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The Future Is Ahead: Can Younger Generation Invests Wisely?

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A B S T R A C T

This study aims to analyze the influence of risk tolerance, overconfidence, and social media on Generation Z's investment decisions in Sidoarjo City. The method is a quantitative with a data analysis approach. The data used consists of primary data collected through questionnaires filled out by 96 respondents and secondary data obtained from articles and books. In this study, data processing is conducted using SmartPLS software. The analysis techniques applied include the Convergent Validity Test, Discriminant Validity Test, R-Square Test, and Hypothesis Test. The research findings that risk tolerance significantly affects investment decisions, meaning that individuals with higher risk tolerance are more likely to invest. Additionally, overconfidence is found to have a significant impact, showing that individuals who are overly confident in their decision-making tend to be more active in investment. Lastly, social media plays a crucial role in shaping Generation Z's investment decisions, as information circulating on various social media platforms influences their mindset and confidence in investing.

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1. INTRODUCTION

1.1. Background of The Study

In this life, technological progress cannot be avoided. Technological progress is not a new phenomenon; it has happened every day and progressed over time. As a result, technological advances have brought many changes and, of course, brought convenience to people everywhere. In today's modern economic era, many people are starting to think about their future. Instead of spending money for temporary satisfaction, some people have started to think wisely about managing their finances so that they don't run out quickly and can be used in the future (Rahmawati et al., 2023). Currently, a nation's economy is becoming increasingly

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competitive, and this is balanced with increasingly advanced technological advances, which have several advantages, including in the investment sector. Investment is no longer considered a taboo subject by society. This has developed into a necessity, even for some groups, investment has become part of their lifestyle (Harischandra et al., 2020). Currently, investment has become commonplace in Indonesia, especially with the rapid development of digitalization and technology. This has caused global economic turmoil, including in Indonesia, which has encouraged many people to invest as a way to save money (Widiastuti et al., 2024). Indonesian people are increasingly realizing the importance of financial management through investment, especially during the pandemic. OJK noted an increase in the number of retail investors in the Capital Market, most of whom come from young people, and it is estimated that this will create a demographic bonus in 2025 (Azizah et al., 2024). Decision-making is an important aspect of investing. Investment success depends on the investor's ability to determine the right time and choose the appropriate type of investment to achieve profits (Lathifatunnisa & Wahyuni, 2021).

With easy access to information, electronic trading and data analysis have shaped and changed investor behavior. In the digital era, information and communication technology has made it easier and possible to make transactions online, where physical meetings may not be necessary. This also affects the way a person invests, investors can invest only via smartphone; this has become a magnet in itself, especially for the younger generation who are synonymous with gadgets, smartphones, and internet connections. Many investment activities can be carried out using investment applications on cellphones (Mahardhika & Asandimitra, 2023). Since the government started allowing trading on the capital market, public interest has grown, especially among young people who want to manage their money into what they want to see as a new investment trend. For young people, especially students, investment knowledge is very important to create a feeling of interest in investing (Gunawan & Wiyanto, 2022). This is proven by the PT report data. The Indonesian Central Securities Depository (KSEI) in December 2024 recorded:

