International Journal of Economics and Financial Issues

ISSN: 2146-4138

available at http: www.econjournals.com

International Journal of Economics and Financial Issues, 2024, 14(5), 289-298.

Financial Behavior, Overconfidence, Risk Perception and Investment Decisions: The Mediating Role of Financial Literacy

Feby Yanti, Endri Endri*

Universitas Mercu Buana, Jakarta, Indonesia. *Email: endri@mercubuana.ac.id

Received: 13 May 2024 **Accepted:** 27 August 2024 **DOI:** https://doi.org/10.32479/ijefi.16811

ABSTRACT

This study aims to test and analyze the influence of financial behavior, overconfidence, and risk perception on financial literacy and investment decisions in the millennial generation in Jakarta. This study was conducted using quantitative methods, structural equation modeling, and assisted by the Smart PLS 4.0 program with a total of 100 respondents with an average age of 25-35 years. The structural model was evaluated using R-square for dependent constructs, Stone-Geisser Q-square test for Q^2 predictive relevance, and significance test of structural path parameter coefficients. The results of this study can be an input in the development of investment behavior theory, especially investment decision-making, as well as the mediation role of financial literacy in these relationships on individual millennial investors in the Jakarta area. The study found that financial behavior and overconfidence significantly impact the financial literacy of the Millennial Generation in Jakarta, while overconfidence did not. It is recommended that Millennial investors focus on improving their financial literacy, risk perception, and financial behavior to influence investment decisions, while avoiding overconfidence.

Keywords: Investment Decision, Financial Literacy, Financial Behavior, Overconfidence, Perceived Risk
JEL Classifications: G11, G41, G53, D14

1. INTRODUCTION

The capital market is an activity related to public offering and securities trading, public companies related to the securities it issues and professional institutions related to securities (Endri et al., 2024). This is as mentioned in Law Number 8 of 1995 Article 1 Number 13. The capital market has a vital role for the economy of a country, because functionally the capital market is a means of business funding or a means for companies to obtain funds from the investor community. The capital market is also functionally a means for the public to invest in financial instruments. Thus, capital owners, both individual investors and business entities, can channel funds to the capital market as a means of investment, and entrepreneurs can obtain additional capital funds to develop and expand their business networks from investors in the capital market (Cipto et al., 2024).

Investment activities in the capital market are closely related to the determination of investment decisions by an investor. An investment decision is a policy taken on two or more alternatives to investment in the hope of getting returns in the future (Razak et al., 2020; Hariharan et al., 2020).

In making investment decisions, an investor seeks to make decisions rationally. However, over time, investor psychology factors also influence investment decisions. Investors are expected to be able to make rational decisions in order to get returns that are in accordance with what they want. A rational attitude is a person's thinking attitude that is based on reason and proven by existing data and facts. The participation of traits, likes, emotions and other things that are in humans can make humans behave irrationally (Pham, 2007).

Based on data published by the Financial Services Authority as of July 14, 2021, the investment alert task force (SWI) has stopped

11 entities suspected of carrying out business activities without a permit from the competent authority. As well as duplicating or on behalf of licensed entities so that they have the potential to harm the community. Therefore, there are many factors that must be considered by every investor in order to avoid risks that may arise to losses in investing. One of the factors that can affect financial decisions is financial behavior. Financial behavior is behavior related to the application of financial use. Sudindra and Naidu (2018) stated that financial behavior can be seen from four main areas, namely: Saving, shopping, borrowing, and investing. Financial behavior is constructed by various ideas and assumptions from economic behavior to determine alternatives to several options with the aim of reducing errors in investment decision-making. The choice of decisions taken is related to the involvement of the interaction of traits, emotions, preferences and various things inherent in human beings as intellectual and social beings. Mittal (2022) revealed that behavior is very important when making wise investment decisions and different from Hala et al. (2020) stated that financial behavior has no effect on investment decisions.

In addition to a person's financial behavior, human psychological influences or known as behavioral finance also have an influence on the investment decision-making process. One of the behavioral finance factors is overconvidence, overconfidence, including biased aspects that can affect investment decisions. Overconfidence is a feeling of excessive trust in the ability and knowledge possessed in making investments. When a person has excessive confidence, it will be more frequent in investing (Aren and Nayman Hamamci, 2023). This is due to the confidence in the abilities and knowledge possessed by investors. Overconfidence will later affect the stock market because there are more and more selling and buying activities. Lakshmi and Minimol (2016) state that overconfidence can affect investment decisions. This is because respondents are confident that they have the ability to do so without looking at what risks will be accepted when investing. Rahman and Gan (2020) revealed thar overconfidence has a negative effect on investment decisions. This shows that the higher the overconfidence that an investor has, the lower the accuracy of investment decisions, making investors underestimate the level of mistakes made. Therefore, the ability, success, and accuracy of information are considered too high by overconfident investors.

When making a decision to invest, an investor must be able to pay attention to what risks will be accepted when deciding to invest. Risk perception has an important role in human behavior related to decision-making that is in uncertain conditions. In this case, risk perception needs to be considered in making investment decisions, especially for investors who are inexperienced in business investment, not just business profitability (Costa et al., 2019; Nasr et al., 2019; Mandagie et al., 2024). Ainia and Lutfi (2019) found that risk perception had a significant positive effect on investment decisions, while Nguyen et al. (2019) revealed that risk perception had no effect on investment decisions. In this study, risk perception is based on the beliefs, considerations, attitudes and approaches of investors towards risk attributes in investment products, which can be adjusted to other aspects of investment, such as profitability. This means that the perception of tolerable risk can influence investment decisions.

