi risiko terhadap pengaruh *loss aversion* terhadap keputusan investasi pada Generasi Y dan Z yang menggunakan platform investasi digital di Indonesia.

D. Metode Penelitian

Pada penelitian ini menggunakan metode kuantitatif. Jumlah sampel dibutuhkan pada penelitian ini adalah 350 responden. Teknik pengambilan sampel dalam penelitian ini menggunakan *non-probability sampling* dalam bentuk *snowball sampling.* Pengolahan data pada penelitian ini dilakukan dengan teknik analisis PLS-SEM (*Partial Least Square-Structural Equation Model*) dengan menggunakan *Smart*-PLS 4.0

E. Hasil dan Pembahasan

1. Pengaruh antara Literasi Keuangan (FL) terhadap Keputusan Investasi (ID) menunjukkan nilai T-Statistics sebesar 4.158 > 1.96 dan P-Values sebesar 0.000 < 0.05, yang berarti berpengaruh positif dan signifikan.
2. Pengaruh antara *Overconfidence* (OV) terhadap Keputusan Investasi (ID) menunjukkan nilai T-Statistics sebesar 2.261 > 1.96 dan P-Values sebesar 0.025 < 0.05, menunjukkan pengaruh positif dan signifikan.

3. Pengaruh antara *Cognitive Dissonance* (CD) terhadap Keputusan Investasi (ID) menunjukkan nilai T-Statistics sebesar 2.179 > 1.96 dan P-Values sebesar 0.030 < 0.05, menunjukkan pengaruh positif dan signifikan.
4. Pengaruh antara *Illusion of Control* (IOC) terhadap Keputusan Investasi (ID menunjukkan nilai T-Statistics sebesar 0.245 < 1.96 dan P-Values sebesar 0.807 > 0.05, sehingga tidak signifikan.
5. Pengaruh antara *Loss Aversion* (LA) terhadap Keputusan Investasi (ID) menunjukkan nilai T-Statistics sebesar 1.681 < 1.96 dan P-Values sebesar 0.093 > 0.05, sehingga tidak signifikan.
6. Pengaruh antara Persepsi Risiko (RP) terhadap Keputusan Investasi (ID) menunjukkan nilai T-Statistics sebesar 4.344 > 1.96 dan P-Values sebesar 0.000 < 0.05, menunjukkan pengaruh positif dan signifikan.
7. Pengaruh antara Literasi Keuangan (FL) terhadap Persepsi Risiko (RP) memperoleh nilai T-Statistics sebesar 3.317 > 1.96 dan P-Values sebesar 0.001 < 0.05, menunjukkan pengaruh positif dan signifikan.
8. Pengaruh antara *Overconfidence* (OV) terhadap Persepsi Risiko (RP) memperoleh nilai T-Statistics sebesar 0.804 < 1.96 dan P-Values sebesar 0.422 > 0.05, sehingga tidak signifikan.
9. Pengaruh antara *Cognitive Dissonance* (CD) terhadap Persepsi Risiko (RP) memperoleh nilai T-Statistics sebesar 0.887 < 1.96 dan P-Values sebesar 0.375 > 0.05, sehingga tidak signifikan.
10. Pengaruh antara *Illusion of Control* (IOC) terhadap Persepsi Risiko (RP) memperoleh nilai T-Statistics sebesar 2.011 > 1.96 dan P-Values sebesar 0.045 < 0.05, menunjukkan pengaruh positif dan signifikan.
11. Pengaruh antara *Loss Aversion* (LA) terhadap Persepsi Risiko (RP) memperoleh nilai T-Statistics sebesar 1.847 < 1.96 dan P-Values sebesar 0.065 > 0.05, sehingga tidak signifikan.
12. Pengaruh tidak langsung antara Literasi Keuangan (FL) terhadap Keputusan Investasi (ID) melalui Persepsi Risiko (RP) menunjukkan nilai T-Statistics sebesar 3.005 > 1.96 dan P-Values sebesar 0.003 < 0.05, menunjukkan pengaruh mediasi yang signifikan.
13. Pengaruh tidak langsung antara *Overconfidence* (OV) terhadap Keputusan Investasi (ID) melalui Persepsi Risiko (RP) menunjukkan nilai T-Statistics sebesar 0.982 < 1.96 dan P-Values sebesar 0.326 > 0.05, sehingga tidak signifikan.
14. Pengaruh tidak langsung antara *Cognitive Dissonance* (CD) terhadap Keputusan Investasi (ID) melalui Persepsi Risiko (RP) menunjukkan nilai T-Statistics sebesar 0.913 < 1.96 dan P-Values sebesar 0.362 > 0.05, sehingga tidak signifikan.
15. Pengaruh tidak langsung antara *Illusion of Control* (IOC) terhadap Keputusan Investasi (ID) melalui Persepsi Risiko (RP) menunjukkan nilai T-Statistics sebesar 1.972 > 1.96 dan P-Values sebesar 0.049 < 0.05, menunjukkan pengaruh mediasi yang signifikan.
16. Pengaruh tidak langsung antara *Loss Aversion* (LA) terhadap Keputusan Investasi (ID) melalui Persepsi Risiko (RP) menunjukkan nilai T-Statistics

sebesar 1.870 < 1.96 dan P-Values sebesar 0.062 > 0.05, sehingga tidak signifikan.