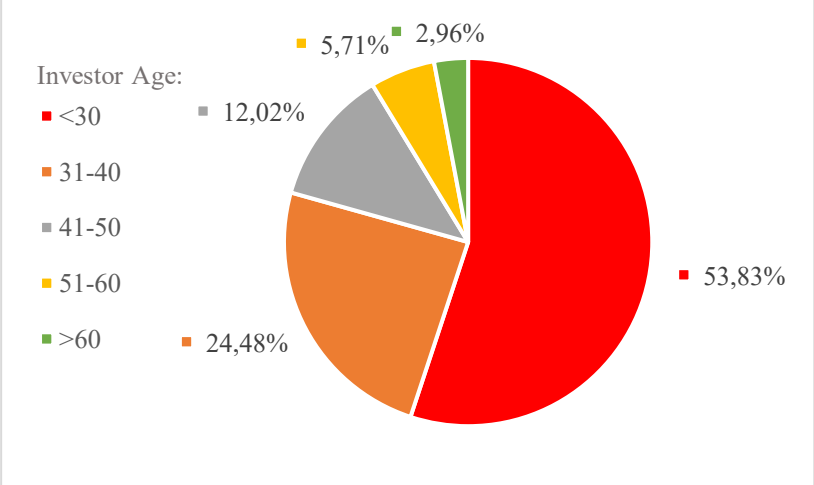

Figure 1. Investor Age in the Capital Market

PT. The Indonesian Central Securities Depository (ICSD) in its Indonesian Capital Market Statistics report as of December 2024 also noted that the growth of investors in the Indonesian capital market was IDR. 14,871,639 capital market investment, then Rp. 14,033,037 mutual fund investments, and as much as Rp. 6,381,444 investments in shares and other securities. The large number of investors among young people is motivated by advances in technology and also easy access to information through various social media for investors in making investments, and many young people are curious and curious about these investments. The growth in the number of new investors is dominated by Generation Z, which cannot be

separated from the role of technology and their ability to easily access information via the internet or social media (Sani & Paramita, 2024). Social media can influence and have a significant impact on an investor's investment decisions. In other words, the information obtained by investors from social media can give rise to feelings of excessive self-confidence, which results in high risk-taking as well. This is in accordance with previous researchers' statements that in the era of digitalization, it is easy to dig up information, which also triggers confirmation bias. Investors are more inclined to dig up information that supports their initial beliefs and ignore information that contradicts them (Qotrunada & Hascaryani, 2024). This overconfidence has a significant influence on investment decisions because they still follow certain groups or figures in pursuing the same profits (Yuwono & Altiyane, 2023). The higher the risk taken, the greater the opportunity to gain profits (Rahmawati et al., 2023). When making an investment decision, an investor analyzes whether the investment will provide a profitable or detrimental return. It is suspected that risk tolerance is one of the variables that influences investment decisions. This is in accordance with research (Lathifatunnisa & Wahyuni, 2021) that Risk Tolerance has a significant influence on Investment Decisions. Another allegation is that Overconfidence or too much Confidence is also a variable that influences an Investor's Investment Decision. This is supported by research (Budiman et al., 2021) that overconfidence has a significant effect on investment decisions. Another allegation is that social media is also a variable that influences an investor's investment decisions. This is supported by research (Hana et al., 2024) that Social Media has a significant influence on Investment Decisions.

Previous research states that Risk Tolerance has a significant influence on student investment decisions in Pekalongan City (Lathifatunnisa & Wahyuni, 2021). This is in line with other researchers who explain that Risk Tolerance has a positive influence on Student Investment Decisions in Bandar Lampung (Hafidh & Cindiyasari, 2024). However, these two studies contradict other research, which states that Risk Tolerance does not have a significant effect on Investment Decisions of the Millennial Generation (Az-zahara et al., 2024). This research is in line with research that states that Risk Tolerance does not have a significant effect on the Investment Decisions of Students at the Faculty of Economics and Business, Islamic University of Malang (Azizah et al., 2024).

Previous research states that overconfidence has a significant effect on investment decisions in the capital market (Budiman et al., 2021). This is in line with other research, which states that Overconfidence has a significant effect on Investment Decisions in the Capital Market of Accounting Students, Faculty of Economics and Business, Muhammadiyah Metro University (Anggraini et al., 2021). These two studies contradict research that states that overconfidence has no significant effect on Millennial Generation Investment Decisions (Az-zahara et al., 2024).

Previous research states that Social Media has a significant influence on Investment Decisions in the capital market among Millennials (Hana et al., 2024). This is in line with other researchers who explain that Social Media has a significant influence on Generation Z Investment Decisions in the City of Surakarta (Jumiyani et al., 2024). However, these two studies contradict other research, which states that Social Media does not have a significant effect on the Investment Decisions of Students at the Faculty of Economics and Business, Islamic University of Malang (Azizah et al., 2024).