People who have the intention to invest are ideally based on good financial knowledge or financial literacy, so that their financial decisions have a clear direction (Susanto et al., 2020). Financial literacy is a combination of awareness, knowledge, skills, attitudes, and behaviors necessary to make financial decisions and to achieve financial success (Munyuki and Jonah, 2022). Financial literacy in general gives rise to the ability to make the right business decisions in using and managing money better. Adequate financial literacy has a positive influence on a person's financial behavior, especially in allocating finances appropriately (Mappanyukki et al., 2024). Weak financial literacy can lead to reduced financial sustainability due to poor business decision-making, leading to business failure. Low financial literacy can lead to poor financial results (Plakalović, 2012). Hassan Al-Tamimi and Anood Bin Kalli (2009) found that financial literacy had a significant positive effect on investment decisions, while Baihaqqy et al. (2020) revealed that financial literacy variables had no effect on investment decisions. However, in an investment, financial behavior and psychological conditions such as overconfidence that are not balanced with financial literacy will plunge into financial failure. Therefore, financial literacy is suspected to be able to mediate the influence of investors' behavior and psychological conditions in making investment decisions. Jain et al. (2023) found that investment decisions can be well influenced by the quality factor of a person's overconfidence if mediated by financial literacy. Rehmat et al. (2023) also found that financial literacy can mediate the relationship between risk perception and a person's overconfidence in investment decisions.

From the description of the phenomenon and some of the studies above, there is a research gap that is the focus of researchers, namely there are pros and cons to the results of the research from the influence between variables, namely overconfidence, financial behavior, risk perception, and also financial literacy on financial decisions. In addition, there are no research results that have found that financial literacy can mediate other factors besides risk perception and overconfidence factors. Therefore, this study will conduct research on the influence of these variables by including the mediation effect of financial literacy in the influence of risk perception, financial behavior and overconfidence on financial decisions as previously conducted by previous research. Based on this, the main focus of this study is the influence of financial literacy, risk perception, financial behavior, and overconfidence on investment decisions in the millennial generation in the Jakarta area. So it can be concluded that research is now new, original, and has never been done before. This study aims to test and analyze the influence of financial behavior, overconfidence, and risk perception on financial literacy and investment decisions, as well as the mediation role of financial literacy in these relationships, on individual millennial investors in Jakarta.

2. LITERATURE REVIEW

2.1. Investment Decision

Investment decisions are the decisions of a person or company to manage financial resources through an investment mechanism with the aim of achieving the expected profit results in a certain period of time. This investment decision can be seen from several main indicators, including: Capital borrowing, capital participation, business expansion, determination of time and method of investment, determination of the amount of investment funds, and determination of investment instruments (Fatmawatie and Endri, 2022).

2.2. Financial Literacy

Financial literacy is the ability to make various careful considerations and take effective actions in relation to the use and management of money in the present and future (Lusardi and Mitchelli, 2007). Financial literacy can be seen from several main indicators, namely: the ability to understand financial choices, the ability to plan for future finances, the ability to find the right source of financial knowledge, the ability to save money, and the ability to borrow and pay loans (Annas et al., 2024).

2.3. Financial Behavior

Financial behavior can be seen from four areas, namely: Saving, shopping, borrowing, and investing (Sudindra and Naidu, 2018). A person who has the habit of saving, shopping, and borrowing is usually less positive about running a business, while someone who is used to investing tends to be able to develop a business well. This habit is based on good financial literacy. So, financial behavior in the form of habits to invest is influenced by financial literacy, and ultimately affects investment decision-making.

2.4. Overconfidence

Overconfidence is explained as excessive confidence in reasoning and judgment, they consider their abilities above the average of other investors (Lambert et al., 2012). An investor behaves in a biased oveconfidence because of the limited information received, which makes investors feel that they have superior abilities and knowledge than other investors. An investor who is overconfident generally expects positive results from the investment decisions taken, investment returns will be associated with the skills possessed more than the skills of other investors but if they experience negative results obtained, overconfident investors associate it with unfavorable conditions. It can be concluded that overconfidence is an investor's overconfident behavior, so that the investor is confident and believes that their views and knowledge so that the information they get is ignored by them. This high self-confidence causes individuals to estimate too highly of the knowledge they have.

2.5. Risk Perception

Risk perception is the perception of a person or company about the chance of a risk event on the financial resources invested in a certain period of time (Vlaev et al., 2009). This risk perception can be seen from several leading indicators, including: Consideration of the need to seek more detailed clarification on investment risks, consideration of expertise and past experience when investing, investors' perspective on the position of financial assets in investment, investors' beliefs regarding the opportunity of risk events, perception of the level of tolerance for risk, and evaluation of risks and returns from investment decisions (Endri et al., 2019).

2.6. Hypothesis Development

2.6.1. Financial behavior and financial literacy

Andarsari and Ningtyas (2019) found that financial behavior affects financial literacy. Susilowati et al. (2020) financial behavior and financial literacy to questionnaires in the National Survey of Consumer Finance. They made the behavior-based financial practice index into four variables: Cash flow management, credit management, savings, and investment behavior, then they compared the index to financial literacy scores and found that those with higher levels of financial literacy also had higher financial practice index. This shows that there is a positive relationship between financial behavior and financial literacy.

H_1: Financial behavior has a positive impact on the financial literacy of the millennial generation in Jakarta.

2.6.2. Overconfidence and financial literacy

Overconfidence refers to the attitude or behavior of investors who have excess confidence in making decisions (Singh et al., 2024). Investors with overconfidence behavior feel that they have more abilities than other investors and will have a bad effect on their portfolio by underestimating information or risks that may be faced. Overconfidence is a particular concern for planners because there are a number of possibilities that this has the potential to negatively impact financial decisions. There is evidence of a behavioral problem where overconfident investors trade more and make lower profits (De Zwaan et al., 2017).

H_2: Overconfidence has a positive impact on the financial literacy of the millennial generation in Jakarta.