F. Kesimpulan dan Rekomendasi

Kesimpulan

1. Hasil analisis deskriptif pada penelitian ini menunjukkan bahwa seluruh variabel memiliki nilai rata-rata yang termasuk dalam kategori sangat tinggi, termasuk Literasi Keuangan, *Overconfidence, Cognitive Dissonance, Illusion of Control, Loss Aversion,* Persepsi Risiko, dan Keputusan Investasi. Pada Literasi Keuangan, indikator dengan nilai rata-rata tertinggi adalah pengelolaan keuangan. Pada *Overconfidence*, indikator tertinggi adalah keyakinan berlebih terhadap informasi pribadi. Pada *Cognitive Dissonance*, indikator tertinggi adalah penolakan terhadap informasi yang bertentangan. Pada *Illusion of Control,* indikator tertinggi adalah persepsi dapat mengontrol hasil investasi. Sedangkan pada *Loss Aversion*, indikator tertinggi adalah kecemasan terhadap kerugian. Untuk Persepsi Risiko, indikator tertinggi adalah tingkat risiko yang dirasakan, dan untuk Keputusan Investasi, indikator tertinggi adalah niat berinvestasi di masa depan.
2. Hasil uji hipotesis menunjukkan bahwa terdapat pengaruh langsung yang signifikan dari Literasi Keuangan, *Overconfidence, dan Cognitive Dissonance* terhadap Keputusan Investasi. Namun, *Illusion of Control dan Loss Aversion* tidak memiliki pengaruh langsung yang signifikan terhadap Keputusan Investasi. Sementara itu, Persepsi Risiko memiliki pengaruh positif dan signifikan terhadap Keputusan Investasi. Dengan demikian, hanya sebagian variabel independen yang berpengaruh secara langsung terhadap variabel dependen.
3. Hasil analisis uji mediasi menggunakan specific indirect effects menunjukkan bahwa terdapat pengaruh tidak langsung yang signifikan pada hubungan antara Literasi Keuangan terhadap Keputusan Investasi melalui Persepsi Risiko, serta antara *Illusion of Control* terhadap Keputusan Investasi melalui Persepsi Risiko. Sedangkan pengaruh tidak langsung dari *Overconfidence, Cognitive Dissonance*, dan *Loss Aversion* terhadap Keputusan Investasi melalui Persepsi Risiko tidak signifikan.

Rekomendasi

1. Berdasarkan hasil penelitian ini, disarankan agar investor muda, khususnya Generasi Y dan Z, lebih meningkatkan literasi keuangan mereka, karena terbukti memiliki pengaruh langsung maupun tidak langsung terhadap keputusan investasi. Investor juga perlu memahami bias-bias psikologis yang dapat memengaruhi keputusan investasi, terutama dalam mengelola persepsi terhadap risiko investasi.
2. Untuk pengembangan penelitian selanjutnya, disarankan menggunakan populasi yang lebih luas, misalnya melibatkan investor dari latar belakang wilayah, profesi, atau pengalaman investasi yang berbeda. Penelitian juga

dapat diperluas ke generasi lain seperti Generasi X atau Baby Boomers untuk melihat perbedaan

pola perilaku. Selain itu, disarankan menggunakan pendekatan kualitatif atau mixed-method untuk menggali lebih dalam persepsi investor terhadap risiko.

THE INFLUENCE OF FINANCIAL LITERACY, COGNITIVE BIAS AND EMOTIONAL BIAS ON INVESTMENT DECISION IN DIGITAL PLATFORMS AMONG GENERATION Y (MILLENIALS) AND GENERATION Z IN INDONESIA WITH RISK PERCEPTION AS A MEDIATING VARIABLE

SUMMARY

A. Background and Research Objectives

The advancement of digital technology has had a significant impact on the financial world, particularly in investment activities. The emergence of digital investment platforms such as stock trading has made financial instruments more accessible to the public. Generation Y (Millennials) and Generation Z are the most active groups utilizing these platforms. According to data from KSEI, as of August 2024, the number of capital market investors reached 13.9 million, an increase of 1.6 million from 2019 or a growth of 760%, with Generation Z dominating at 55.07% and Generation Y at 24.27%.

However, the increase in participation is not always accompanied by rational investment decision-making. Many young investors are still influenced by low financial literacy and psychological biases such as overconfidence, cognitive dissonance, illusion of control, and loss aversion. In this context, risk perception plays a psychological role in bridging the influence of these factors on investment decisions. This study aims to examine the influence of financial literacy, cognitive bias, and emotional bias on investment decisions on digital platforms, with risk perception as a mediating variable among Generation Y and Generation Z in Indonesia.

B. Research Questions

1. How does financial literacy affect investment decisions among Generation Y and Z using digital investment platforms in Indonesia?
2. How does overconfidence influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
3. How does cognitive dissonance influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
4. How does illusion of control influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
5. How does loss aversion influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
6. How does risk perception influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
7. How does financial literacy influence risk perception in generations Y and Z on digital investment platforms in Indonesia?

8. How does overconfidence influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
9. How does cognitive dissonance influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
10. How does illusion of control influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
11. How does loss aversion influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
12. Does risk perception mediate the relationship between financial literacy and investment decisions among Generation Y and Z in Indonesia?
13. Does risk perception mediate the relationship between overconfidence and investment decisions among Generation Y and Z in Indonesia?
14. Does risk perception mediate the relationship between cognitive dissonance and investment decisions among Generation Y and Z in Indonesia?
15. Does risk perception mediate the relationship between illusion of control and investment decisions among Generation Y and Z in Indonesia?
16. Does risk perception mediate the relationship between loss aversion and investment decisions among Generation Y and Z in Indonesia?

