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How Financial Literacy and Fintech Usage Influence Generation Z Investment Behavior: The Mediating Role of Financial Behavior

Irdawati Irdawati[a], Septy Indra Santoso[b], Roswiyanti Roswiyanti[c], Johannes Baptista Halik[d]
[a]STIE Mulia Pratama, [b]Khairun University, [c]Cokroaminoto University of Makassar, [d]Paulus Christian University of Indonesia
irda2666@gmail.com

Abstract

This study examines the influence of financial literacy and fintech usage on the investment behavior of Generation Z in Indonesia, with financial behavior serving as a mediating variable. A quantitative approach using Structural Equation Modeling–Partial Least Squares (SEM-PLS) was employed to analyze data collected from 200 Generation Z respondents with investment experience. The findings indicate that financial literacy and fintech usage significantly enhance financial behavior, while financial behavior significantly promotes investment behavior. Financial literacy also exerts a direct positive effect on investment behavior, whereas fintech usage has no significant direct influence. Financial behavior significantly mediates the relationships between financial literacy and investment behavior, as well as between fintech usage and investment behavior. The structural model demonstrates moderate explanatory power, with R^2 values of 0.413 for financial behavior and 0.406 for investment behavior, indicating that the proposed model explains a substantial proportion of the variance in both endogenous constructs. These findings emphasize that strengthening healthy financial behavior is the primary mechanism through which financial knowledge and digital financial technology translate into better investment decisions among Generation Z. Practically, the study suggests that policymakers, educational institutions, and fintech providers should integrate behavioral-based financial education with digital financial services to encourage sustainable investment participation among young adults.

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1. Introduction

The global economic landscape is undergoing a transformation driven by the rapid advancement of digital technologies, presenting both challenges and opportunities in the realm of personal financial management, particularly for younger generations. In the Indonesian context, Generation Z—individuals born between 1997 and 2012—has grown up in a digitally saturated environment with broad access to financial services and information enabled by technology (Norhidayati et al., 2010). However, the ease of access to digital financial products does not inherently translate into sound investment behavior (Anggraini et al., 2024; Mongan et al., 2025). According to data from the Financial Services Authority (OJK, 2021), only 38.03% of Indonesians are considered financially literate, with the majority being from older age groups. This suggests a significant financial knowledge and behavioral gap among Gen Z, despite their active engagement with digital financial platforms.

One of the foundational elements influencing financial behavior is financial literacy, defined as the capacity to comprehend, assess, and make informed decisions based on financial information (Halik et al., 2023; Klapper et al., 2020). Individuals with higher levels of financial literacy tend to demonstrate more responsible personal financial management, avoid excessive debt, and exhibit prudent investment decision-making (Lusardi & Mitchell, 2023; Mongan et al., 2025). In parallel, the adoption of financial technologies (fintech) has increasingly shaped financial habits among the younger demographic (Albuainain & Ashby, 2025). While fintech facilitates greater access, efficiency, and transparency in financial transactions and investments, its usage without adequate understanding may lead to impulsive or uninformed financial choices (Zhao & Khaliq, 2024).

Previous studies have established a positive relationship between financial literacy and investment behavior, both directly and through mediating variables such as financial behavior (Anita et al., 2025; Wendy, 2024). Similarly, the utilization of fintech has been linked to increased investment participation among younger investors (Irfan et al., 2025; Zheng, 2025). Nevertheless, comprehensive models that integrate financial literacy, fintech usage, and financial behavior as a mediating construct in explaining Gen Z's investment decisions in the Indonesian context remain scarce. Yet, understanding this nexus is critical, given that Generation Z is poised to become a central driver of Indonesia's economic growth in the coming decades.

This study is therefore particularly relevant, as it targets a strategically important demographic: Gen Z. Despite being digital natives, many in this group lack sufficient financial literacy. In an environment characterized by the explosive growth of fintech and high digital access, the potential for poor financial decisions increases. By incorporating financial behavior as a mediating factor, this research aims to bridge the

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gap between financial knowledge and technological engagement, ultimately promoting more sustainable investment practices. The findings are expected to inform the development of behaviorally informed financial education programs and support regulatory frameworks that foster fintech practices aligned with youth financial empowerment. Furthermore, the low financial literacy levels observed among Generation Z may pose long-term threats to their financial stability. As fintech becomes more pervasive, a deeper understanding of how financial literacy enables Gen Z to make informed investment decisions becomes essential. In this regard, the results of this study are anticipated to offer practical recommendations for policymakers and fintech providers in designing more effective financial education strategies tailored to the needs of Indonesia's young population.

Despite the growing body of literature on financial literacy, fintech adoption, and investment behavior, several important research gaps remain. First, previous studies have predominantly examined the direct effects of financial literacy or fintech usage on investment decisions, often treating these variables independently. Limited attention has been given to the behavioral mechanism through which financial knowledge and digital financial technology jointly influence investment behavior, particularly among Generation Z in emerging economies. Second, although financial behavior has been widely recognized as an important determinant of personal financial outcomes, its mediating role in simultaneously linking financial literacy and fintech usage to investment behavior has received relatively little empirical investigation within the Indonesian context. Finally, existing studies have generally emphasized technology adoption or financial capability separately, leaving insufficient understanding of how these two dimensions interact to shape sustainable investment behavior among digital-native generations. Accordingly, this study addresses these gaps by developing an integrated behavioral framework that combines financial literacy, fintech usage, and financial behavior to explain Generation Z's investment behavior. Theoretically, this research extends the behavioral finance literature by demonstrating that financial behavior functions as the underlying mechanism through which financial capability and digital financial technology are translated into investment decisions.

2. Literature Review

2.1. Behavioral Finance Theory

Behavioral Finance Theory explains that investment decisions are not solely determined by rational economic considerations but are also shaped by psychological characteristics, financial knowledge, and individual behavioral patterns (Barberis & Thaler, 2003). Unlike traditional finance theory, which assumes investors behave rationally, Behavioral Finance recognizes that individuals frequently rely on heuristics, emotions, and personal financial habits when making investment decisions (Kanapickiene et al., 2024). Consequently, financial literacy alone may not automatically result in sound investment

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decisions unless it is translated into positive financial behavior (Suci et al., 2026). In the context of Generation Z, whose financial activities are increasingly influenced by digital technologies and instant access to financial information, behavioral factors become even more critical. Therefore, Behavioral Finance Theory provides the primary theoretical foundation for explaining how financial literacy and fintech usage influence investment behavior through the mediating role of financial behavior. Accordingly, this study adopts Behavioral Finance Theory as the primary theoretical lens to explain the relationships among financial literacy, fintech usage, financial behavior, and investment behavior.

2.2. Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM), proposed by Davis (1989), explains that an individual's intention to adopt technology is primarily influenced by perceived usefulness and perceived ease of use. In the context of financial technology, users are more likely to adopt fintech applications when they believe such technologies improve financial management efficiency and are easy to operate. Therefore, TAM provides a complementary theoretical perspective for understanding how fintech usage contributes to financial behavior and subsequently affects investment behavior. The integration of TAM with Behavioral Finance Theory enables a more comprehensive explanation of both technological and behavioral determinants of investment decisions among Generation Z.

2.3. Financial Literacy

Financial literacy refers to an individual's capacity to comprehend and apply financial concepts and tools necessary for making sound financial decisions (Klapper et al., 2020; Lusardi & Mitchell, 2011, 2014). Individuals with a strong financial literacy foundation are more likely to exhibit healthier and long-term-oriented financial behaviors, including responsible investment practices (Aristei & Gallo, 2021). Among younger generations, adequate financial literacy is particularly crucial to avoid common financial pitfalls such as impulsive consumption and engagement in illegal investment schemes (Long & Tue, 2024). Several studies have confirmed that financial literacy significantly and directly influences investment behavior (Kurniadi et al., 2022; Mongan et al., 2025). In this study, financial literacy is assessed through multiple dimensions, including fundamental financial knowledge, debt management, budgeting practices, and investment planning (Halik et al., 2023; Klapper et al., 2020; Mongan et al., 2025; OECD, 2019).