2.6.3. Risk perception and financial literacy

Risk perception plays a very important role in human behavior, in this case it has to do with decision-making in uncertain circumstances. People view a risky situation if they have the potential to suffer losses due to poor decisions that have been made, especially to financial conditions. So, risk perception is a person's consideration of risky conditions that depend on a person's characteristics and psychological condition. Priscilla and Saleh (2023) found that individuals who have the ability to rationally perceive risks in making investment decisions will have adequate financial literacy. Investment risk perception is very important for investors in making investment decisions because it relates to individual knowledge, skills, and beliefs.

H_3: Risk perception has a positive impact on the financial literacy of the millennial generation in Jakarta.

2.6.4. Financial behavior and investment decisions

Financial behavior is constructed by various ideas and assumptions from economic behavior to determine alternatives to several options with the aim of reducing errors in investment decision-making. The choice of decisions taken is related to the involvement of the interaction of traits, emotions, preferences and various things inherent in human beings as intellectual and social beings. Chaudhary (2013) found that behavior is very important when making wise investment decisions while Astuti et al. (2022) revealed that financial behavior has no effect on investment decisions. Based on this understanding, the following hypothesis can be formulated.

H_4: Financial behavior has a positive impact on the investment decisions of the millennial generation in Jakarta.

2.6.5. Overconfidence and investment decisions

When a person has excessive confidence, it will be more frequent in investing. This is due to the confidence in the abilities and knowledge possessed by investors. Overconfidence will later affect the stock market because there are more and more selling and buying activities. Dittrich et al. (2005) proved that overconfidence can affect investment decisions. This is because respondents are confident that they have the ability to do so without looking at what risks will be accepted when investing. Rahman and Gan (2020) found that overconfidence has a negative effect on investment decisions. This shows that the higher the overconfidence that an investor has, the lower based on this understanding, the following hypothesis can be formulated.

H_5: Overconfidence has a positive impact on the investment decisions of the millennial generation in Jakarta.

2.6.6. Risk perception and investment decisions

Perception is an aspect of thinking through the five senses that is influenced by information and then influences consideration. In this case, risk perception is a person's way of interpreting risks that are different from estimates or thoughts and reality. Risk perception plays a very important role in human behavior, in this case it has to do with decision-making in uncertain circumstances. People view a risky situation if they have the potential to suffer losses due to poor decisions that have been made, especially to financial conditions. Thus, risk perception is a person's consideration regarding risky conditions that depend on the characteristics and psychological conditions of a person (Williams and Noyes, 2007). Risk perception is assumed to influence investment decisions that the higher a person's risk perception, the more people avoid allocating funds to high-risk assets and prefer low-risk assets (Hoffmann et al., 2015; Nguyen et al., 2016). Investors who have a lower risk perception tend to choose to invest in high-risk ventures when compared to low-risk deposits (Aren and Zengin, 2016). This shows that the perception of low risk plays a vital role in encouraging investors to make investment decisions. Based on this understanding, the following hypothesis can be formulated.

H_6: Risk perception has a positive impact on millennial investment decisions in Jakarta.

2.6.7. Financial literacy hypothesis mediates financial behavior, overconfidence and risk perception of investment decisions

Financial literacy in general gives rise to the ability to make the right business decisions in using and managing money better. Adequate financial literacy has a positive influence on a person's financial behavior, especially in allocating finances appropriately (Robb and Woodyard, 2011). Weak financial literacy can lead to reduced financial sustainability due to poor business decision-making, leading to business failure. In an investment, financial behavior and psychological conditions such as overconfidence that are not balanced with financial literacy will plunge into financial failure. Therefore, financial literacy is suspected to be able to mediate the influence of investors' behavior and psychological conditions in making investment decisions. Jain et al. (2023) found that investment decisions can be well influenced by the quality factor of a person's overconfidence if mediated by financial literacy. Rehmat et al. (2023) also found that financial literacy can mediate the relationship between risk perception and a person's overconfidence in investment decisions. Based on this understanding, the following hypothesis can be formulated:

H_8: Financial literacy mediates the influence of financial behavior on the investment decisions of the millennial generation in Jakarta

H_9: Financial literacy mediates the influence of overconfidence on millennial investment decisions in Jakarta

H_{10}: Financial literacy mediates the influence of risk perception on the investment decisions of the millennial generation in Jakarta.

3. METHODS

This research was conducted using quantitative methods, structural equation modeling (SEM), and assisted by the Smart PLS 4.0 program with a total of 100 respondents with an average age of 25-35 years. The researcher tested the investment decision model in the millennial generation in Jakarta as a population. Survey data from this study was collected by distributing questionnaires to 100 respondents who had been designated as a sample of the millennial generation who had become investors. The data analysis method in this study uses an appropriate quantitative approach because the variables of interest are difficult to manipulate and participants cannot be assigned randomly. The research uses field surveys and PLS-based SEM analysis with the Smart PLS program, which is strong in overcoming the distribution of abnormal data and small samples. Descriptive analysis is used to process questionnaire data, while the measurement model (outer model) evaluates the validity and reliability of the construct. The inner model describes the relationship between latent variables, with evaluation through R-square, predictive relevance, and bootstrap hypothesis testing. The mediation test was carried out to test the influence of mediation variables on the relationship between variables.

4. RESULTS AND DISCUSSION

4.1. Results

4.1.1. Evaluation of the measurement model (outer model)

Based on the results of the questionnaire to 100 respondents, the following results were obtained:

Based on the results of the questionnaire to 100 respondents, the following results were obtained.

From the results of the analysis shown by Figure 1, it shows that as many as 38 of the total variables, as many as 38 items have a value >0.5. To be able to see more clearly the value of the loading factor, the financial literacy data is presented in Table 1.