C. Research Objective

1. To obtain empirical results regarding the effect of financial literacy on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
2. To obtain empirical results regarding the effect of overconfidence on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
3. To obtain empirical results regarding the effect of cognitive dissonance on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
4. To obtain empirical results regarding the effect of illusion of control on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
5. To obtain empirical results regarding the effect of loss aversion on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
6. To obtain empirical results regarding the effect of risk perception on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
7. To obtain empirical results regarding the effect of financial literacy on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
8. To obtain empirical results regarding the effect of overconfidence on risk perception in generations Y and Z who use digital investment platforms in Indonesia.

9. To obtain empirical results regarding the effect of cognitive dissonance on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
10. To obtain empirical results regarding the effect of illusion of control on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
11. To obtain empirical results regarding the effect of loss aversion on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
12. To obtain empirical results regarding the mediating role of risk perception variables on the influence of financial literacy on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
13. To obtain empirical results regarding the mediating role of risk perception variables on the influence of overconfidence on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
14. To obtain empirical results regarding the mediating role of risk perception variables on the influence of cognitive dissonance on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
15. To obtain empirical results regarding the mediating role of risk perception variables on the influence of illusion of control on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
16. To obtain empirical results regarding the mediating role of risk perception variables on the influence of loss aversion on investment decisions in generations Y and Z using digital investment platforms in Indonesia.

D. Research Method

This study employs a quantitative research method. The sample size used in this study is 350 respondents. The sampling technique is non-probability sampling in the form of snowball sampling. Data analysis is conducted using the PLS-SEM (Partial Least Squares - Structural Equation Model) technique with Smart-PLS version 4.0.

E. Results and Discussion

1. The influence of Financial Literacy (FL) on Investment Decisions (ID) shows a T-statistic value of 4.158 > 1.96 and a P-value of 0.000 < 0.05, indicating a positive and significant effect.
2. The influence of Overconfidence (OV) on Investment Decisions (ID) shows a T-statistic of 2.261 > 1.96 and a P-value of 0.025 < 0.05, indicating a positive and significant effect.
3. The influence of Cognitive Dissonance (CD) on Investment Decisions (ID) shows a T-statistic of 2.179 > 1.96 and a P-value of 0.030 < 0.05, indicating a positive and significant effect.
4. The influence of Illusion of Control (IOC) on Investment Decisions (ID) shows a T-statistic of 0.245 < 1.96 and a P-value of 0.807 > 0.05, indicating no significant effect.

5. The influence of Loss Aversion (LA) on Investment Decisions (ID) shows a T-statistic of 1.681 < 1.96 and a P-value of 0.093 > 0.05, indicating no significant effect.
6. The influence of Risk Perception (RP) on Investment Decisions (ID) shows a T-statistic of 4.344 > 1.96 and a P-value of 0.000 < 0.05, indicating a positive and significant effect.
7. The influence of Financial Literacy (FL) on Risk Perception (RP) shows a T-statistic of 3.317 > 1.96 and a P-value of 0.001 < 0.05, indicating a positive and significant effect.
8. The influence of Overconfidence (OV) on Risk Perception (RP) shows a T-statistic of 0.804 < 1.96 and a P-value of 0.422 > 0.05, indicating no significant effect.
9. The influence of Cognitive Dissonance (CD) on Risk Perception (RP) shows a T-statistic of 0.887 < 1.96 and a P-value of 0.375 > 0.05, indicating no significant effect.
10. The influence of Illusion of Control (IOC) on Risk Perception (RP) shows a T-statistic of 2.011 > 1.96 and a P-value of 0.045 < 0.05, indicating a positive and significant effect.
11. The influence of Loss Aversion (LA) on Risk Perception (RP) shows a T-statistic of 1.847 < 1.96 and a P-value of 0.065 > 0.05, indicating no significant effect.
12. The indirect effect of Financial Literacy (FL) on Investment Decisions (ID) through Risk Perception (RP) shows a T-statistic of 3.005 > 1.96 and a P-value of 0.003 < 0.05, indicating a significant mediation effect.
13. The indirect effect of Overconfidence (OV) on Investment Decisions (ID) through Risk Perception (RP) shows a T-statistic of 0.982 < 1.96 and a P-value of 0.326 > 0.05, indicating no significant mediation effect.
14. The indirect effect of Cognitive Dissonance (CD) on Investment Decisions (ID) through Risk Perception (RP) shows a T-statistic of 0.913 < 1.96 and a P-value of 0.362 > 0.05, indicating no significant mediation effect.
15. The indirect effect of Illusion of Control (IOC) on Investment Decisions (ID) through Risk Perception (RP) shows a T-statistic of 1.972 > 1.96 and a P-value of 0.049 < 0.05, indicating a significant mediation effect.
16. The indirect effect of Loss Aversion (LA) on Investment Decisions (ID) through Risk Perception (RP) shows a T-statistic of 1.870 < 1.96 and a P-value of 0.062 > 0.05, indicating no significant mediation effect.