2.4. Fintech Usage

Financial technology (Fintech) encompasses technological innovations designed to facilitate or deliver financial services digitally, including payments, lending, savings, and investment activities (Gomber et al., 2018). Fintech has significantly reshaped how younger generations interact with financial services, primarily through the convenience offered by smartphone-based applications (Lee & Shin, 2018; Milian et al., 2019). Prior

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studies indicate that fintech usage can enhance investment participation, although it also presents potential risks when users lack sufficient financial literacy (Priyadarshi et al., 2024; Zhao & Khaliq, 2024). In this study, fintech adoption is conceptualized through several key indicators: frequency of digital financial app usage, preference for cashless transactions, and the level of trust in the security and perceived benefits of fintech platforms (Kass-Hanna et al., 2022; Milian et al., 2019; Singh et al., 2020).

2.5. Financial Behavior

Financial behavior refers to an individual's patterns of attitudes, decision-making, and actions in managing personal finances, including saving habits, consumption choices, debt usage, and investment practices (Aristei & Gallo, 2021). Positive financial behavior is typically characterized by deliberate spending control, prudent use of credit, and a forward-looking approach to financial planning, particularly through investments aimed at securing future goals. Moreover, financial behavior has been identified as a potential mediating variable in the relationship between financial literacy and broader financial decisions, such as investment activities (Aristei & Gallo, 2021; Pham & Toan Le, 2023) In this study, financial behavior is assessed through key dimensions including expenditure management, financial planning, attitudes toward saving, and future financial orientation (Aristei & Gallo, 2021; Lusardi & Mitchell, 2023; Pham & Toan Le, 2023).

2.6. Investment Behavior

Investment behavior refers to an individual's decision-making process regarding the allocation of funds into various financial instruments with the expectation of future returns (Barber & Odean, 2001). Factors such as financial literacy, technological exposure, and financial behavior play a critical role in shaping both the extent and nature of one's investment activities (Almansour et al., 2023). Among Generation Z, investment decisions are often influenced by digital trends, peer recommendations, and the pursuit of short-term gains (Joseph & Jose, 2025). In this study, investment behavior is measured through four primary dimensions: investment frequency, choice of financial instruments, risk orientation, and investment objectives (Mahmood et al., 2024; Sari & Muflikhati, 2024; Shah et al., 2024).

Based on the theoretical framework and previous literature, the following hypotheses are proposed: Drawing upon Behavioral Finance Theory, individuals possessing higher financial literacy are expected to demonstrate healthier financial behavior because greater financial knowledge improves their capability to manage financial resources effectively (Barberis & Thaler, 2003).

H1: Financial literacy has a positive influence on financial behavior.

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Consistent with the Technology Acceptance Model, individuals who perceive fintech applications as useful and easy to use are more likely to incorporate these technologies into their daily financial management practices (Davis, 1989).
H2: Fintech usage has a positive influence on financial behavior.

Drawing upon Behavioral Finance Theory, individuals with sound financial behavior are expected to make more rational and disciplined investment decisions. Effective financial behavior, reflected in prudent budgeting, regular saving, financial planning, and responsible financial management, enables individuals to allocate resources more efficiently and evaluate investment opportunities more objectively (Suci et al., 2026). Consequently, individuals who consistently exhibit positive financial behavior are more likely to demonstrate stronger investment behavior.
H3: Financial behavior has a positive influence on investment behavior.

Behavioral Finance Theory also suggests that financial knowledge enhances investors' ability to evaluate financial information, assess investment risks, and make informed decisions under uncertainty. Individuals possessing higher levels of financial literacy are better equipped to understand investment products, diversify portfolios, and avoid common behavioral biases (Klapper et al., 2020; Lusardi & Mitchell, 2014). Therefore, greater financial literacy is expected to directly promote more effective investment behavior.
H4: Financial literacy has a positive influence on investment behavior.

Consistent with the Technology Acceptance Model (TAM), the adoption of financial technology improves individuals' access to investment information, financial products, and digital investment platforms. When fintech applications are perceived as useful and easy to use, individuals are more likely to utilize digital financial services that facilitate investment activities (Davis, 1989; Gomber et al., 2018). Accordingly, greater fintech usage is expected to positively influence investment behavior by reducing transaction barriers and increasing investment accessibility.
H5: Fintech usage has a positive influence on investment behavior.'

Behavioral Finance Theory posits that financial knowledge does not automatically translate into superior investment decisions unless it is reflected in everyday financial practices. Financial literacy enhances individuals' capability to manage financial resources effectively, which subsequently fosters healthier financial behavior. In turn, positive financial behavior serves as the behavioral mechanism through which financial literacy influences investment behavior (Lusardi & Mitchell, 2014; Xiao & Porto, 2017). Therefore, financial behavior is expected to mediate the relationship between financial literacy and investment behavior.
H6: Financial behavior mediates the relationship between financial literacy and investment behavior.

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The integration of the Technology Acceptance Model (TAM) and Behavioral Finance Theory suggests that fintech usage alone may not directly improve investment behavior unless it encourages positive financial habits (Gomber et al., 2018; Venkatesh et al., 2003). The accessibility, convenience, and efficiency provided by fintech applications can strengthen individuals' financial management practices, which subsequently influence their investment decisions (Davis, 1989; Gomber et al., 2018). Thus, financial behavior is expected to function as the underlying behavioral mechanism through which fintech usage affects investment behavior.
H7: Financial behavior mediates the relationship between fintech usage and investment behavior.

Based on the aforementioned hypotheses, the conceptual framework proposed in this study is illustrated in **Figure 1**.

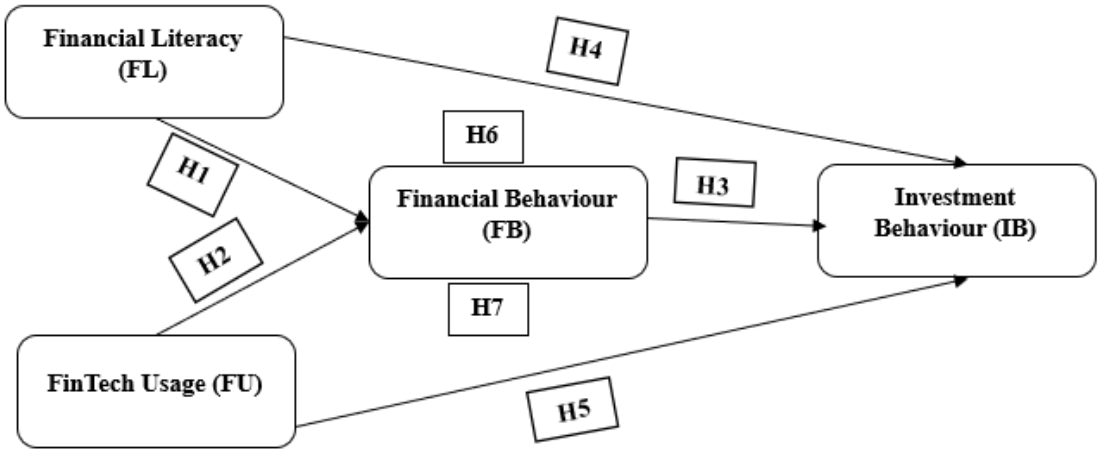


Figure 1. Conceptual Framework
Source: Author's Personal Conception (2025)

3. Research Methods

This study adopts a quantitative approach with an explanatory research design (Sugiyono, 2020), aiming to examine the influence of independent variables on the dependent variable, both directly and indirectly through a mediating variable. This approach is considered suitable for analyzing causal relationships among variables and for gaining a deeper understanding of Generation Z's investment behavior in the context of financial literacy and fintech adoption. A survey method was employed, with questionnaires serving as the primary data collection instrument (Singarimbun, M & Effendi, 2008).

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The population in this study comprises individuals classified as Generation Z in Indonesia, defined as those born between 1997 and 2012 and currently aged 13 to 28 years (Joseph & Jose, 2025). However, the research sample was limited to respondents aged 18 to 28 who have independent income and access to digital financial and investment services. A purposive sampling technique was used (Memon et al., 2025), selecting respondents based on specific criteria relevant to the study objectives. These criteria include: (1) being between 18 and 28 years old, (2) having an active account on fintech platforms (e-wallets, e-investments, etc.), and (3) possessing investment experience in instruments such as mutual funds, stocks, cryptocurrency, or other financial products. A minimum sample size of 200 respondents was targeted, following the rule of thumb by Hair et al. (2019), which recommends at least 10 times the number of indicators in the most complex construct of the model when using SEM-PLS.