Based on that, it can be concluded that there are gaps or gaps in previous research regarding Risk Tolerance, Overconfidence, and Social Media on Investment Decisions. Researchers are motivated to conduct other research and include the latest variables, regardless of whether the variables have an impact or not. Researchers found gaps in the findings of previous research (Evidence Gap). The Evidence Gap highlights gaps in previous research caused by uncertain research findings in the field. Thus, the researcher came to the conclusion

that there were differences in the results of previous research which attracted researchers to carry out research again with the title "The Financial Future: Can Younger Generation Invests Wisely?"

1.2. Literature Review

Risk Tolerance

Risk Tolerance is the level of a person's courage or ability to bear risks in making investment or business decisions, where a person is willing to accept fluctuations in investment value or potential losses in an effort to achieve long-term financial goals. Risk Tolerance is the extent to which an investor tolerates risk or is able to accept the risk of the investment they make (Harischandra et al., 2020). Risk and return have a comparable relationship. Investments with a high level of risk tend to provide greater potential for profit or loss (Rahmawati et al., 2023). Three categories can be used to categorize an investor's risk tolerance level: the first (risk seeker), those who like risk, the second (risk neutral), those who are neutral about risk, and the third (risk averter), those who don't like it and tend to avoid it (Mahardhika & Asandimitra, 2023). Indicators in the risk tolerance variable are as follows:

1. Investment risk placement (high, medium, or low)
2. Preferred type of investment
3. Percentage of investment asset portfolio (Mulyana et al., 2023).

Overconfidence

Overconfidence is a person's tendency to have excessive confidence or overconfidence in their own abilities or judgment. Overconfidence can cause people to take unnecessary risks or make bad decisions because they feel too confident in their instincts. This is the same as the statement of other researchers, Overconfidence has a detrimental effect because it causes a person to make excessive or drastic decisions that they should (Az-zahara et al., 2024). An investor often makes future predictions with a strong sense of optimism and confidence, so he can ignore the dangers that may be faced. This means that the higher the level of overconfidence of an investor, the more confident he will be in making decisions and taking risks because he believes that he has more ability and expertise than other investors (Lathifatunnisa & Wahyuni, 2021). The negative impact of overconfidence is that it makes someone take more extreme decisions than they should (Az-zahara et al., 2024). Indicators in the Overconfidence variable are as follows:

1. Be sure of the profits you will get when investing.
2. Convinced that knowledge in investing is superior to other investors.
3. Confident that the knowledge about investments they have is superior to other investors
4. Be confident in making investment choices.
5. Putting aside risks due to confidence in one's abilities (Mulyana et al., 2023).

Social Media

Social Media is a website or platform that facilitates user social interaction through online networks, such as sharing content and interaction between other users. Social Media is a social networking platform that works online and allows users to communicate with each other without time or location restrictions (Hadi et al., 2023). As for the opinions of other researchers, Social Media is an internet-based platform that facilitates user interaction, various content, and participation in various activities such as creating forums, exchanging information and building and maintaining communities on the internet (Sani & Paramita, 2024). People can share their thoughts and opinions on social media platforms such as Facebook, Twitter, YouTube, and TikTok where investors often use social media networks to get advice on

investments before making decisions in the capital market (Hana et al., 2024). The indicators in the Social Media variable are as follows:

1. Level of use or usage on social media.
2. Use social media to research potential investments
3. How effectively social media is used (Hadi et al., 2023).

Investment Decision

An investment decision is a policy or choice made to allocate capital to one or more assets with the aim of obtaining profits in the future, or it can also be interpreted as the process of determining the best way to invest funds in order to provide profitable results in the future (Fikri et al., 2022). Investment decisions are defined as actions or policies that involve the purchase of one or more assets that reap financial rewards in the future (Harischandra et al., 2020). Investments have instruments that are classified as Real Assets (Land, Gold, and Property) and Financial Assets (Deposits, Shares, Bonds, and Mutual Funds) (Sari et al., 2024). There are investment decision indicators, namely: 1) have an understanding of investment, 2) set clear goals in every investment, 3)Focus on the profits obtained from the selected investment products, and 4) understanding the fluctuations that occur in the capital market (Humairo & Panuntun, 2022).