F. Conclusion and Recommendation

Conclusion

1. The descriptive analysis results indicate that all variables have a very high average score, including Financial Literacy, Overconfidence, Cognitive Dissonance, Illusion of Control, Loss Aversion, Risk Perception, and Investment Decisions. For Financial Literacy, the highest-scoring indicator is financial management. For Overconfidence, it is excessive confidence in personal information. For Cognitive Dissonance, it is rejection of conflicting information. For Illusion of Control, it is the perception of being able to control investment outcomes. For Loss Aversion, it is anxiety over losses. For Risk Perception, the highest is perceived level of risk, and for Investment Decisions, it is the intention to invest in the future.
2. The hypothesis testing results show that Financial Literacy, Overconfidence, and Cognitive Dissonance have significant direct effects on Investment Decisions. However, Illusion of Control and Loss Aversion do not have significant direct effects. Risk Perception, on the other hand, has a positive and significant direct effect on Investment Decisions. Thus, only some independent variables significantly influence the dependent variable.
3. Mediation analysis using specific indirect effects shows that Financial Literacy and Illusion of Control have significant indirect effects on Investment Decisions through Risk Perception. Meanwhile, Overconfidence, Cognitive Dissonance, and Loss Aversion do not have significant indirect effects through Risk Perception.

Recommendation

1. Based on the findings of this study, it is recommended that young investors, especially those from Generation Y and Z, improve their financial literacy, as it has both direct and indirect effects on investment decisions. Investors should also be aware of psychological biases that may affect their decisions, especially in managing their perception of investment risk.
2. For future research, it is suggested to use a broader population, such as involving investors from different regions, professions, or levels of investment experience. The study may also be expanded to other generations such as Generation X or Baby Boomers to explore behavioral differences. Moreover, employing a qualitative or mixed-methods approach could offer deeper insights into investors' risk perceptions.

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CHAPTER I
INTRODUCTION

1.1 Background

The rapid development of information and communication technology has had a profound impact on various fields, including the financial sector. This transformation has compelled the financial sector to swiftly adapt to complex and unpredictable dynamics, thereby opening up new opportunities in financial management (Musyarrofah & Susyanti, 2024). One of the activities in the financial sector that is positively affected by technological developments is investment activity. Graham (1973) defines investment as an operation that after thorough analysis promises capital security and adequate returns. Lubis (2016) defines investment as the activity of allocating financial or other resources to acquire current assets with the aim of generating future profits.

Technological advancements have had a profound impact on investment activities, leading to the emergence of digital investment platforms that have fundamentally transformed the investment landscape. This innovation signifies a fundamental shift in the investment landscape, wherein technology plays a pivotal role in enhancing the accessibility and efficiency of investment activities. The proliferation of Financial Technology (FinTech), fueled by expanding internet access in diverse regions, including emerging economies such as Indonesia, has expedited the adoption of digital investment platforms. According to Asosiasi Penyelenggara Jaringan Internet Indonesia (APJII) by 2024, the number of internet users in Indonesia is projected to reach 79.5% of the total Indonesian population in 2023. This penetration rate has exhibited 1.4% increase compared to the previous period. In terms of demographics, the majority of internet users are from Generation Z, constituting 34.40% of the total user base, followed by Generation Y (Millennials) at 30.62%. The growth in internet access has also driven the expansion of digital investment services, which have emerged as a practical and efficient solution for modern society.

Concomitant with the proliferation of financial technology, a multitude of digital investment platforms have emerged as solutions that facilitate the convenience of the community in investing. According to data from Otoritas Jasa keuangan (OJK), a

total of 93 FinTech companies have been officially registered, with the digital investment sector being one of the most popular. These digital investment platforms facilitate convenient access to investment services, irrespective of time and location. These platforms not only eliminate geographical constraints but also offer advanced functionalities, such as automated investment advisors leveraging Robo-advisory technology, portfolio personalization tailored to the user's risk profile, and instant transactions that enhance the efficiency of the investment process (Seiler & Fanenbruck, 2021). These innovations have the potential to enhance inclusivity and accessibility, particularly among the tech-savvy younger demographic.

Technological innovations presented by digital investment platforms facilitate the investment process and encourage increased public awareness, especially among the younger generation, of the importance of investing. These innovations include easy access and advanced features. This heightened awareness encompasses an understanding of prudent financial management as the foundation for informed investment decision-making. This phenomenon is evidenced by the rising number of capital market investors in Indonesia. According to data from the Bursa Efek Indonesia (BEI) the number of capital market investors in Indonesia surpassed 14 million SID (Single Investor Identification) as of October 3, 2024, marking an increase of 1.83 million from the end of 2023. This achievement can be attributed to a collaborative effort between the BEI, OJK, SRO, and other stakeholders, supported by innovative digitalization strategies in financial education. Furthermore, data from the Kustodian Sentral Efek Indonesia (KSEI) as of August 2024 indicates that the majority of capital market investors are from Generation Z (55.07%) and Generation Y (24.27%), with the majority of these individuals being in the early to mid stages of their professional careers. This predominance underscores the efficacy of digital investment platforms in engaging the productive age demographic.