Respondents were recruited using a purposive sampling technique to ensure that only individuals who met the predefined eligibility criteria participated in the study (Memon et al., 2025). The inclusion criteria required respondents to (1) belong to Generation Z, (2) reside in Indonesia, (3) possess basic knowledge of financial technology applications, and (4) have prior experience in investment activities, including stocks, mutual funds, cryptocurrencies, or other financial instruments. The online questionnaire was distributed through various digital platforms, including social media and university networks, to reach potential respondents across different regions of Indonesia. Participation was entirely voluntary, and no financial incentives were provided. The research was conducted in several major cities in Indonesia, including Jakarta, Bandung, Yogyakarta, Makassar, and Surabaya. These urban centers were selected to represent areas with high Generation Z density, digital literacy, and fintech penetration. Data collection was carried out through an online survey using Google Forms between March and May 2025.

Before statistical analysis, the collected responses were carefully screened to ensure data quality. Incomplete questionnaires, duplicate submissions, and responses exhibiting obvious response patterns (e.g., straight-lining or unrealistically short completion times) were excluded from the final dataset (Hair et al., 2022). After the screening process, 200 valid questionnaires remained and were subsequently analyzed using the SEM-PLS approach. For data analysis, the study employs Structural Equation Modelling (SEM) using the Partial Least Squares (PLS) technique, facilitated by Smart-PLS version 4.0. This method was chosen due to its suitability for analyzing complex causal relationships among latent variables and its flexibility with non-normal data distributions and relatively small sample sizes (Hair et al., 2019). Prior to structural model testing, construct validity and reliability will be assessed through outer model evaluation, including tests for convergent validity, discriminant validity, and composite reliability. Subsequently, inner model evaluation will be conducted to assess the path coefficients, R^2, f^2 effect sizes, and mediation effects using the bootstrapping procedure. Hypothesis

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testing will be based on the t-statistics and p-values obtained from the bootstrapping results (Hair et al., 2021).

Prior to completing the questionnaire, all participants were informed about the purpose of the study, the voluntary nature of their participation, and the confidentiality of their responses. Participants provided informed consent before accessing the questionnaire and were assured that no personally identifiable information would be collected or disclosed. The collected data were used exclusively for academic research purposes and analyzed in aggregate form to protect respondents' privacy.

3.2 Measurement Indicators

Table 1 below contains the statement items in the questionnaire that were asked to respondents.

Table 1. Measurement Items

Variable	Code	Indicator	Source
Financial Literacy (FL)	FL1	I understand the basic concepts of personal financial management.	(Halik et al., 2023; Klapper et al., 2020; Lusardi & Mitchell, 2023; OECD, 2019)
	FL2	I know the difference between savings and investment products.	
	FL3	I understand the risks and returns of various types of investments.	
	FL4	I know how to create and follow a financial budget.	
Fintech Usage (FU)	FU1	I use digital financial applications (e-wallet, digital investment, etc.) regularly.	(Kass-Hanna et al., 2022; Milian et al., 2019; Priyadarshi et al., 2024)
	FU2	I feel helped by the features offered by fintech applications.	
	FU3	I feel safe and confident in transactions through fintech applications.	
	FU4	I use fintech apps to help with financial and investment decisions.	
Financial Behaviour (FB)	FB1	I record and monitor my daily expenses.	(Aristei & Gallo, 2021; Pham & Toan Le, 2023; Suci et al., 2026)
	FB2	I set aside some of my income to save or invest.	
	FB3	I avoid unplanned, impulsive purchases.	

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Variable	Code	Indicator	Source
	FB4	I have clear short-term and long-term financial goals.	
	FB5	I have self-control in using money according to priority needs.	
Investment Behaviour (IB)	IB1	I actively invest in financial instruments (eg: stocks, mutual funds, crypto).	(Almansour et al., 2023; Joseph & Jose, 2025; Shah et al., 2024)
	IB2	I consider the level of risk before choosing an investment product.	
	IB3	I regularly monitor and evaluate my investment portfolio.	
	IB4	I choose investment products according to my financial goals.	
	IB5	I believe investing is an important way to achieve future financial stability.	

Source: Compiled from previous studies (2025)

4. Results

4.1. Respondent Characteristics

Table 2. Respondent Demographics (N=200)

Characteristics	Category	Frequency (n)	Percentage (%)
Gender	Male	82	41.0%
	Female	118	59.0%
Ages	18–20 years old	56	28.0%
	21–23 years old	74	37.0%
	24–26 years old	48	24.0%
	27–28 years old	22	11.0%
Occupation	Student	104	52.0%
	Private sector employee	66	33.0%
	Bussinesman / Entrepreneur	30	15.0%
Region of Origin	Jawa	112	56.0%
	Sumatera	34	17.0%
	Kalimantan	20	10.0%
	Sulawesi	26	13.0%

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Characteristics	Category	Frequency (n)	Percentage (%)
Level of education	Others (NTT, Papua, Bali, etc.)	8	4.0%
	High School/Equivalent	32	16.0%
	Diploma (D1–D3)	24	12.0%
	Bachelor degree	126	63.0%
	Postgraduate (S2/S3)	18	9.0%
Investment Status	Ever invested	140	70.0%
	Never invested	60	30.0%
Types of Investment	Investment E-wallet (Bibit, etc.)	76	38.0%
	Share	28	14.0%
	Mutual Funds	22	11.0%
	Crypto	14	7.0%
Monthly Income	< Rp1.000.000	48	24.0%
	Rp1.000.000 – Rp2.500.000	64	32.0%
	Rp2.500.001 – Rp5.000.000	58	29.0%
	> Rp5.000.000	30	15.0%

Source: Processed Primary Data (2025)

This study involved 200 respondents from Indonesia's Generation Z population, aged between 18 and 28 years. The respondent profile provides valuable socio-demographic context for interpreting patterns of financial and investment behavior. In terms of gender distribution, the majority were female (fifty-nine percent, n = 118), while male respondents accounted for forty-one percent (n = 82). This finding aligns with recent studies suggesting an increasing participation of women in digital financial and investment activities, driven by the growing accessibility of gender-inclusive fintech platforms.

Regarding age groups, the largest proportion of respondents were aged 21–23 (thirty-seven percent), followed by 18–20 (twenty-eight percent), 24–26 (twenty-four percent), and 27–28 (eleven percent). These figures reflect a typical age distribution within Generation Z, where most individuals are either pursuing higher education or are in the early stages of their professional careers. This life phase is critical as it marks a transition toward financial independence, making this group a strategic target for financial literacy programs and digital financial services. Occupationally, the sample was dominated by university students (fifty-two percent), followed by private-sector employees (thirty-three percent) and young entrepreneurs (fifteen percent). The diversity in economic

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activity among Gen Z suggests increasing financial engagement, even among those still pursuing education. The high student representation also indicates a strong interest and exposure to financial literacy and digital investment topics.

In terms of geographic origin, fifty-six percent of respondents were from Java, which offers the highest levels of technological infrastructure and fintech penetration in Indonesia. This was followed by respondents from Sumatra (seventeen percent), Sulawesi (thirteen percent), Kalimantan (ten percent), and other regions such as NTT, Bali, and Papua (four percent). While the sample demonstrates relatively broad regional representation, the dominance of Java reflects persistent disparities in digital access across the archipelago. With respect to education level, most respondents held a bachelor's degree (sixty-three percent), followed by high school graduates (sixteen percent), diploma holders (twelve percent), and postgraduate degree holders (nine percent). This educational profile suggests that respondents had sufficient academic background to comprehend both basic and advanced financial concepts.

Concerning investment participation, seventy percent of respondents reported having engaged in some form of investment, while thirty percent had not. This reflects a growing interest in investment among Generation Z. Among those who had invested, the most popular instruments were digital investment platforms (e.g., Bibit, Ajaib, Pluang) at thirty-eight percent, followed by stocks (fourteen percent), mutual funds (eleven percent), and cryptocurrencies (seven percent). This trend toward app-based investments illustrates Gen Z's preference for low-cost, flexible, and easily accessible financial tools. Monthly income data showed that thirty-two percent of respondents earned between IDR 1,000,000 and IDR 2,500,000, twenty-nine percent earned between IDR 2,500,001 and IDR 5,000,000, twenty-four percent earned below IDR 1,000,000, and fifteen percent earned more than IDR 5,000,000. These income levels are consistent with the financial profiles of early-career individuals or students receiving allowances. This information is crucial in evaluating respondents' ability and willingness to allocate resources for investment.