1.3. Conceptual Framework

The conceptual framework is a relationship that will combine theoretically between research variables, namely between the independent variable (X) and the dependent variable (Y), which will be observed through this research. In this research, the conceptual framework in the image below was prepared based on several references from previous research. So, based on the theory above, researchers assume that the variables Risk Tolerance (X1), Overconfidence (X2), and Social Media (X3) have a simultaneous influence on Investment Decisions (Y).

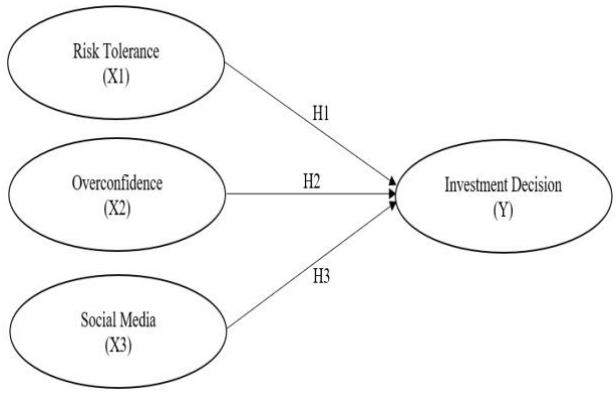

Figure 2. Conceptual Framework

The conceptual framework above is explained with the research hypothesis as follows:

H1: Risk Tolerance has a significant influence on Generation Z Investment Decisions in Sidoarjo City

H2: Overconfidence has a significant influence on Generation Z Investment Decisions in Sidoarjo City

H3: Social Media Risk Tolerance has a significant influence on Generation Z Investment Decisions in Sidoarjo City

2. METHOD

2.1. Type of Research and Data Source

In this research, researchers used quantitative methods to determine the relationship between independent and dependent variables. Quantitative research focuses on testing theories and hypotheses which are carried out by measuring research variables in the form of numbers and carrying out data analysis related to statistical procedures and mathematical modeling (Andreansyah & Meirisa, 2022). Numerical data is collected and analyzed using statistics from respondent data. The independent variables used are Risk Tolerance (X1), Overconfidence (X2), and Social Media (X3), while the dependent variable is Investment Decision (Y). In this research, the data sources used come from primary data and secondary data. Primary data collected by researchers came from distributing questionnaires online to respondents via Google forms created by researchers based on predetermined criteria. The assessment of the questionnaire uses a Likert scale, the Likert scale was chosen because this scale can capture research data more accurately because the answer category gives rise to the meaning of undecided which has a double meaning which can be interpreted as making the respondent unable to decide or give a definite answer (Wijaya & Setiawati, 2021). Researchers used a Likert scale with five significant points, namely: Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, and Strongly Disagree = 1. Meanwhile, secondary data can be obtained through the website www.ksei.co.id and various previous literature such as relevant journals, articles and books, journals, and books the website www.ksei.co.id. The data is in the form of the number of investors and the demographics of investors in Indonesia (Sani & Paramita, 2024).

2.2. Population and Sampling Techniques

The research population includes all objects or subjects studied to obtain an assessment of the research results. In this case, the population studied is Generation Z, who invest in the capital market who are aged 18-28 years, and live in Sidoarjo City. The sample size was determined because the population size was unknown, and some limitations prevented researchers from including the entire population in this study. The sample size was chosen using a non-probability sampling technique because the entire population to be distributed, not have the same chance of being represented in the proposed sample (Wijaya & Setiawati, 2021). To clarify the research, the researcher used a purposive sampling method because purposive sampling determines the sample by considering certain things (Lestari et al., 2022). So in this study, researchers set criteria: 1) Respondents were male or female aged ≥ 18 – 28 years, **2)** respondents know about investing in the capital market, 3) respondents have invested in the capital market, and 4) respondents lived in Sidoarjo City. Because the population size is unknown, the sample was taken using the Lemeshow formula to determine the sample size (Saputri et al., 2024). Here is the Lemeshow formula $n = z^2p/d^2$. Notes, z: Score Z on confidence (95% = 1.96), p: Maximum estimate of 50% = 0.5, d: Error rate 10% = 0.10. From the Lemeshow formula calculation above, the sample size (n) was 96.04 respondents, which the researchers then rounded up to 96 respondents.