Digital investment technologies have been shown to facilitate access and to increase investor participation. However, investment decisions are not solely based on data and rational analysis. Researchers have found that investment decisions made by investors are not solely based on risk and return considerations of an investment. A multitude of factors are taken into consideration during the investment decision-

making process. Investors have the capacity to expedite the decision-making process by leveraging data and facts derived from available information (Fama, 1970) and employing their knowledge and skills to assess investment opportunities (Neumann & Morgenstern, 1947). However, other studies have demonstrated that individual psychological aspects also play a significant role in determining investment choices (Kahnemen & Tversky, 1979). While investment decisions are often considered to be made rationally, the reality is that non-economic factors, such as financial literacy, cognitive biases, and emotional biases, can influence how investors evaluate investment opportunities.

A considerable body of research has been dedicated to the study of investment decisions. One notable study is that of Pradhana (2018), who examined the impact of financial literacy, cognitive bias, and emotional bias on investment decisions. This study is predicated on the increase in the number of investors in Indonesia, from 250,000 in 2012 to more than 1 million in July 2017. Since then, the number of investors has continued to show significant growth. According to data from the Kustodian Sentral Efek Indonesia (KSEI), the number of capital market investors increased from 1.6 million in 2019 to 13.9 million in September 2024. This figure signifies an addition of 12.3 million investors within the past five years, corresponding to a growth rate of 760%. This growth is indicative of heightened participation in the capital market and necessitates an assessment of investor preparedness in the face of increasingly intricate market dynamics.

Financial literacy remains a crucial determinant in shaping investment behaviour, yet disparities persist across different age groups. Survey Nasional Literasi dan Inklusi Keuangan (SNLIK), 2024 conducted by the Otoritas Jasa Keuangan (OJK) revealed that individuals between the ages of 18 - 25 (Generation Z) and 26 - 35 (Generation Y) exhibited relatively high financial literacy indices of 70.19% and 74.82%, respectively. Conversely, the 15-17 years and 51-79 years age groups exhibited lower literacy indices, with composite scores of 51.70% and 52.51%, respectively. This disparity underscores that despite enhanced access to financial information, the comprehension of investments is not uniformly distributed, particularly among young investors who predominate on digital platforms. Figure 1.1

provides a visual representation of the distribution of the financial literacy index by age group, highlighting the potential disparities that could influence investment decision-making patterns, particularly in the context of digital-based investments.

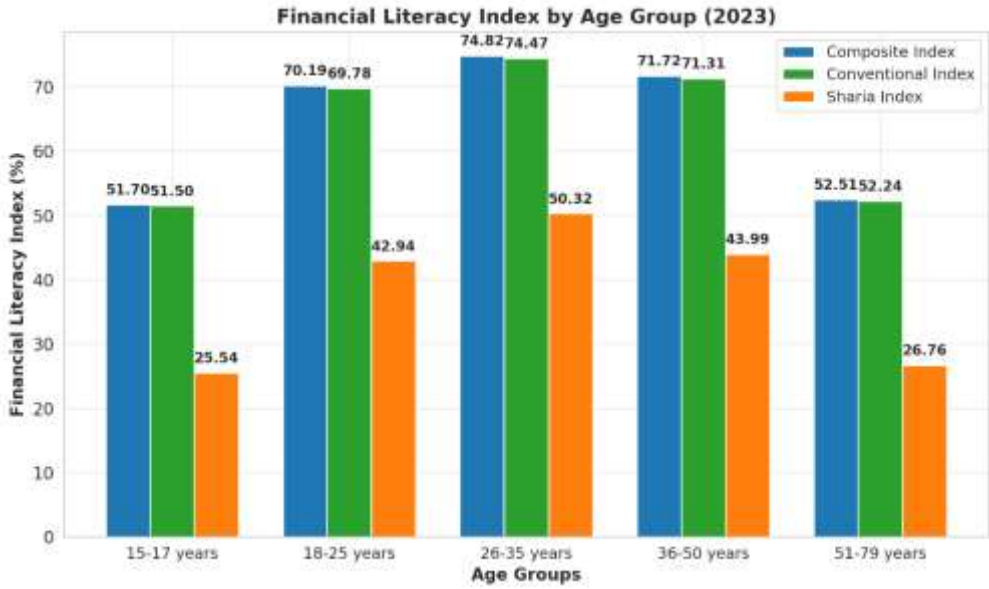


Figure 1.1 Classification of Financial Literacy Index by Age Groups
Source: Survey Nasional Literasi dan Inklusi Keuangan (SNLIK) OJK 2024

While Generations Y and Z have greater access to investment information sources, the main challenges they face are not only related to understanding basic financial concepts, but also how they apply this knowledge in making investment decisions. Financial digitization has facilitated greater access to investments, but it has also increased the potential for decision-making that is not entirely rational. Younger generations, particularly Generations Y and Z, face challenges in navigating the ever-evolving complexities of financial markets. Their inexperience with prudent investment strategies leaves them susceptible to the influence of psychological factors and limited information, particularly in a dynamic and uncertain digital environment. In this context, the role of financial literacy becomes paramount. However, extant research has yielded inconclusive results regarding the impact of financial literacy on investment decisions, necessitating further study.