Overall, several key insights emerge from the respondent profile: a high investment participation rate (seventy percent) indicates that Generation Z is actively managing its financial future, despite many being students or early-career workers. The dominance of female and younger respondents (aged 21–23) underscores the need for inclusive financial education programs tailored by gender and age. Moreover, the strong preference for app-based investments highlights the strategic role of fintech as a bridge between financial literacy and investment behavior. Finally, lower income levels do not appear to be a barrier to investment, suggesting that future financial education and marketing strategies should be contextualized, focusing not solely on income levels but on improving financial capability.

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4.2 Descriptive Statistical Analysis

Table 3. Descriptive Statistical Analysis

Code	Statement Indicator	Mean	Std. Dev.	Min	Max	Skewness	Interpretation of Mean
FL1	I understand the basic concepts of personal financial management.	3.990	1.015	2.0	5.0	-0.616	Agree
FL2	I know the difference between savings and investment products.	3.910	1.092	1.0	5.0	-0.679	Agree
FL3	I understand the risks and returns of various types of investments.	3.790	1.023	1.0	5.0	-0.614	Neutral tends to agree
FL4	I know how to create and follow a financial budget.	3.550	0.921	2.0	5.0	-0.226	Neutral
FU1	I use digital financial applications (e-wallet, digital investment, etc.) regularly.	3.860	1.127	2.0	5.0	-0.418	Agree
FU2	I feel helped by the features offered by fintech applications.	3.890	1.157	2.0	5.0	-0.467	Agree
FU3	I feel safe and confident in transactions through fintech applications.	3.630	1.055	1.0	5.0	-0.269	Neutral tends to agree
FU4	I use fintech apps to help with financial and investment decisions.	3.400	0.943	2.0	5.0	0.058	Neutral
FB1	I record and monitor my daily expenses.	3.910	0.906	2.0	5.0	-0.366	Agree
FB2	I set aside some of my income to save or invest.	3.805	0.978	1.0	5.0	-0.373	Agree
FB3	I avoid unplanned, impulsive purchases.	3.990	1.072	1.0	5.0	-0.642	Agree
FB4	I have clear short-term and long-term financial goals.	3.910	1.064	1.0	5.0	-0.572	Agree
FB5	I have self-control in using money according to priority needs.	3.600	0.975	2.0	5.0	-0.202	Neutral
IB1	I actively invest in financial instruments (eg: stocks, mutual funds, crypto).	3.405	0.922	2.0	5.0	-0.007	Neutral

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Code	Statement Indicator	Mean	Std. Dev.	Min	Max	Skewness	Interpretation of Mean
IB2	I consider the level of risk before choosing an investment product.	3.715	1.142	1.0	5.0	-0.357	Neutral tends to agree
IB3	I regularly monitor and evaluate my investment portfolio.	3.315	0.988	1.0	5.0	0.117	Neutral
IB4	I choose investment products according to my financial goals.	3.345	0.925	1.0	5.0	-0.168	Neutral
IB5	I believe investing is an important way to achieve future financial stability.	3.305	0.939	2.0	5.0	0.121	Neutral

Source: Primary data processed with Smart-PLS (2025)

Based on the results of descriptive statistical analysis of the 18 indicators used in this study, it can be concluded that Generation Z respondents generally exhibit a relatively high level of financial literacy. This is reflected in the consistently strong mean scores for indicators such as understanding basic personal financial management concepts (mean = 3.990) and awareness of the differences between savings and investment products (mean = 3.910). However, a slight decline is observed in the budgeting-related indicator (FL4, mean = 3.550), suggesting that while respondents demonstrate solid theoretical knowledge, they may not consistently apply this knowledge in their day-to-day financial routines.

Fintech usage among respondents is also notably high. The average scores for fintech usage indicators range from 3.400 to 3.890, indicating that most respondents regularly utilize digital financial applications and perceive their features as helpful. In particular, indicators FU2 and FU1 report mean values close to 4, implying that fintech has become an integrated part of their financial habits. Nevertheless, the indicator measuring the strategic use of fintech for financial decision-making and investment planning (FU4) yielded the lowest score within this group (mean = 3.400), indicating that while respondents are digitally adept, they have yet to fully leverage fintech as a long-term financial planning tool.

In terms of financial behavior, respondents exhibit a generally positive pattern. The average scores across all financial behavior indicators range from 3.600 to 3.990. The highest scores were recorded on indicators related to avoiding impulsive purchases (FB3) and tracking expenditures (FB1), indicating a strong awareness of responsible money management. Similarly, high scores were also found in self-control over money usage (FB5) and planning financial goals (FB4), suggesting a forward-looking financial orientation. These behavioral attributes may serve as a solid foundation in shaping healthy investment habits among Generation Z.

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Despite their relatively strong financial literacy and behavior, respondents' investment behavior remains moderate. The average scores for the five investment behavior indicators ranged from 3.305 to 3.715. Notably, the indicator assessing risk awareness prior to investing (IB2) had the highest mean (3.715), suggesting that most respondents approach investment decisions cautiously. However, scores related to active participation in investing (IB1) and the frequency of monitoring investment portfolios (IB3) were relatively lower. Furthermore, belief in the role of investment in ensuring future financial stability (IB5) was also modest (mean = 3.305), indicating that while respondents are familiar with the concept of investing, they may not yet view it as an essential and consistent component of their long-term financial strategy.

Taken together, these findings highlight a gap between the respondents' relatively strong financial literacy and behavior and their less-than-optimal investment behavior. This discrepancy presents both a challenge and an opportunity for educators and digital financial service providers to bridge the divide between theoretical understanding and actual investment practices. Contextual financial education, app-based learning tools, and hands-on training in using fintech for informed decision-making may serve as effective strategies for encouraging Generation Z to become more active and responsible investors**.**

4.3 Common Method Bias Assessment and Measurement Model Evaluation

Prior to evaluating the reliability and validity of the measurement model, this study examined the potential presence of Common Method Bias (CMB). Because all variables were collected using a single self-administered questionnaire, assessing the possibility of common method variance is important to ensure the robustness of the findings. Following the full collinearity assessment proposed by Kock (2015), Common Method Bias can be evaluated using the Variance Inflation Factor (VIF). A VIF value lower than 3.3 indicates that the model is free from substantial common method bias. As presented in Table 4, all inner VIF values ranged from 1.053 to 1.703, well below the recommended threshold of 3.3. These findings indicate that neither multicollinearity nor common method bias poses a threat to the validity of the structural model. Therefore, the relationships among the latent constructs can be interpreted with confidence.

Table 4. Inner Model Collinearity Statistics (VIF) and Common Method Bias Assessment

Structural Relationship	Inner VIF
Financial Behavior → Investment Behavior	1.703
Financial Literacy → Financial Behavior	1.053
Financial Literacy → Investment Behavior	1.116
Fintech Usage → Financial Behavior	1.053

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Structural Relationship	Inner VIF
Fintech Usage → Investment Behavior	1.609

Note: VIF < 3.3 indicates the absence of substantial multicollinearity and common method bias (Hair et al., 2019; Kock & Hadaya, 2018).
Source: *SmartPLS 4 Output (2025).*

Table 4 shows that all inner VIF values are considerably below the threshold value of 3.3 recommended by Kock (2015). Specifically, the VIF values range from 1.053 to 1.703, indicating that the predictor constructs do not exhibit problematic multicollinearity within the structural model. Furthermore, according to the full collinearity assessment, VIF values below 3.3 also indicate that common method bias is unlikely to influence the empirical results. Consequently, the relationships among Financial Literacy, Fintech Usage, Financial Behavior, and Investment Behavior can be interpreted without concerns regarding common method variance or multicollinearity.

To ensure the reliability and validity of the constructs employed in this study, the measurement model was evaluated based on several criteria, including indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. The results of this evaluation are summarized in Table 5. Convergent validity was assessed through Average Variance Extracted (AVE) and outer loadings. All measurement items demonstrated factor loadings exceeding 0.70, and the AVE values for all constructs surpassed the acceptable threshold of 0.50, indicating satisfactory convergent validity (Hair et al., 2019). Furthermore, both Cronbach's Alpha and Composite Reliability (CR) values exceeded the recommended minimum of 0.70 for all constructs, confirming high levels of internal consistency reliability (Hair et al., 2019). Discriminant validity was examined using the Heterotrait-Monotrait Ratio (HTMT) criterion. All HTMT values fell below the recommended cutoff of 0.90, thereby confirming that the constructs exhibit adequate discriminant validity and are empirically distinct from one another (Henseler et al., 2015).