Based on Table 1 that the loading factor value of all variables is above 0.5, then nothing is issued. To be able to see more clearly the value of the loading factor, the financial behavior data is presented in Table 2.

Based on Table 2 that the loading factor value of all variables is above 0.5, then nothing is issued. To be able to see more clearly the loading factor value, the exogenous construct data of risk perception is presented in Table 3.

Figure 1: Outer model test results. Source: Results of data processing and using Smart PLS, 2023

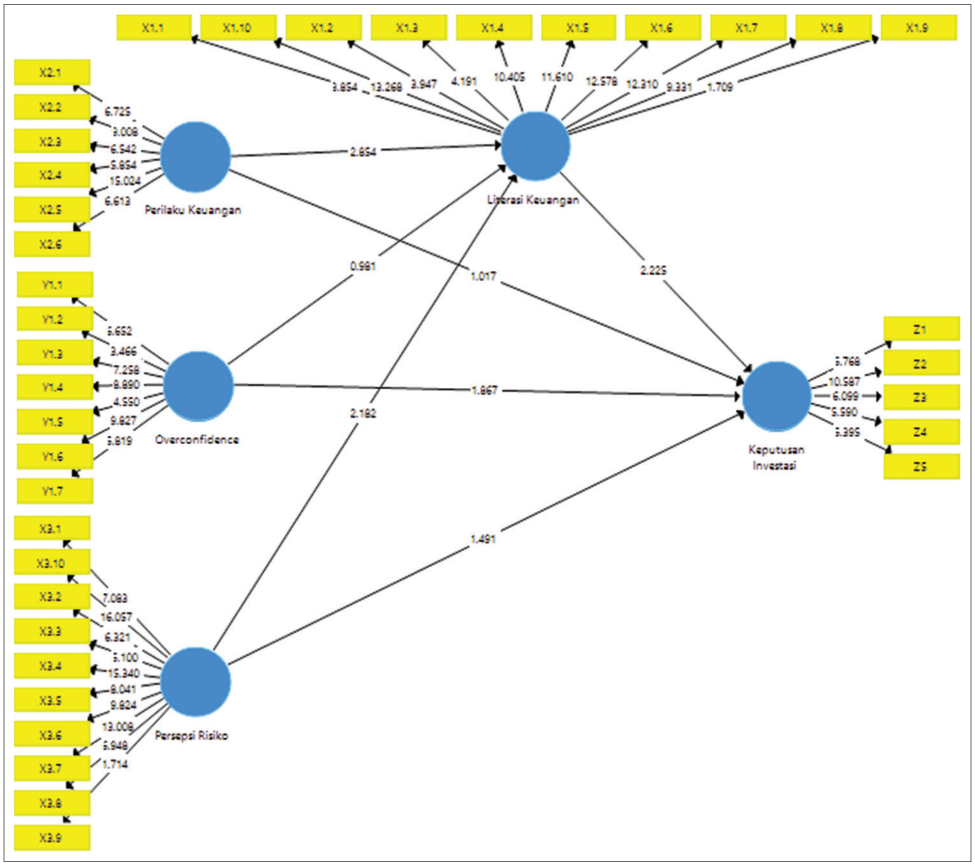

Table 1: The value of financial literacy loading factor

Code	Loading factor
X1.1	0.502
X1.2	0.500
X1.3	0.558
X1.4	0.763
X1.5	0.732
X1.6	0.756
X1.7	0.723
X1.8	0.690
X1.9	0.809
X1.10	0.736

Source: Data processed 2023

Table 2: Value of exogenous construct loading factor financial behavior

Code	Loading factor
X2.1	0.641
X2.2	0.662
X2.3	0.655
X2.4	0.541
X2.5	0.771
X2.6	0.625

Source: Data processed 2023

Table 3 shows that the loading factor value of all variables is above 0.5, then nothing is issued. To be able to see more clearly the value of the loading factor, the exogenous construction data overconfidence is presented in Table 4.

Table 3: Value of the variable loading factor perceived risk perception

Code	Loading factor
X3.1	0.564
X3.2	0.714
X3.3	0.624
X3.4	0.519
X3.5	0.781
X3.6	0.668
X3.7	0.726
X3.8	0.726
X3.9	0.636
X3.10	0.914

Source : Data processed in 2023

Table 4 shows that the loading factor value of all variables is above 0.5, then nothing is issued. To be able to see more clearly the value of the loading factor, the exogenous construct data of the investment decision is presented in Table 4.

Table 5 shows that the loading factor value of all variables is above 0.5, then nothing is issued.

It is a cross loading factor value that is useful for finding out whether the construction has adequate discrimination, namely by comparing the loading value on the intended construction must be greater than other values. With the standard value for each construct must be >0.5. Based on Table 6, the cross loading value

Table 4: Value of the loading factor variable overconfidence

Code	Loading factor
Y1.1	0.625
Y1.2	0.553
Y1.3	0.787
Y1.4	0.738
Y1.5	0.688
Y1.6	0.776
Y1.7	0.591

Source: Data processed 2023

Table 5: Value of the loading factor variable of investment decision

Code	Loading factor
Z1	0.606
Z2	0.683
Z3	0.593
Z4	0.610
Z5	0.634

Source: Data processed 2023

Tabel 6: Cross loading factor

Variable	Validity results	Conclusion
Investment decision	0.921	Reliable
Financial literacy	0.937	Reliable
Overconfidence	0.695	Reliable
Financial behavior	0.624	Reliable
Risk perception	0.832	Reliable

Source: Primary data processed, 2023

on each construct has a value of more than 0.5. This shows that the manifest variable in this study has correctly explained the latent variable and proves that all items are valid.