According to the principles of Expected Utility theory, investors are expected to make rational investment decisions by considering their knowledge and skills when assessing the return and risk of an investment (Neumann & Morgenstern, 1947). Financial literacy is defined as the knowledge and ability of an individual to competently perform financial calculations in making a financial decision (Awais et al., 2016). The extant research on the impact of financial literacy on investment decisions has yielded equivocal results. The results of research by Pradhana (2018), Pradikasari & Isbanah (2018), Mutawally & Haryono (2019), Yundari & Artati (2021), Ademola et al. (2019) and Falah & Haryono (2023) demonstrate that financial literacy exerts no significant influence on investment decisions. Conversely, studies by Khanza & Krisnawati (2021), Zahwa & Soekarno (2023), Abdi (2024), Gupta et al. (2024) and Desy Geriadi (2023) demonstrate a substantial impact of financial literacy on investment decisions. This discrepancy in findings suggests that the effect of financial literacy on investment decisions has not yet reached a conclusive conclusion, necessitating further testing to clarify the relationship.

Prospect Theory posits that human decisions are not invariably rational, with psychological biases exerting a significant influence on individual judgment in decision-making processes (Kahnemen & Tversky, 1979). According to (Pompian, 2006) classification, bias can be categorized into two distinct types: Cognitive Bias and Emotional Bias. Cognitive bias is defined as a deviation in the process of understanding, processing, and making decisions on information or facts. Emotional bias, on the other hand, is characterized by an emphasis on feelings and spontaneity rather than on facts. Research (Novaesar, 2022; Pradhana, 2018) has examined cognitive bias and emotional bias in the context of investment decision making. The operationalization of cognitive bias encompasses three distinct variables: overconfidence, cognitive dissonance bias, and the illusion of control. Conversely, emotional bias is operationalized through three variables: loss aversion bias, regret aversion bias, and status quo bias.

Overconfidence bias is defined as an individual's exaggerated self-assurance in their expertise and capabilities (Isywara et al., 2024; Jannah & Ady, 2017; Shefrin, 2007). Investors frequently exhibit overconfidence when constructing an investment

portfolio. Conversely, research by Pradhana (2018), Chhapra et al. (2018), Pradikasari & Isbanah (2018), Carolina & Wiyanto (2023), Satyani (2024), Sukma Ardini et al. (2023), Yuliani & Nurwulandari (2023) and Ekajaya & Arifin (2024) have demonstrated that overconfidence exerts a positive influence on investment decisions. Research by Afriani & Halmawati (2019), Mahardhika & Asandimitra (2023), Novaesar (2022), Tubastuvi et al. (2024) and Santiara et al. (2024) did not demonstrate an association between overconfidence and investment decisions. The findings from the overconfidence variable testing have yielded inconclusive results, prompting the authors to conduct additional testing.

Cognitive dissonance bias is defined as the phenomenon in which investors comprehension of new information differs from their initial understanding (Pompian, 2006). This cognitive bias can lead to investor hesitancy in making investment decisions, as investors may perceive older information as being distinct from newer information. However, the extant research, including studies by Pradhana (2018), Afriani & Halmawati (2019), Hussain et al. (2023) and Zahro & Singgih (2024) has demonstrated an absence of influence of cognitive dissonance bias on investment decisions. Conversely, studies by Ady (2018), Jamil & Bashir (2021) and Novaesar (2022) demonstrate the impact of cognitive dissonance bias on investment decisions. The findings from the testing of the cognitive dissonance bias variable have yielded inconclusive results, prompting the authors to conduct additional testing.

The illusion of control fosters investor confidence in their ability to manage risk, yet the reality is often discordant (Pompian, 2006). The findings of research by Pradhana (2018), Novaesar (2022), Hussalman & Sari (2023) and Isywara et al. (2024) indicate that the illusion of control exerts an influence on investment decisions. However, contradictory results have been observed in the studies conducted by Pradikasari & Isbanah (2018) and Saputro & Wikartika (2023) which failed to demonstrate a substantial impact of the illusion of control on investment decisions. The inconclusive outcomes of the testing of the illusion of control variable have prompted the authors to undertake a renewed examination of its effect on investment decisions.

Loss aversion bias, a cognitive phenomenon characterized by a tendency to avoid losses and pursue gains (Pompian, 2006), has been observed to influence investor behavior. However, the findings of Pradhana (2018), Novaesar (2022) and Rawat (2024) suggest that loss aversion bias exerts no influence on investment decisions. However, studies by Pokharel (2020), Addinpujoartanto & Darmawan (2020), Pratiwi & Hariyanto (2024) and Widyastuti & Murtanto (2024) demonstrate that loss aversion bias does influence investment decisions. However, the results of testing the loss aversion bias variable have not yielded conclusive results. Consequently, the authors are motivated to re-examine the effect of the loss aversion variable on investment decisions.

Furthermore, in the context of financial behavior, risk perception plays a crucial psychological bridging role between rational factors such as financial literacy and non-rational factors such as cognitive and emotional biases when making investment decisions. In such a case, even an investor with high financial literacy mas still make irrational decisions if their perception of risk is overly low excessively high due to the influence of psychological biases. Conversely, an investor influenced by overconfidence or the illusion of control might underestimate risk and make flawed decisions despite their confidence. Therefore, this study includes risk perception as a mediating variable to explain how and why financial literacy and psychological biases translate into actual investment decisions, particularly among Generation Y and Z who actively use digital investment platforms.