Table 5. Measurement Model Evaluation

Construct	Code	Loading Factor	Cronbach's Alpha	CR	AVE	HTMT (Max)
Financial Literacy	FL1	0.909	0.904	0.912	0.778	0.425
	FL2	0.894				
	FL3	0.913				
	FL4	0.808				
Fintech Usage	FU1	0.907	0.906	0.914	0.781	0.678
	FU2	0.916				
	FU3	0.889				

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	FU4	0.819				
Financial Behaviour	FB1	0.820	0.878	0.888	0.674	0.678
	FB2	0.790				
	FB3	0.893				
	FB4	0.866				
	FB5	0.725				
Investment Behaviour	IB1	0.848	0.899	0.907	0.712	0.665
	IB2	0.877				
	IB3	0.826				
	IB4	0.859				
	IB5	0.807				

Note: All values satisfy recommended thresholds: Outer Loadings > 0.70; AVE > 0.50; α & CR > 0.70; HTMT < 0.90 (Hair et al., 2019; Henseler et al., 2015)
Source: Data processed with Smart-PLS (2025)

The results of the outer model assessment indicate that all constructs in this study exhibit strong reliability and validity. Each observed indicator significantly loaded onto its corresponding latent construct, and the internal consistency across items within each construct was found to be high. To further validate the measurement instrument, the Fornell-Larcker criterion was applied to assess discriminant validity. By comparing the correlations between latent variables with the square root of the Average Variance Extracted (AVE), discriminant validity was verified. According to Hair et al. (2021), the square root of the AVE should exceed the correlations between latent constructs. As shown in Table 5, the square roots of AVE values were greater than the inter-construct correlations, supporting the presence of discriminant validity.

These results confirm that each measurement item is reliable and appropriate for assessing the intended constructs. Moreover, the constructs retained adequate convergent and discriminant validity, indicating that the instrument accurately captured the theoretical dimensions of interest without significant overlap. This validation process strengthens the credibility of the measurement model and ensures that the structural model can be tested with confidence regarding the precision and accuracy of the indicators.

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Table 6. Discriminant Validity with the Fornell and Larcker Approach

Variable	Financial Literacy	Fintech Usage	Financial Behaviour	Investment Behaviour
Financial Literacy	**0.882**			
Fintech Usage	0.225	**0.884**		
Financial Behaviour	0.321	0.615	**0.821**	
Investment Behaviour	0.385	0.440	0.598	**0.844**

Source: Data processed with Smart-PLS (2025)

4.4 Structural Model Evaluation

The evaluation of the structural model aims to test the hypothesized relationships among latent variables and assess the model's predictive power. This stage involves several key statistical metrics, including the coefficient of determination (R^2), effect size (f^2), and the significance of path coefficients (β), evaluated using the bootstrapping procedure (Hair et al., 2019; Haryono, 2017). The R^2 value indicates the proportion of variance in the dependent variable that can be explained by the independent variables (Hair et al., 2021). In this study, the construct Financial Behavior (FB) yielded an R^2 value of 0.413, suggesting that 41.3 percent of its variance is accounted for by Financial Literacy and Fintech Usage. Similarly, the R^2 value for Investment Behavior was 0.406, indicating that 40.6 percent of its variance is explained by Financial Literacy, Fintech Usage, and Financial Behavior. These results demonstrate a moderate explanatory power of the model, reflecting the combined influence of the three antecedent variables. A summary of these findings is presented in Table 7.

Table 7. R-Square Value

	R-Square	R-Square Adjusted
Financial Behaviour	0.413	0.407
Investment Behaviour	0.406	0.397

Source: Data processed with Smart-PLS (2025)

The next step involved calculating the effect size (f^2) to assess the extent to which exogenous latent variables contribute to explaining the variance in endogenous constructs. This test determines the relative impact of each predictor on the dependent variable within the structural model. According to Hair et al. (2019), an f^2 value of 0.02 is considered small, 0.15 is medium, and 0.35 or above indicates a large effect. The results of the f^2 analysis, indicating the strength of each exogenous variable's contribution to the respective endogenous construct, are summarized in Table 8.

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Table 8. F-Square Value

Variable	Financial Literacy	Fintech Usage	Financial Behaviour	Investment Behaviour
Financial Literacy			0.060	0.068
Fintech Usage			0.528	0.012
Financial Behaviour				0.212
Investment Behaviour				

Source: Data processed with Smart-PLS (2025)

Based on the output presented, the following interpretations can be made: The effect size (f^2) of Financial Literacy on Financial Behavior is 0.060, indicating a small or weak influence. In contrast, Fintech Usage demonstrates a strong impact on Financial Behavior, with an f^2 value of 0.528, which exceeds the threshold for a large effect. Regarding Investment Behavior, Financial Literacy exhibits a small effect size of 0.068, while Fintech Usage shows an even smaller impact, with an f^2 value of 0.012, both falling within the weak effect category. Lastly, the influence of Financial Behavior on Investment Behavior yields an f^2 value of 0.212, which is categorized as a medium or moderate effect.

Predictive Assessment (PLS-predict). To further evaluate the predictive capability of the proposed model, PLS-predict was performed following the recommendations of Hair et al. (2019). Unlike the traditional blindfolding procedure, PLS-predict assesses the model's out-of-sample predictive performance by comparing the prediction errors of the PLS-SEM model with those of a benchmark linear regression model (LM). Lower Root Mean Squared Error (RMSE) values for the PLS-SEM model indicate superior predictive performance.

Table 9. PLS-predict Results

Indicator	Q^2predict	PLS-SEM RMSE	LM RMSE	Predictive Performance
FB1	0.265	0.781	0.800	Better
FB2	0.231	0.863	0.883	Better
FB3	0.383	0.847	0.805	Lower
FB4	0.288	0.903	0.931	Better
FB5	0.152	0.903	0.925	Better
IB1	0.169	0.846	0.864	Better
IB2	0.250	0.994	1.005	Better
IB3	0.171	0.905	0.929	Better
IB4	0.189	0.838	0.846	Better
IB5	0.128	0.882	0.894	Better

Source: Data processed with Smart-PLS (2025)

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As presented in Table 9, all Q^2predict values are positive, ranging from 0.128 to 0.383, indicating that the endogenous constructs possess predictive relevance. Furthermore, nine out of ten indicators produced lower RMSE values for the PLS-SEM model compared to the benchmark linear regression model, while only one indicator (FB3) showed a slightly higher prediction error. According to the guidelines of Shmueli et al. (2019) , these findings demonstrate that the proposed model exhibits high out-of-sample predictive power, suggesting that the structural model performs well in predicting Generation Z investment behavior.

Table 10. Model Fit Result

	Saturated Model	Estimated Model
SRMR	0.058	0.058
d_ULS	0.578	0.578
d_G	0.328	0.328
Chi-square	376.184	376.184
NFI	0.857	0.857

Source: Data processed with Smart-PLS (2025)

The research model also demonstrates a good level of model fit. As shown in Table 10, the Standardized Root Mean Square Residual (SRMR) value is 0.058, which is below the recommended threshold of 0.080 (Hair et al., 2021), indicating that the model exhibits an acceptable level of residual differences between the observed and predicted correlations. Importance–Performance Map Analysis (IPMA). To complement the structural model evaluation, this study employed Importance–Performance Map Analysis (IPMA) to identify which antecedent constructs should be prioritized for improving Generation Z investment behavior. Unlike conventional path analysis, IPMA considers not only the importance (total effects) of each construct but also its performance, thereby providing more practical managerial implications.

Table 11. Importance–Performance Map Analysis for Investment Behavior

Construct	Importance	Performance
Financial Behavior	0.464	66.545
Fintech Usage	0.372	59.441
Financial Literacy	0.302	65.115

Source: Data processed with Smart-PLS (2025)

Figure 2 displays the path coefficients of the structural equation model, providing a visual representation of the strength and direction of the hypothesized relationships among the latent variables.