The structural model was evaluated using R-square for dependent constructs, Stone-Geisser Q-square test for Q_2 predictive relevance, and significance test of structural path parameter coefficients. The normality test is carried out to see whether a data is normally distributed or not. The method used is Kolmogorov-Smirrnov to determine whether the data used is normal or not, so the results of the normality test are found as follows:

The results R^2 in Table 7 show that the value of R^2 the investment decision is 0.471. This value shows that financial literacy, overconfidence, financial behavior, and risk perception have an effect on the investment decision variable by 47.1% and the rest (52.9) are influenced by other variables outside the variables in this study. R^2 financial literacy was 0.322; the value showed that overconfidence, financial behavior, and risk perception had an effect on the financial literacy variable by 32.2% and the rest (67.8) was influenced by other variables outside the variables in this study.

Table 8 presents statistical tests to prove the acceptance or rejection of a hypothesis by referring to the significance value between constructs, t-statistics and p-value. In this way, the measurement estimate and standard error are no longer calculated based on statistical assumptions, but based on empirical observations. In the

Tabel 7: R-square

Variable	R-square	R-square adjusted
Investment decision	0.471	0.449
Financial literacy	0.322	0.301

Source: Processed data, 2023

bootstrapping method in this study, the hypothesis is accepted if the significance value of the t-value is greater than 1.68 and/or the p-value is less than 0.05, then Ha is accepted and Ho is rejected and vice versa. The results of the coefficient test for each variable, both direct and indirect influences of the 10 formulated hypotheses prove that seven Ho are rejected, and three Ho are accepted.

4.2. Discussion

Table 9 presents a summary of statistical tests on the ten hypotheses regarding both direct and indirect effects mediated by financial literacy on investment decisions.

Based on the results of the research, there is a direct influence of financial behavior on the financial literacy of the millennial generation in Jakarta. These results confirm those who found that students' saving behavior has an impact on financial literacy. Financial literacy in the form of knowledge of financial management in general, knowledge of savings and loans, investment, and insurance affects the behavior of the millennial generation. The higher the knowledge, the more likely students are to have better financial behavior. Individuals can decide, plan, and prepare their finances for the future (Nurhayati et al., 2023). Financial planning that has been determined will make it easier for them to take financial actions and behaviors that are in accordance with the main priorities of the plan (Susilowati et al., 2020). Empirical findings support research from Andarsari and Ningtyas (2019), Rahman et al. (2021) that found that a person with high financial literacy will have an excellent financial attitude for the millennial generation in Jakarta. They also show excellent and rational financial behavior. People who show that attitudes are positively correlated with financial behavior. found that financial literacy learned during university studies can shape financial behavior. Financial literacy is very decisive in a person's decision-making because it considers the financial risks that will be faced for the decisions they make. These financial decisions will be useful in the future, so one can minimize their financial risks. Millennials with high financial literacy are more realistic in taking, they are financially educated and can eliminate the possibility of taking inappropriate and excessive risks (Lambert et al., 2023).

Based on the results of the research, overconfidence has no effect on the financial literacy of the millennial generation in Jakarta. Overconfidence refers to the attitude or behavior of investors who have excess confidence in making decisions (Qasim et al., 2019). Investors with overconfidence behavior feel that they have more abilities than other investors and will have a bad effect on their portfolio by underestimating information or risks that may be faced. Overconfidence is a particular concern for planners because there are a number of possibilities that this has the potential to negatively impact financial decisions. This research is in line with the results of the research De Zwaan et al. (2017) results that overconfidence does not have an effect on financial literacy due to

Table 8: Results t-statistics

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P-values
Financial behavior>Financial literacy	0.370	0.390	0.128	2.886	0.004
Overconfidence>Financial literacy	−0.128	−0.127	0.132	0.966	0.334
Risk perception>Financial literacy	0.346	0.359	0.150	2.302	0.021
Financial literacy>Investment decisions	0.204	0.202	0.097	2.115	0.035
Financial behavior>Investment decisions	0.137	0.142	0.135	1.018	0.309
Overconfidence>Investment decisions	0.264	0.260	0.142	1.867	0.069
Risk perception>Investment decisions	0.251	0.261	0.168	1.491	0.125
Financial behavior>Financial literacy>Investment decisions	0.076	0.081	0.051	2.470	0.042
Overconfidence>Financial literacy>Investment decisions	0.026	−0.020	0.027	2.981	0.027
Risk perception>Financial literacy>Investment decisions	0.071	0.068	0.041	2.741	0.024

Source: Processed data, 2023

Table 9: Recapitulation of research results

Hypothesis	Results of Testing	Information
H_1	Financial behavior affects financial literacy	Accepted
H_2	Overconfidence affects financial literacy	Rejected
H_3	Risk perception affects financial literacy	Accepted
H_4	Financial literacy affects investment decisions	Accepted
H_5	Financial behavior affects investment decisions	Rejected
H_6	Overconfidence affects investment decisions	Rejected
H_7	Risk perception affects investment decisions	Rejected
H_8	Financial literacy can mediate the influence of financial behavior on investment decisions	Accepted
H_9	Financial literacy can mediate the influence of overconfidence on investment decisions	Accepted
H_{10}	Financial literacy can mediate the influence of risk perception on investment decisions	Accepted

behavioral problems where investors who are overconfident trade more and get lower profits.

Based on the results of the research risk perception has an effect on the financial literacy of the millennial generation in Jakarta. Risk perception plays a very important role in human behavior, in this case it has to do with decision-making in uncertain circumstances. People view a risky situation if they have the potential to suffer losses due to poor decisions that have been made, especially to financial conditions. So, risk perception is a person's consideration of risky situations that depend on a person's characteristics and psychological condition. The results of the research conducted by Priscilla and Saleh (2023) stated that individuals who have the ability to rationally perceive risks in making investment decisions will have adequate financial literacy. Investment risk perception is very important for investors in making investment decisions because it relates to individual knowledge, skills, and beliefs.