2.3. Analysis Techniques

In this research, data analysis was carried out using Partial Least Squares (PLS) with SmartPLS 4 software. In the SEM method, there are two measurement analysis methods, namely outer model analysis and inner model analysis. Outer model analysis aims to test the validity of the model used. If the model is declared valid, the next analysis is the inner model, which is used to explore the relationship between variables and to test the hypotheses proposed

in the research (Ihsan & Nurfauziah, 2024). In this research, the Outer Model includes: Convergent Validity Test, Reliability Test, and Discriminant Validity Test.

The outer loading value is considered valid if it is more than 0.7 (Ihsan & Nurfauziah, 2024). For measuring Discriminant Validity, the Fornell-Larcker criterion and cross-loading values are the reference. In measuring the Fornell-Lacker Criterion and Cross Loading, it will show a good discriminant validity value and meet the requirements if the correlation value of the indicator with the construct is higher than the value with other constructs (Nurchayati & Perkasa, 2024). For reliability measurements, Cronbach's alpha and AVE values are the reference. Cronbach's alpha and composite reliability values have exceeded the minimum requirement of 0.7 to ensure that this research uses a suitable instrument where all items do not contain errors and are consistent (Pramesti & Sugiastuti, 2024). Meanwhile, there is another parameter, namely, the Average Variance Extracted (AVE) value must be more than 0.5. This aims to measure the level of variation of a construct component, which is collected from the indicators by adjusting the error level (Nurchayati & Perkasa, 2024). Meanwhile, the Inner Model includes: R-Square Test and Hypothesis Test. In measuring R-Square, there are value criteria for R-Square: less than 0.25 means weak, a value between 0.26 – 0.50 means moderate, a value between 0.51 – 0.75 means strong, and a value above 0.76 means very strong (Putri & Santoso, 2024). For measurements in Hypothesis Testing, the Path Coefficient value is the reference. The decision to accept or reject the hypothesis depends on the significance value, which is measured by the P-value and T-Statistics values. A hypothesis is declared accepted if the P-value is less than 0.05 and the T-Statistics value is more than 1.96. Conversely, if the P-value is more than 0.05 and the T-Statistics value is less than 1.96, then the relationship between variables is considered insignificant and the hypothesis is rejected (Ihsan & Nurfauziah, 2024).

3. RESULTS AND DISCUSSION

3.1 Respondent Demographics

From filling out the questionnaire via Google Form from October to September 2024, the total number of respondents collected was 96 people. From this number, researchers classified respondents into 3 categories, namely gender, age and profession. This classification aims to determine the characteristics of respondents.

Table 1. Respondent Demographics

Category	Item	Amount	Presentation
Gender	Men	43	44,79%
	Woman	53	55,21%
Age	18-22	52	54,17%
	23-28	44	45,83%
Profession	Student	9	9,38%
	Student	53	55,21%
	Worker	29	30,21%
	Freelance	3	3,13%
	Don't Work	2	2,08%

Source: Data processed, 2024

Based on the data in Table 1, it can be seen that the majority of the total respondents were women, namely around 55.21%, and for men it was 44.79%. In the age category, respondents aged 18-22 years had the highest percentage of 54.17%, and those aged 23-28 years with a percentage of 45.83%. Then the last category is Profession, Students have the highest percentage at 55.21%, followed by workers 30.21%, students 9.38%, freelance 3.13%, and don't Work 2.08%.