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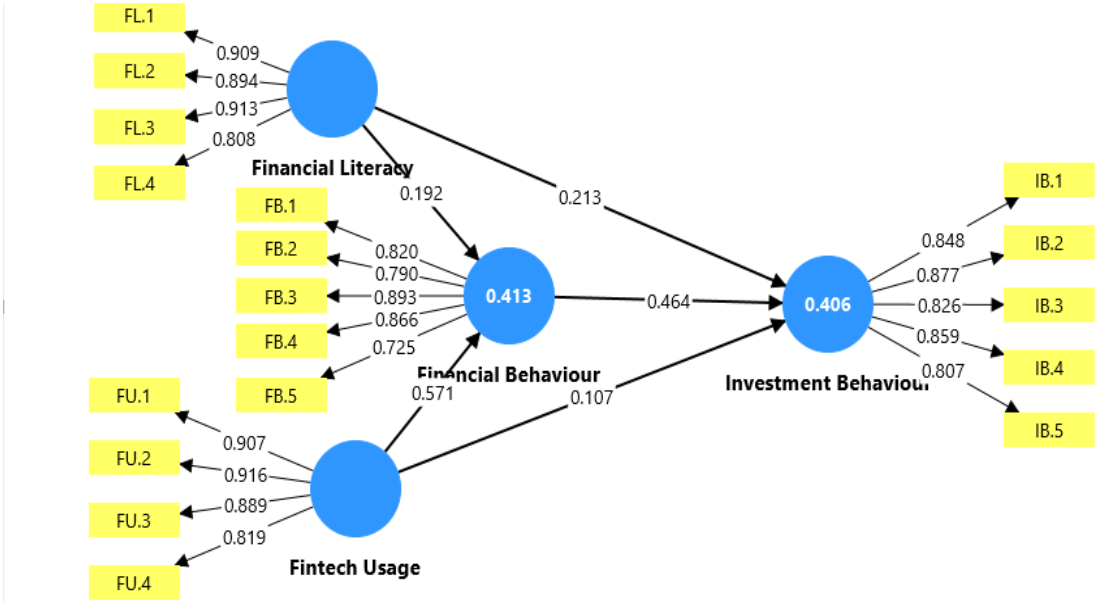


Figure 2. Structure Equation Modelling
Source: Data processed with Smart-PLS (2025)

4.5 Hypothesis Testing

The bootstrapping procedure available in Smart-PLS 4.0 was utilized to test the proposed hypotheses. In the context of economic and management research, a significance level between 5 and 10 percent is commonly accepted. A hypothesis is considered supported when the T-statistic exceeds the critical value of 1.960 and the corresponding p-value is equal to or less than 0.050, indicating a statistically significant relationship between the exogenous and endogenous variables (Ghozali, 2021; Hair et al., 2019; Santosa, 2018). Conversely, if the p-value exceeds 0.050 and the T-statistic is below 1.960, the hypothesis is rejected, suggesting that the relationship between the constructs is not statistically significant. The results of the hypothesis testing are presented in **Table 12** below.

Table 12. Path Coefficient and Hypotheses Testing

Hypothesis	Relation	Original Sample	Mean	SD	T-Statistics	P-Values	Description
H1	FL → FB	0.192	0.194	0.063	3.070	0.002	**Supported**
H2	FU → FB	0.571	0.572	0.057	10.009	0.000	**Supported**
H3	FB → IB	0.464	0.465	0.081	5.722	0.000	**Supported**
H4	FL → IB	0.213	0.214	0.066	3.208	0.001	**Supported**
H5	FU → IB	0.107	0.104	0.082	1.303	0.193	**Not Supported**

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H6	FL → FB → IB	0.089	0.091	0.035	2.553	0.011	**Supported**
H7	FU → FB → IB	0.265	0.267	0.057	4.637	0,000	**Supported**

Note: FL = Financial Literacy, FU = Fintech Usage, FB = Financial Behaviour, IB = Investment Behaviour.
Source: Data processed with Smart-PLS (2025)

The analysis results reveal that Financial Literacy (FL) has a significant positive effect on Financial Behavior (FB), with a path coefficient of 0.192, a p-value of 0.002, and a T-statistic of 3.070. This indicates a statistically strong relationship, thus supporting Hypothesis H1. Similarly, Fintech Usage (FU) also shows a significant influence on Financial Behavior (FB). The path coefficient of 0.571, with a p-value of 0.000 and a T-statistic of 10.009, demonstrates a highly significant effect, confirming Hypothesis H2. Financial Behavior (FB) is found to have a significant positive impact on Investment Behavior (IB), with a coefficient of 0.464, a p-value of 0.000, and a T-statistic of 5.722. These values provide robust support for Hypothesis H3.

The analysis also confirms a direct significant relationship between Financial Literacy (FL) and Investment Behavior (IB), as evidenced by a path coefficient of 0.213, a p-value of 0.001, and a T-statistic of 3.208, thereby accepting Hypothesis H4. In contrast, the direct influence of Fintech Usage (FU) on Investment Behavior (IB) is not statistically significant. The path coefficient is 0.107, with a p-value of 0.193 and a T-statistic of 1.303, resulting in the rejection of Hypothesis H5. The indirect effect of Financial Literacy on Investment Behavior through the mediating role of Financial Behavior is statistically significant. The mediation path shows a coefficient of 0.089, a p-value of 0.011, and a T-statistic of 2.553, thus supporting Hypothesis H6. Finally, the indirect impact of Fintech Usage on Investment Behavior through Financial Behavior is also significant, as indicated by a path coefficient of 0.265, a p-value of 0.000, and a T-statistic of 4.637. These results confirm the acceptance of Hypothesis H7.

4.6 Discussion

4.6.1 Financial Literacy and Financial Behavior

The findings support Hypothesis 1 (H1), demonstrating that financial literacy has a significant positive effect on financial behavior among Generation Z. This indicates that individuals with greater financial knowledge are more likely to develop responsible financial habits, including budgeting, saving, and prudent financial planning. From a theoretical perspective, this finding supports Behavioral Finance Theory, which argues that knowledge and competencies enhance individuals' capacity to make rational economic decisions. Financial literacy equips individuals with the cognitive skills necessary to evaluate financial alternatives, manage risks, and allocate financial resources more effectively.

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The descriptive statistics further reinforce this result, as indicator FL1 ("I understand the basic concepts of personal financial management") obtained the highest mean score (3.990), suggesting that respondents possess a relatively good understanding of fundamental financial concepts. Such knowledge provides the foundation for developing positive financial behavior, since individuals who understand financial management principles tend to apply them in their daily financial decisions. This finding is consistent with previous studies conducted by Aristei and Gallo (2021), Dewi and Muchtar (2023), and Halik et al. (2023), all of which concluded that financial literacy is an important determinant of sound financial behavior. The present study extends this body of knowledge by providing empirical evidence from Indonesian Generation Z, a demographic group that has received relatively limited attention despite representing the first generation to grow up entirely within a digital financial ecosystem.

4.6.2 Fintech Usage and Financial Behavior

The results also support Hypothesis 2 (H2), indicating that fintech usage significantly enhances financial behavior among Generation Z. This finding suggests that digital financial technologies not only facilitate financial transactions but also encourage users to become more actively engaged in managing their personal finances. Applications that provide budgeting tools, spending records, digital payments, and financial reminders enable users to monitor their financial activities more efficiently, thereby promoting responsible financial behavior. This finding can be interpreted through the Technology Acceptance Model (TAM), which argues that individuals are more likely to adopt technologies perceived as useful and easy to use (Davis, 1989; Gomber et al., 2018). For Generation Z, fintech applications simplify financial management processes and reduce the effort required to organize financial activities. Consequently, the perceived usefulness of fintech applications translates into improved financial practices rather than merely increased technology adoption.

The descriptive statistics support this interpretation, as indicator FU2 ("I find fintech features helpful") achieved a relatively high mean score (3.890), indicating that respondents generally perceive fintech services as beneficial in managing their finances. This positive perception appears to be translated into healthier financial behavior. These findings are in agreement with Priyadarshi et al. (2024) and Zhao and Khaliq (2024), who similarly reported that fintech adoption positively influences financial management behavior. However, this study extends previous research by demonstrating that fintech usage contributes to investment behavior indirectly through financial behavior, thereby highlighting the behavioral mechanism underlying digital financial technology adoption.

4.6.3 Financial Behavior and Investment Behavior

The findings support Hypothesis 3 (H3), demonstrating that financial behavior has a significant positive effect on investment behavior among Generation Z. This result indicates that prudent financial habits constitute a critical behavioral foundation for

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investment decision-making. Individuals who consistently budget their income, monitor expenditures, save regularly, and avoid unnecessary consumption are more likely to allocate financial resources toward long-term investment activities. In other words, investment behavior is not solely determined by financial knowledge or access to financial technology but is fundamentally shaped by disciplined financial practices developed through everyday financial management.