Based on the results of the research, financial literacy has an effect on the investment decisions of the millennial generation in Jakarta. Financial literacy refers to an individual's ability to analyze and manage personal finances (Seraj et al., 2022). This means that in this case, the indicators contained in financial literacy have made a sufficient contribution as their role to influence investment decisions. Thus, it can be interpreted that financial literacy has a significant favorable influence on investment decisions. Some researchers state that financial literacy has an effect on investment decisions (Hashmi et al., 2023; Priangga and Purwanti, 2024; Rahman et al., 2021; Susilowati et al., 2020). Financial literacy is essential to enable people to make rational investment decisions so that they can manage their finances effectively. Individuals or investors who are not financially literate make irrational investment decisions that lead to financial losses.

In this study, it is known that the majority of millennials in Jakarta have a fairly good basic knowledge of finance, savings and loans, investment and insurance. In accordance with these results, the subjects in this study are at a level with their knowledge of good finance. Therefore, financial literacy has a positive effect on investment decisions, meaning that the higher the financial literacy of the millennial generation, the better the investment decisions will be. The level of financial literacy is important because individuals are likely to make an investment decision. By having a good level of financial literacy, individuals tend to be wiser and better at managing their assets so that they can provide useful feedback in supporting individual finances.

Based on the results of the study, financial behavior has no effect on the investment decisions of the millennial generation in Jakarta. So this result is in line with the results of research conducted by Arianti (2018) found state that financial behavior has no effect on investment decisions, but is different from research conducted by Chaudhary (2013) proved that behavior is very important when making wise investment decisions. Hala et al. (2020) revealed that financial behavior does not have a significant influence on investment decisions. In this case the indicators contained in economic behavior, namely financial planning, financial budgeting, financial management and financial savings, do not contribute significantly in their role to influence investment decisions. Thus, it can be interpreted that financial behavior has no effect on investment decisions in the millennial generation in Jakarta.

Based on the results of the research, Overconfidence has no influence on the investment decisions of the millennial generation in Jakarta. This result is in line with the results of research conducted by Rahman and Gan (2020) found that overconfidence negatively affecting investment decisions, but contrary to the results of research that states that Lakshmi and Minimol (2016) proved that overconfidence can affect investment decisions. Based on the table above, there is the highest indicator, namely, "I believe that your expertise and knowledge of the stock market can help outperform the market" with a mean value of 3.85. Next there is the lowest indicator, namely "I feel always lucky to invest in the best deals" with a mean value of 3.46. This shows that the higher the overconfidence that an investor has, the lower the accuracy of investment decisions, making investors underestimate the level of mistakes made.

Based on the results of the research risk perception has no influence on the investment decisions of the millennial generation in Jakarta, this result is in line with the study by Aren and Zengin (2016) found that investors who have a lower risk perception tend to choose to invest in high-risk businesses when compared to deposits with low risk. However, this result is different from Hariharan et al. (2000) revealed that the higher a person's risk perception, the more people avoid allocating funds to high-risk assets and prefer low-risk assets. In this study, risk perception is assumed to influence investment decisions according to Hoffmann et al. (2015) and Nguyen et al. (2016). The higher a person's risk perception, the more people avoid allocating funds to high-risk assets and prefer low-risk assets (Fatmawatie et al., 2024). Investors who have a lower risk perception tend to choose to invest in high-risk ventures when compared to low-risk deposits (Mandagie et al., 2024). This shows that the perception of low risk plays a vital role in encouraging investors to make investment decisions.

Based on the results of the research, financial literacy can be a mediator between financial behavior, overconfidence, and risk perception for the investment decisions of the millennial generation in Jakarta. These results can prove that financial literacy can mediate financial behavior, overconfidence and risk perception of the financial choices of the millennial generation in Jakarta. This result is also in line with the research of Jain et al. (2023) and Pratiwi et al. (2020) which found that investment decisions can be well influenced by the quality factor of a person's overconfidence when mediated by financial literacy. In addition, Dinarjito (2023) in his research also found that financial literacy can mediate the relationship between risk perception and a person's overconfidence in investment decisions.

Hashmi et al. (2023) has found that financial literacy can mediate the relationship between risk perception and a person's overconfidence in investment decisions. Investments have many risks, such as economic risk, compliance risk, security, and fraud risk, financial risk, reputation risk, and operational risk. As an investor, it is very important to recognize your personal risk perception because the perception of risk may differ from one person to another. In line with risk perception, financial literacy can motivate investors to start investin (Priscilla and Salegh, 2023). Investors with higher financial literacy will have a better attitude in dealing with investment risks and the greater the motivation to save, the better the investor's behavior in making investment decisions (Raut, 2020). Therefore, financial literacy can mediate risk perceptions and investment decisions.

5. CONCLUSION

This study examines the influence of financial behavior, overconfidence, and risk perception on financial literacy and investment decisions in the millennial generation in Jakarta. This study was conducted using quantitative methods, SEM, and assisted by the Smart PLS 4.0 program with a total of 100 respondents with an average age of 25-35 years.

The study found that financial behavior and risk perception significantly impact the financial literacy of the millennial generation in Jakarta, while overconfidence did not. Financial literacy significantly influences investment decisions, but it can mediate the influence of these factors. It is recommended that millennial investors focus on improving their financial literacy and risk perception to influence investment decisions, while avoiding overconfidence. Strengthening financial literacy is crucial as it mediates the influence of these factors on investment decisions.

REFERENCES

Ainia, N.S.N., Lutfi, L. (2019), The influence of risk perception, risk tolerance, overconfidence, and loss aversion towards investment decision making. Journal of Economics, Business, and Accountancy Ventura, 21(3), 401-413.