In addition to financial literacy, cognitive bias, and emotional bias, risk perception is a critical component of investment decision-making. Risk perception is defined as the process by which an individual evaluates the potential loss or harm that could arise from an investment decision. In the context of digital investment platforms, risk perception may vary based on the level of financial literacy and the tendency of psychological biases held by investors. Research conducted by Kurnijanto et al. (2025) and Ahmed et al. (2022) has demonstrated that risk perception can mediate the relationship between financial literacy, cognitive bias, and emotional bias in investment decisions. This suggests that investors with a heightened sense of risk tend to exercise greater caution in their investment decision making, even when they

possess a substantial degree of financial literacy or are influenced by psychological biases. Consequently, risk perception emerges as a pivotal variable in comprehending the dynamics of investment decision making, particularly among the younger demographic that utilizes digital platforms extensively.

Pradhana (2018) research identified a research gap, wherein independent variables such as financial literacy, cognitive bias, and emotional bias were only able to explain 50% of the variability in investment decisions. A similar finding was reported in Novaesar (2022) research , which indicated that the independent variables studied, including financial literacy, cognitive bias, emotional bias, accounting information, and overreaction, exerted a influence of 59.3% on investment decisions. A salient distinction between this study and Novaesar (2022) lies in the contextual framework and the augmented focus on variable testing. Novaesar research was conducted at Soegijapranata Catholic University Semarang, with a sample from the Accounting study program, while this study focuses more on digital investment platforms and takes samples from generation Y (Millennials) and generation Z in Indonesia. The distinctive characteristics of these two generations, as they pertain to financial literacy and digital technology usage, are divergent from those of previous generations, thereby introducing an additional dimension to investment decision-making.

This study aims to make a contribution to the development of existing research by re-examining research on the effect of financial literacy (Novaesar, 2022; Pradhana, 2018), cognitive bias consisting of overconfidence, cognitive dissonance bias, and illusion of control, and emotional bias consisting of loss aversion bias. The present study, therefore, seeks to contribute to the existing body of knowledge by researching a topic entitled **"THE INFLUENCE OF FINANCIAL LITERACY, COGNITIVE BIAS AND EMOTIONAL BIAS ON INVESTMENT DECISION IN DIGITAL PLATFORMS AMONG GENERATION Y (MILLENIALS) AND GENERATION Z IN INDONESIA WITH RISK PERCEPTION AS A MEDIATING VARIABLE"**. The objective of this research is to examine in depth the factors that influence individual investment decisions, with a focus on Generations Y and Z in Indonesia who actively transact in digital investment

applications. It is anticipated that this research will make a substantial contribution to our understanding of the dynamics of investment behavior among the younger generation, as well as the mediating role of risk perception in the context of digital platforms.

1.2 Research Problem

1.2.1 Research Statement

In the contemporary digital era, investment decisions are becoming increasingly intricate, particularly among Indonesia's younger generations, specifically Generation Y (Millennials) and Generation Z, who actively utilize digital investment platforms. In the context of technological advancements and the ease of access they provide, both generations encounter significant challenges in comprehending financial information and managing psychological biases that can influence their investment decisions. Financial literacy is identified as a critical factor in enhancing comprehension and facilitating rational decision-making processes. However, cognitive and emotional biases frequently result in irrational behavior, which can lead to suboptimal investment decisions.

This study aims to further explore the influence of financial literacy, cognitive bias, and emotional bias on investment decisions made by Generations Y and Z in Indonesia. The present study introduces risk perception as a mediating variable, with the objective of examining how risk perception explains the relationship between financial literacy, psychological biases, and investment decisions. The incorporation of risk perception as a mediating variable is particularly salient, as it is believed to serve as a psychological mechanism through which these factors influence investment behavior. A review of extant literature reveals a paucity of studies that address this mediating role, and the findings from these studies often exhibit significant variations, resulting in inconclusive conclusions. Consequently, this study aims to address these inconsistencies by employing a more comprehensive and quantitative approach. It is hoped that the findings from this study will contribute to the academic literature on investment behavior and provide practical insights for regulators, fintech industry players, and young investors, helping to create a more thoughtful, inclusive, and sustainable digital investment ecosystem.

1.2.2 Research Question

Based on this background, the problem formulation in this research is as follows:

1. How does financial literacy affect investment decisions among Generation Y and Z using digital investment platforms in Indonesia?
2. How does overconfidence influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
3. How does cognitive dissonance influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
4. How does illusion of control influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
5. How does loss aversion influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
6. How does risk perception influence investment decisions in generations Y and Z on digital investment platforms in Indonesia?
7. How does financial literacy influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
8. How does overconfidence influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
9. How does cognitive dissonance influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
10. How does illusion of control influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
11. How does loss aversion influence risk perception in generations Y and Z on digital investment platforms in Indonesia?
12. Does risk perception mediate the relationship between financial literacy and investment decisions among Generation Y and Z in Indonesia?
13. Does risk perception mediate the relationship between overconfidence and investment decisions among Generation Y and Z in Indonesia?

14. Does risk perception mediate the relationship between cognitive dissonance and investment decisions among Generation Y and Z in Indonesia?
15. Does risk perception mediate the relationship between illusion of control and investment decisions among Generation Y and Z in Indonesia?
16. Does risk perception mediate the relationship between loss aversion and investment decisions among Generation Y and Z in Indonesia?

1.3 Research Objective

Based on the formation of the research problem, the research objectives for analyzing investment decision among generation Y and Z in Indonesia are as follows:

1. To obtain empirical results regarding the effect of financial literacy on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
2. To obtain empirical results regarding the effect of overconfidence on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
3. To obtain empirical results regarding the effect of cognitive dissonance on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
4. To obtain empirical results regarding the effect of illusion of control on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
5. To obtain empirical results regarding the effect of loss aversion on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
6. To obtain empirical results regarding the effect of risk perception on investment decisions in generations Y and Z who use digital investment platforms in Indonesia.
7. To obtain empirical results regarding the effect of financial literacy on risk perception in generations Y and Z who use digital investment platforms in Indonesia.