From a theoretical perspective, this finding is consistent with the principles of Behavioral Finance Theory, which argues that financial decisions are influenced not only by rational economic considerations but also by individual behavioral patterns and self-regulation (Barberis & Thaler, 2003). While financial literacy provides the necessary knowledge and fintech enhances access to financial services, these resources do not automatically translate into investment participation unless they are accompanied by responsible financial behavior. Individuals who demonstrate greater self-control and financial discipline are generally more capable of postponing immediate consumption in favor of long-term financial objectives, thereby increasing their propensity to invest (Suci et al., 2026).

The descriptive statistics further reinforce this interpretation. Among the financial behavior indicators, FB3 ("I avoid impulsive purchases") achieved the highest mean score (3.990), followed by FB1 ("I record and monitor my daily expenses") with a mean score of 3.910. These findings suggest that respondents generally recognize the importance of self-control and financial monitoring in managing their personal finances. Such behaviors are essential because they enable individuals to accumulate surplus funds that can subsequently be allocated to investment activities rather than being absorbed by discretionary consumption.

The present findings are consistent with previous studies by Purwidianti et al. (2022) and Suci et al. (2026), both of which concluded that sound financial behavior significantly enhances investment decisions. However, this study extends the existing literature by providing empirical evidence from Indonesian Generation Z, a cohort characterized by high digital engagement and extensive exposure to financial technologies. Despite growing digital financial inclusion, the findings demonstrate that behavioral discipline remains the primary mechanism driving investment behavior. This suggests that technological advancement alone is insufficient to foster sustainable investment participation unless it is accompanied by responsible financial management practices.

These findings also carry important practical implications. Efforts to increase investment participation among Generation Z should extend beyond improving financial knowledge or expanding access to digital financial services. Educational institutions, financial regulators, and fintech providers should place greater emphasis on cultivating positive

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financial habits, such as budgeting, expense monitoring, saving regularly, and controlling impulsive spending. Strengthening these behavioral competencies is likely to produce more sustainable improvements in investment participation than initiatives that focus exclusively on financial literacy or technology adoption.

4.6.4 Financial Literacy and Investment Behavior

The findings support Hypothesis 4 (H4), indicating that financial literacy has a significant and positive direct effect on investment behavior among Generation Z. This result suggests that individuals with higher levels of financial knowledge are more likely to participate in investment activities because they possess a better understanding of financial products, investment risks, expected returns, and long-term wealth accumulation strategies. Consequently, financial literacy serves as a fundamental cognitive resource that enables individuals to make informed and rational investment decisions in an increasingly complex financial environment. From a theoretical perspective, this finding is consistent with Finance Behavioral Theory, which posits that knowledge and skills constitute valuable forms of capital that enhance individuals' productivity and decision-making capabilities (Barberis & Thaler, 2003). In the context of personal finance, financial literacy reduces information asymmetry and uncertainty by enabling individuals to evaluate investment opportunities more critically and manage financial risks more effectively (Mongan et al., 2025). As a result, financially literate individuals tend to exhibit greater confidence in making investment decisions and are less susceptible to irrational or speculative investment behavior.

The descriptive statistics further support this interpretation. Indicator FL3 ("I understand the risks and returns of different investment products") recorded a relatively high mean score of 3.790, indicating that respondents generally possess an adequate understanding of one of the most essential aspects of investing. This finding suggests that Generation Z is increasingly aware that investment decisions require not only an expectation of potential returns but also an understanding of the associated risks. Such awareness forms an important basis for developing sustainable investment behavior rather than engaging in speculative financial activities. These findings are consistent with the study of Mongan et al. (2025), which concluded that financially literate individuals are more likely to invest because they have greater confidence in evaluating financial risks and expected returns. The present study extends this evidence by demonstrating that the relationship remains significant within the Indonesian Generation Z context, despite rapid technological development and widespread fintech adoption. This finding implies that digital financial innovation does not diminish the importance of financial literacy. Instead, financial knowledge continues to function as a prerequisite for making sound investment decisions, while digital platforms primarily serve as facilitating tools.

From the perspective of Behavioral Finance Theory, financial literacy enhances individuals' ability to process financial information, evaluate investment risks, and avoid

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behavioral biases that may lead to irrational investment decisions (Barberis & Thaler, 2003). Although investment decisions are influenced by psychological factors, individuals with higher levels of financial literacy are generally better equipped to make informed and disciplined investment choices. Therefore, financial literacy serves as an important cognitive foundation that supports rational investment behavior within the framework of Behavioral Finance Theory.

4.6.5 Fintech Usage and Investment Behavior

The results indicate that Hypothesis 5 (H5) is not supported, suggesting that fintech usage does not have a significant direct effect on investment behavior among Generation Z. Although respondents reported relatively high levels of fintech adoption, the findings imply that merely using financial technology applications is insufficient to encourage active investment participation. This result suggests that the availability of digital financial services alone does not automatically translate into investment decisions unless users possess the necessary financial discipline and behavioral readiness to utilize these technologies for long-term financial planning (Gomber et al., 2018; Xiao & Porto, 2017).

From the perspective of the Technology Acceptance Model (TAM), this finding provides an interesting insight. TAM posits that users are more likely to adopt technologies that are perceived as useful and easy to use (Davis, 1989). However, the present findings indicate that technology adoption does not necessarily lead to investment behavior. In the context of Generation Z, fintech applications may primarily be utilized for routine financial activities, such as digital payments, money transfers, bill payments, and online purchases, rather than for investment purposes (Gomber et al., 2018; Lee & Shin, 2018; Priyadarshi et al., 2024). Therefore, while fintech platforms are widely accepted and frequently used, their perceived usefulness appears to be concentrated on transactional convenience instead of facilitating investment decisions (Gomber et al., 2018).

The descriptive statistics support this interpretation. Among the fintech usage indicators, FU4 ("I use fintech apps to assist financial and investment decisions") recorded the lowest mean score (3.400), despite the generally high level of fintech adoption observed across other indicators. This finding suggests that respondents are familiar with fintech applications but have not fully utilized their investment-related features. Consequently, the limited use of fintech for investment activities may explain why the direct relationship between fintech usage and investment behavior is statistically insignificant. Unlike previous studies that reported a significant positive relationship between fintech adoption and investment participation (Lee & Shin, 2018; Priyadarshi et al., 2024; Zhao & Khaliq, 2024), the present study found that fintech usage does not directly influence investment behavior among Generation Z in Indonesia. The findings indicate that fintech usage alone is insufficient to stimulate investment behavior unless it is accompanied by responsible financial management practices. This discrepancy may be attributed to differences in research contexts, respondent characteristics, and the predominant use of

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fintech applications among Generation Z in Indonesia. Rather than being utilized primarily for investment management, fintech services are more frequently adopted for routine financial activities, such as digital payments, fund transfers, and other transactional services (Gomber et al., 2018; Lee & Shin, 2018; Priyadarshi et al., 2024; Zhao & Khaliq, 2024).

Furthermore, the findings complement the significant mediating effect of financial behavior identified in this study. Rather than directly influencing investment behavior, fintech usage appears to encourage better financial management practices, which subsequently promote investment participation. This indicates that financial behavior functions as the behavioral mechanism through which fintech usage contributes to investment decisions, consistent with the propositions of Behavioral Finance Theory. In other words, digital financial technology creates opportunities for improved financial management, but individuals must first develop responsible financial habits before these technological benefits can be translated into sustainable investment behavior (Davis, 1989; Gomber et al., 2018; Xiao & Porto, 2017).

The findings offer an important contribution to the existing literature by demonstrating that high levels of fintech adoption should not be interpreted as evidence of high investment participation among young adults. In the Indonesian context, where fintech penetration has grown rapidly, encouraging investment behavior requires more than expanding digital financial access. Greater emphasis should be placed on improving users' financial behavior through investor education, financial planning programs, and the integration of behavioral features within fintech applications, such as budgeting tools, savings reminders, investment recommendations, and financial goal tracking (Gomber et al., 2018; Venkatesh et al., 2003; Xiao & Porto, 2017). These initiatives may help transform fintech from a transactional platform into a strategic instrument for long-term wealth creation.