Andarsari, P.R., Ningtyas, M.N. (2019), The role of financial literacy on financial behavior. Journal of Accounting and Business Education, 4(1), 24-33.

Annas, M., Humairoh, H., Endri, E. (2024), Macroeconomic and bank-specific factors on non-performing loan: Evidence from an emerging economy. Quality Access to Success, 25(199), 155-161.

Aren, S., Nayman Hamamci, H. (2023), Evaluation of investment preference with phantasy, emotional intelligence, confidence, trust, financial literacy and risk preference. Kybernetes, 52(12), 6203-6231.

Aren, S., Zengin, A.N. (2016), Influence of financial literacy and risk perception on choice of investment. Procedia-Social and Behavioral Sciences, 235, 656-663.

Arianti, B.F. (2018), The influence of financial literacy, financial behavior and income on investment decision. Economics and Accounting Journal, 1(1), 1-10.

Astuti, P., Rini, P.L., Fikri, M.A. (2022), Relationship between financial knowledge, financial attitude and financial skills and millennial investment decisions. Journal of Management and Business Environment, 4(1), 55-70.

Baihaqqy, M.R.I., Disman, N., Sari, M., Ikhsan, S. (2020), The effect of financial literacy on the investment decision. Budapest International Research and Critics Institute-Journal (BIRCI-Journal), 3(4), 3073-3083.

Chaudhary, A.K. (2013), Impact of behavioral finance in investment decisions and strategies-a fresh approach. International Journal of Management Research and Business Strategy, 2(2), 85-92.

Cipto, S.H., Endri, E., Haryono, Y., Hartanto, D. (2024), Islamic stock indices and COVID-19: Evidence from Indonesia. International Journal of Economics and Financial Issues, 14(3), 83-88.

Costa, P.T. Jr., McCrae, R.R., Löckenhoff, C.E. (2019), Personality across the life span. Annual Review of Psychology, 70(1), 423-448.

De Zwaan, L., Lee, C., Liu, Y., Chardon, T. (2017), Overconfidence in financial literacy: Implications for planners. Financial Planning Research Journal, 3(2), 31-46.

Dinarjito, A. (2023), The influence of financial behavior on investment decisions with financial literacy as a mediation variable: Case study in PKN STAN learning assignment students. Jurnal Pajak dan Keuangan Negara, 5(1), 128-143.

Dittrich, D.A., Güth, W., Maciejovsky, B. (2005), Overconfidence in investment decisions: An experimental approach. The European Journal of Finance, 11(6), 471-491.

Endri, E., Dermawan, D., Abidin, Z., Riyanto, S., Manajemen, M. (2019), Effect of financial performance on stock return: Evidence from the food and beverages sector. International Journal of Innovation, Creativity and Change, 9(10), 335-350.

Endri, E., Dewi, S.S., Pramono, S.E. (2024), The determinants of audit report lag: Evidence from Indonesia. Investment Management and Financial Innovations, 21(1), 1-12.

Fatmawatie, N., Endri, E. (2022), Implementation of the principles of financial governance in service companies. Journal of Governance and Regulation, 11(4), 33-45.

Fatmawatie, N., Endri, E., Husein, D. (2024), Macroeconomic factors and government bond yield in Indonesia. Public and Municipal Finance, 13(1), 95-105.

Hala, Y., Abdullah, M.W., Andayani, W., Ilyas, G.B., Akob, M. (2020), The financial behavior of investment decision making between real and financial assets sectors. The Journal of Asian Finance, Economics and Business, 7(12), 635-645.

Hariharan, G., Chapman, K.S., Domian, D.L. (2000), Risk tolerance and asset allocation for investors nearing retirement. Financial Services Review, 9(2), 159-170.

Hashmi, M.A., Abdullah, M., Jalees, T., Amen, U., Arsalan, M. (2023), Do personality traits and cultural norms influence investment decisions? The role of financial literacy and investor overconfidence. Journal of Economic Impact, 5(1), 106-113.

Hassan Al-Tamimi, H.A., Anood Bin Kalli, A. (2009), Financial literacy and investment decisions of UAE investors. The Journal of Risk Finance, 10(5), 500-516.

Hoffmann, A.O.I., Post, T., Pennings, J.M.E. (2015), How investor perceptions drive actual trading and risk-taking behavior. Journal of Behavioral Finance, 16(1), 94-103.

Jain, R., Sharma, D., Behl, A., Tiwari, A.K. (2023), Investor personality as a predictor of investment intention-mediating role of overconfidence bias and financial literacy. International Journal of Emerging Markets, 18(12), 5680-5706.

Lakshmi, J., Minimol, M.C. (2016), Effect of overconfidence on investment decisions: A behavioral finance approach. Splint International Journal of Professionals, 3(2), 70-78.

Lambert, J., Bessière, V., N'Goala, G. (2012), Does expertise influence the impact of overconfidence on judgment, valuation and investment decision? Journal of Economic Psychology, 33(6), 1115-1128.

Lambert, M.J.C.M., Jusoh, Z.M., Abd Rahim, H., Zainudin, N. (2023), Factors affecting financial well-being of millennials: A systematic review. Information Management and Business Review, 15(2(I) SI), 98-108.

Lusardi, A., Mitchelli, O.S. (2007), Financial literacy and retirement preparedness: Evidence and implications for financial education: The problems are serious, and remedies are not simple. Business Economics, 42, 35-44.

Mandagie, W., Susanto, K., Endri, E., Wiwaha, A. (2024), Corporate governance, financial performance and sustainability disclosure: Evidence from Indonesian energy companies. Uncertain Supply Chain Management, 12(3), 1791-1800.

Mandagie, W.C., Susanto, K.P., Endri, E., Wiwaha, A. (2024), Oil price and corporate social responsibility disclosure (CSRD): Evidence from Indonesian energy companies. International Journal of Energy Economics and Policy, 14(3), 694-701.