3.2 Result

3.2.1 Convergent Validity Test

The conceptual hypothesis proposed is that there is an alleged influence of risk tolerance on investment decisions, overconfidence on investment decisions, and social media on investment decisions. The analysis stages in this research used Smart Partial Least Square (PLS). The statistical method used to test the conceptual hypothesis is Structural Equation Modeling (SEM) using the Partial Least Square (PLS) Moderated Regression analysis (MRA) version 4.0 approach, namely calculating the convergent validation test on the Smart Partial Least Square Output in the Outer Model to determine convergent validity from the questionnaire distributed. Convergent Validity is the relationship between indicators X and Y to assess the extent to which these indicators can explain each related variable (Latent Variable). Further analysis can be evaluated with a measurement model (outer model) by testing convergent validity, discriminant validity and reliability.

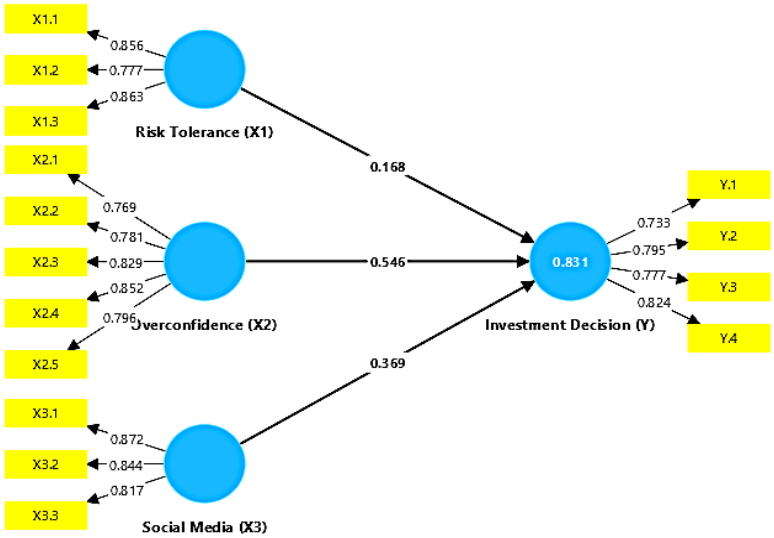

Figure 3. Loading Factor Result Values

Table 2. Loading Factor Results

Variable	Indicator	Outer Loading	Decision
Risk Tolerance (X1)	X1.1	0.856	Valid
	X1.2	0.777	Valid
	X1.3	0.863	Valid
Overconfidence (X2)	X2.1	0.769	Valid
	X2.2	0.781	Valid
	X2.3	0.829	Valid
	X2.4	0.852	Valid
	X2.5	0.796	Valid
Social Media (X3)	X3.1	0.872	Valid
	X3.2	0.844	Valid
	X3.3	0.817	Valid
Investment Decision (Y)	Y.1	0.733	Valid
	Y.2	0.795	Valid
	Y.3	0.777	Valid
	Y.4	0.824	Valid

Source: Data processed, 2024

Convergent Validity is a measurement of the validity of reflective indicators as measuring variables, which can be seen from the outer loading of each variable indicator. The convergent validity test in PLS with reflective indicators is assessed based on loading factors. The rule of thumb used for convergent validity is outer loading > 0.7. Based on Table 2, it is known that all indicators from risk tolerance, overconfidence.

3.2.2 Discriminant Validity Test

This Discriminant Validity Test is carried out with cross-loading values to ensure that each concept in the type of variable is different from other variables. This indicator can be declared to meet the requirements for discriminant validity

. **Table 3**. Fornell-Larcker Criterion results

	Risk Tolerance	Overconfidence	Social Media	Investment Decision
X1	0.833			
X2	0.666	0.806		
X3	0.539	0.444	0.845	
Y	0.731	0.722	0.702	0.783

Source: Data processed, 2024

Based on Table 3, where the value of the Fornell-Larcker Criterion is above > 0.7, it states that it has met the requirements and can be said to be valid. In Table 4, the cross-loading value is above 0.5 so it can be stated that all indicators are valid because fulfill the correlation.