4.6.6 The Mediating Role of Financial Behavior

The findings support Hypothesis 6 (H6) and Hypothesis 7 (H7), confirming that financial behavior significantly mediates the relationships between financial literacy and investment behavior, as well as between fintech usage and investment behavior. These findings suggest that neither financial knowledge nor technology adoption alone is sufficient to encourage investment participation among Generation Z. Instead, both factors exert their influence by shaping individuals' daily financial practices, including budgeting, saving, expenditure monitoring, and financial self-control. Consequently, financial behavior serves as the behavioral mechanism through which cognitive and technological resources are translated into actual investment decisions.

From the perspective of Behavioral Finance Theory, these findings reinforce the argument that investment decisions are not determined solely by financial knowledge or

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access to financial technology but are fundamentally influenced by individual behavioral patterns (Barberis & Thaler, 2003). While financial literacy enhances individuals' understanding of financial concepts and fintech provides greater accessibility to financial services, these advantages are unlikely to generate positive investment outcomes unless they are accompanied by responsible financial behavior. This finding supports the proposition that behavioral factors function as the primary pathway through which financial knowledge and technological adoption influence financial decision-making (Barberis & Thaler, 2003; Xiao & Porto, 2017).

Furthermore, the findings also complement the Technology Acceptance Model (TAM). Although fintech applications are generally perceived as useful and easy to use, the results indicate that technology adoption alone does not directly stimulate investment behavior. Instead, fintech contributes indirectly by encouraging better financial management practices, which subsequently improve investment participation. This finding suggests that the effectiveness of financial technology depends not only on users' willingness to adopt digital platforms but also on their ability to integrate these technologies into responsible financial routines (Davis, 1989; Venkatesh et al., 2003; Xiao & Porto, 2017).

The significant mediating role of financial behavior also explains why the direct effect of fintech usage on investment behavior was found to be insignificant. This indicates that financial behavior acts as a full behavioral mechanism, whereby fintech usage contributes to investment decisions only after it has improved individuals' financial management practices. Likewise, although financial literacy has a significant direct effect on investment behavior, the significant indirect effect indicates that responsible financial behavior partially mediates this relationship. This finding suggests that financial knowledge influences investment decisions both directly and indirectly through the development of positive financial habits (Barberis & Thaler, 2003; Lusardi & Mitchell, 2014; Xiao & Porto, 2017).

These findings are generally consistent with previous studies reporting that financial behavior plays a crucial role in transforming financial capability into positive financial outcomes (Suci et al., 2026). However, the present study extends the existing literature by simultaneously integrating financial literacy, fintech usage, financial behavior, and investment behavior into a single structural model within the context of Indonesian Generation Z. Unlike previous studies that primarily examined direct relationships among these variables, this study demonstrates that financial behavior functions as the central mechanism linking financial knowledge and digital financial technology with investment participation. This integrated perspective provides a more comprehensive understanding of how cognitive, technological, and behavioral factors interact to shape investment decisions in the digital era.

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From a practical perspective, these findings imply that programs aimed at increasing investment participation among Generation Z should adopt a more behavior-oriented approach. Financial education initiatives should move beyond improving financial knowledge alone by emphasizing the development of positive financial habits, including budgeting, regular saving, expenditure monitoring, and self-control. Likewise, fintech providers should complement digital financial services with behavioral support features, such as personalized budgeting tools, financial goal tracking, investment reminders, and educational content, to encourage users to transform technological access into sustainable investment behavior (Gomber et al., 2018; Xiao & Porto, 2017).

4.6.7 Theoretical and Practical Implications

The findings of this study offer several important theoretical contributions to the literature on financial behavior and investment decision-making among young adults. First, this study reinforces the explanatory power of Behavioral Finance Theory by demonstrating that investment behavior is influenced not only by cognitive factors, such as financial literacy, but also by individuals' behavioral patterns. The significant mediating role of financial behavior confirms that financial knowledge alone is insufficient to produce sound investment decisions unless it is translated into responsible financial practices. These findings support the behavioral finance perspective, which emphasizes that psychological and behavioral factors are fundamental determinants of financial decision-making (Barberis & Thaler, 2003; Kanapickiene et al., 2024).

Second, this study extends the application of the Technology Acceptance Model (TAM) within the context of personal finance and investment behavior. While TAM explains that perceived usefulness and perceived ease of use encourage technology adoption, the present findings reveal that technology adoption alone does not necessarily stimulate investment participation. Instead, fintech usage contributes indirectly by improving financial behavior, indicating that behavioral transformation is a prerequisite for converting technological adoption into meaningful financial outcomes. This finding broadens the application of the Technology Acceptance Model (TAM) by demonstrating that technology acceptance alone is insufficient to explain investment decisions. Instead, the model should be complemented by behavioral mechanisms that translate technology adoption into responsible financial decision-making (Barberis & Thaler, 2003; Davis, 1989; Venkatesh et al., 2003; Xiao & Porto, 2017).

Third, this study contributes to the growing body of literature by integrating financial literacy, fintech usage, financial behavior, and investment behavior into a unified structural model. Unlike previous studies that predominantly examined the direct effects of financial literacy or fintech adoption on investment decisions, the present study demonstrates that financial behavior functions as the central mechanism linking cognitive and technological factors to investment participation among Generation Z.

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Consequently, the proposed model provides a more comprehensive understanding of investment behavior within the rapidly evolving digital financial ecosystem.

From a practical perspective, the findings suggest that initiatives aimed at increasing investment participation among Generation Z should adopt a more comprehensive approach that combines financial education, behavioral development, and digital financial innovation. Educational institutions should strengthen financial literacy programs by emphasizing practical financial management skills, including budgeting, saving, financial planning, and investment risk assessment. These competencies are expected to encourage students and young adults to develop positive financial habits that support long-term investment behavior (Gomber et al., 2018; Lusardi & Mitchell, 2014; Mongan et al., 2025; Xiao & Porto, 2017).

For policymakers and financial regulators, particularly the Financial Services Authority (OJK) and Bank Indonesia, the findings indicate that improving financial inclusion should be accompanied by programs that promote responsible financial behavior rather than focusing solely on expanding access to financial services. Public campaigns and financial education initiatives should therefore encourage behavioral changes that enable individuals to utilize financial knowledge and digital financial services more effectively for long-term wealth creation.

Finally, fintech service providers should move beyond offering convenient digital transactions by incorporating behavioral support features into their applications. Personalized budgeting tools, savings reminders, investment recommendations, financial goal tracking, and educational content may help users develop healthier financial habits and increase their readiness to participate in investment activities. By integrating technological innovation with behavioral interventions, fintech providers can play a more significant role in fostering sustainable investment behavior among Generation Z (Gomber et al., 2018; Xiao & Porto, 2017).

5. Conclusion and Suggestion

This study investigated the relationships among financial literacy, fintech usage, financial behavior, and investment behavior among Generation Z in Indonesia using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach. The findings reveal that financial literacy significantly enhances both financial behavior and investment behavior, while fintech usage positively influences financial behavior but does not directly affect investment behavior. Furthermore, financial behavior plays a significant mediating role in linking financial literacy and fintech usage to investment behavior, indicating that responsible financial habits serve as the primary mechanism through which financial knowledge and digital financial technology are translated into sustainable investment decisions.

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The study offers important theoretical contributions by reinforcing Behavioral Finance Theory, demonstrating that investment behavior is shaped not only by financial knowledge and technology adoption but also by individuals' financial behavior. In addition, the findings extend the application of the Technology Acceptance Model (TAM) by showing that the adoption of fintech alone is insufficient to encourage investment participation unless accompanied by positive financial behavior. By integrating financial literacy, fintech usage, financial behavior, and investment behavior into a unified structural model, this study provides a more comprehensive explanation of investment decision-making among Generation Z within the context of the digital financial ecosystem.

From a managerial perspective, the findings suggest that efforts to increase investment participation among Generation Z should extend beyond improving financial literacy and expanding access to fintech services. Educational institutions, financial regulators, and fintech providers should collaborate to develop integrated financial education programs that simultaneously strengthen financial knowledge, cultivate responsible financial behavior, and encourage the effective utilization of digital financial technologies for long-term investment planning. Such initiatives are expected to foster more sustainable investment behavior among young adults.

Despite these contributions, this study has several limitations. The research was conducted using a cross-sectional design and focused exclusively on Generation Z respondents in Indonesia, which may limit the generalizability of the findings. Future studies are encouraged to employ longitudinal research designs, examine different demographic groups, and incorporate additional variables, such as financial self-efficacy, financial attitude, perceived risk, or digital financial trust, to further explain investment behavior in the rapidly evolving digital financial environment.

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