8. To obtain empirical results regarding the effect of overconfidence on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
9. To obtain empirical results regarding the effect of cognitive dissonance on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
10. To obtain empirical results regarding the effect of illusion of control on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
11. To obtain empirical results regarding the effect of loss aversion on risk perception in generations Y and Z who use digital investment platforms in Indonesia.
12. To obtain empirical results regarding the mediating role of risk perception variables on the influence of financial literacy on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
13. To obtain empirical results regarding the mediating role of risk perception variables on the influence of overconfidence on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
14. To obtain empirical results regarding the mediating role of risk perception variables on the influence of cognitive dissonance on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
15. To obtain empirical results regarding the mediating role of risk perception variables on the influence of illusion of control on investment decisions in generations Y and Z using digital investment platforms in Indonesia.
16. To obtain empirical results regarding the mediating role of risk perception variables on the influence of loss aversion on investment decisions in generations Y and Z using digital investment platforms in Indonesia.

1.4 Research Contribution

This research is expected to provide benefits for various parties in understanding the effect of financial literacy, cognitive bias, and emotional bias on investment decisions, with risk perception as a mediating variable in generations Y and Z in

Indonesia. The implementation of this research has the following theoretical and practical contributions:

1.4.1 Theoretical

Theoretically, this study contributes to the development of literature on investment behavior, particularly in the context of fintech and digital platforms in Indonesia. The findings of this study are anticipated to offer empirical insights into the influence of financial literacy, cognitive bias, and emotional bias on investment decisions made by the younger generation. Furthermore, the study enhances the existing body of knowledge by offering a nuanced understanding of the role of risk perception as a mediating variable in the relationship. These insights are anticipated to serve as a valuable reference for academics and other researchers interested in further exploring the psychological and behavioral factors in investment decision-making in the digital era.

1.4.2 Practical

1. For Author

The practical contributions of this research for the author are as follows:

- Fulfilling academic requirements to obtain a bachelor's degree.
- Applying research results in the field of finance and investment.
- Develop analytical skills and experience in understanding investment behavior and the influence of psychological factors in financial decisions.

2. For Generation Y and Z (Young Investors)

   The practical contribution of this research for generation Y and Z (Young Investors in Indonesia are as follows:

- Providing an in-depth understanding of the importance of financial literacy in making rational investment decisions.
- Identifying and reducing the influence of cognitive and emotional biases that can affect investment decisions.
- Assist young investors in managing risk perception to improve the quality of their investment decisions.

3. For Fintech Companies and Regulators

The practical contribution of this research for fintech company and regulators are as follows:

- Providing information on the factors that influence young people's investment decisions, so that companies can design more effective financial education features.
- Assisting regulators in formulating policies that support the strengthening of financial literacy and risk mitigation for young investors on digital platforms.

4. For the General Public and Other Researchers

The practical contribution of this research for general public and other researchers are as follows:

- Provide insight into the influence of financial literacy and psychological bias in investment decision making in the digital era.
- Become reference material for further research that wants to explore more deeply the factors that influence generation Y and Z investment decisions.

1.5 Research Contextual

The rapid development of digital technology has led to new opportunities in the investment sector, particularly through digital platforms that have gained popularity among generations Y and Z. In Indonesia, younger generations are becoming increasingly active in investing in various financial instruments available online, such as stocks, mutual funds, and cryptocurrencies. Nevertheless, their limited financial literacy frequently hinders their capacity to make well-informed investment decisions.

Furthermore, cognitive and emotional biases have been shown to play a substantial role in influencing the investment decisions of young people. These biases frequently impel individuals to make decisions that are not grounded in rational analysis, potentially leading to unwarranted risks. The advent of digital platforms that provide instantaneous investment information has the potential to exacerbate the influence of these psychological biases.

This study aims to examine the influence of financial literacy, cognitive bias, and emotional bias on the investment decisions of Generations Y and Z in Indonesia, particularly in the context of digital investment platforms. It also seeks to explore the

mediating role of risk perception in this context. It is posited that risk perception plays a pivotal role in explaining how financial literacy and psychological biases influence investment behavior. This is predicated on the notion that individuals with a heightened perception of risk tend to exercise greater caution in their decision-making, regardless of their financial literacy level or psychological predispositions.

The objective of this study is to examine the potential of financial literacy to mitigate the adverse impact of psychological biases on investment decision-making processes. Additionally, it seeks to explore how risk perception mediates the relationship between financial literacy, cognitive biases, and investment decisions. To this end, a quantitative approach will be employed to collect data from users of digital investment platforms. This method will facilitate the identification of their investment behavior patterns, the psychological factors that influence them, and the mediating role of risk perception in these relationships.

The findings of this study are expected to provide comprehensive insights into the role of financial literacy, psychological biases, and risk perception in the investment decisions of the younger generation. Moreover, the study's findings are anticipated to offer actionable recommendations, aiming to enhance the quality of investment decision-making among young individuals. This objective is coupled with the overarching goal of contributing to the formulation of more effective financial education and risk management policies in Indonesia.