Mappanyukki, R., Nengzih, N., Kusmayadi, D., Endri, E. (2024), Fraud prevention: A study of skepticism moderating variable. Journal of Governance and Regulation, 13(2), 23-30.

Mittal, S.K. (2022), Behavior biases and investment decision: Theoretical and research framework. Qualitative Research in Financial Markets, 14(2), 213-228.

Munyuki, T., Jonah, C.M.P. (2022), The nexus between financial literacy and entrepreneurial success among young entrepreneurs from a low-income community in Cape Town: A mixed-method analysis. Journal of Entrepreneurship in Emerging Economies, 14(1), 137-157.

Nasr, A.K., Alaei, S., Bakhshi, F., Rasoulyan, F., Tayaran, H., Farahi, M. (2019), How enterprise risk management (erm) can affect on short-term and long-term firm performance: Evidence from the Iranian banking system. Entrepreneurship and Sustainability Issues, 7(2), 1387.

Nguyen, L., Gallery, G., Newton, C. (2019), The joint influence of financial risk perception and risk tolerance on individual investment decision-making. Accounting and Finance, 59, 747-771.

Nguyen, L.T.M., Gallery, G., Newton, C. (2016), The influence of financial risk tolerance on investment decision-making in a financial advice context. Australasian Accounting, Business and Finance Journal, 10(3), 3-22.

Nurhayati, I., Azis, A.D., Setiawan, F.A., Yulia, I.A., Riani, D., Endri, E. (2023), Development of the digital accounting and its impact on financial performance in higher education. Journal of Educational and Social Research, 13(2), 55-67.

Pham, M.T. (2007), Emotion and rationality: A critical review and interpretation of empirical evidence. Review of General Psychology, 11(2), 155-178.

Plakalović, N. (2012), Financial literacy and resultant stability of the financial system. Zbornik radova Ekonomskog fakulteta u Istočnom Sarajevu, (6), 135-144.

Pratiwi, W., Tanjungpura, U., Tanjungpura, U., Tanjungpura, U. (2020), The effect of overconfidence and herding on perceptions of investment performance in the capital market with investment decisions as mediation and financial literacy. Journal of Accounting and Finance in Emerging Economies, 4(3), 100-112.

Priangga, I.F., Purwanto, E. (2024), The influence of financial literacy, overconfidence, and financial behavior on investment decisions of students of the faculty of economics and business university of pembangunan nasional "Veteran" East Java. East Asian Journal of Multidisciplinary Research, 3(1), 41-52.

Priscilla, F., Saleh, M. (2023), Effect influencer, P2P reputation and risk perception towards investment decisions of millenial in P2P lending: Financial Literacy as a mediation variable. Jurnal Dimensi, 12(2), 364-387.

Qasim, M., Hussain, R., Mehboob, I., Arshad, M. (2019), Impact of herding behavior and overconfidence bias on investors' decision-making in Pakistan. Accounting, 5(2), 81-90.

Rahman, M., Gan, S.S. (2020), Generation Y investment decision: An analysis using behavioral factors. Managerial Finance, 46(8), 1023-1041.

Rahman, M., Isa, C.R., Masud, M.M., Sarker, M., Chowdhury, N.T. (2021), The role of financial behaviour, financial literacy, and financial stress in explaining the financial well-being of B40 group in Malaysia. Future Business Journal, 7(1), 1-18.

Raut, R.K. (2020), Past behaviour, financial literacy and investment decision-making process of individual investors. International Journal of Emerging Markets, 15(6), 1243-1263.

Razak, A., Nurfitriana, F.V., Wana, D., Ramli, R., Umar, I., Endri, E. (2020), The effects of financial performance on stock returns: Evidence of machine and heavy equipment companies in Indonesia.

Research in World Economy, 11(6), 131-138.

Rehmat, I., Khan, A.A., Hussain, M., Khurshid, S. (2023), An examination of behavioral factors affecting the investment decisions: The moderating role of financial literacy and mediating role of risk perception. Journal of Innovative Research in Management Sciences, 4(2), 1-16.

Robb, C.A., Woodyard, A.S. (2011), Financial knowledge and 'best practice behavior. Journal of Financial Counseling and Planning, 22(1), 60-70.

Seraj, A.H.A., Alzain, E., Alshebami, A.S. (2022), The roles of financial literacy and overconfidence in investment decisions in Saudi Arabia. Frontiers in Psychology, 13, 1005075.

Singh, D., Malik, G., Jha, A. (2024), Overconfidence bias among retail investors: A systematic review and future research directions. Investment Management and Financial Innovations, 21(1), 302-316.

Sudindra, V.R., Naidu, J.G. (2018), Financial behavior and decision-making. International Journal of Creative Research Thoughts, 6(1), 1427-1435.

Susanto, Y., Nuraini, B., Sutanta, S., Gunadi, G., Basrie, A., Mulyadi, M., Endri, E. (2020), The effect of task complexity, independence and competence on the quality of audit results with auditor integrity as a moderating variable. International Journal of Innovation, Creativity and Change, 12(12), 742-755.

Susilowati, N., Kardiyem, K., Latifah, L. (2020), The mediating role of attitude toward money on students' financial literacy and financial behavior. Journal of Accounting and Business Education, 4(2), 58-68.

Vlaev, I., Chater, N., Stewart, N. (2009), Dimensionality of risk perception: Factors affecting consumer understanding and evaluation of financial risk. The Journal of Behavioral Finance, 10(3), 158-181.

Williams, D.J., Noyes, J.M. (2007), How does our perception of risk influence decision-making? Implications for the design of risk information. Theoretical Issues in Ergonomics Science, 8(1), 1-35.