Table 4. Cross Loading

	X1	X2	X3	Y
X1.1	0.856	0.573	0.449	0.608
X1.2	0.777	0.477	0.426	0.563
X1.3	0.863	0.607	0.471	0.652
X2.1	0.478	0.769	0.249	0.595
X2.2	0.621	0.781	0.263	0.658
X2.3	0.566	0.829	0.500	0.731
X2.4	0.536	0.852	0.414	0.701
X2.5	0.474	0.796	0.332	0.612
X3.1	0.377	0.277	0.872	0.572
X3.2	0.502	0.402	0.844	0.569
X3.3	0.482	0.437	0.817	0.632
Y.1	0.533	0.623	0.522	0.733
Y.2	0.567	0.646	0.507	0.795
Y.3	0.574	0.608	0.601	0.777
Y.4	0.611	0.693	0.567	0.824

Source: Data processed, 2024

3.2.3 Composite Reliability Test

Table 5. Construct Reliability and Validity

	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)
X1	0.778	0.784	0.872
X2	0.865	0.869	0.902
X3	0.799	0.800	0.882
Y	0.788	0.791	0.863

Source: Data processed, 2024

Based on Table 5, it can be concluded that the Cronbach's alpha value is > 0.70. This value meets the rule of thumb, so it can be concluded that each variable has good reliability. The overall test results are above 0.70. Thus, it can be concluded that the data is reliable and reliable. The composite reliability value for all constructs from risk tolerance, overconfidence, social media, and investment decision is above 0.7. This shows that all constructs in the estimated model meet the composite reliability criteria.

Table 6. Average Variant Extracted (AVE) Test Results

	Average Variance Extracted (AVE)	Details
X1	0.694	Valid
X2	0.650	Valid
X3	0.714	Valid
Y	0.613	Valid

Source: Data processed, 2024

Based on Table 6, it is known that the average variance extracted (AVE) value for all constructs from variables risk tolerance, overconfidence, social media, and investment decision is above 0.5. This shows that all constructs in the estimated model meet the criteria.

3.2.4 Uji R-Square

In starting a model assessment with SmartPLS, start by checking the R-squared for each dependent latent variable. An R-Square value of 0.19 – 0.32 indicates that the dependent variable is in the weak category, 0.33 – 0.66 indicates that the dependent variable is in the medium category, and a value above 0.67 indicates that the dependent variable is in the strong category.

Table 7. R-Square Value

	R-Square	R-Square Adjusted
Investment Decision	0.831	0.825

Source: Data processed, 2024

The table above shows an R-Square value of 0.825, indicating that the dependent variable is in the strong category.

3.2.5 Hypothesis Testing

Based on the data analysis carried out, the results obtained can be used to test the hypothesis of this research. Hypothesis testing is carried out by examining the coefficient values. If the coefficient value shows a positive number, then the hypothesis is considered to have a positive relationship. In addition, this research hypothesis is considered significantly accepted if the P-Value < 0.05 and t-statistic > 1.96.

Table 8. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (|O/STDEV|)	P-Values
X1 -> Y	0.168	0.181	0.063	2.669	0.008
X2 -> Y	0.546	0.536	0.071	7.654	0.000
X3 -> Y	0.369	0.367	0.051	7.201	0.000

Source: Data processed 2024

Table 8 above shows that Risk Tolerance has a significant effect on Investment Decisions, as seen from the t-statistic of 2.669, which means >1.96, and the p-value is 0.008 or <0.05. Overconfidence has a significant effect on investment decisions seen from the t-statistic of 7.654, which means >1.96, and the p-value of 0.000 or <0.05. And social media has a significant effect on Investment Decisions seen from the t-statistic of 7.201, which means >1.96, and the p-value is 0.000 or <0.05.

3.3 Discussion

3.3.1. Risk Tolerance has a significant effect on the Generation Z Investment Decision

Refer to the path coefficient score in Table 8, which can be explained by the influence of Risk Tolerance (X1) on Investment Decisions (Y), showing significant results. The original sample value of 0.168 indicates a positive relationship between Risk Tolerance and Investment Decisions. In addition, the p-value of 0.008 (smaller than 0.05) indicates that this effect is statistically significant. The t-statistic value of 2.669 (greater than 1.96) also supports the significance of this effect. Thus, it can be concluded that Risk Tolerance, which is measured through three indicators: (1) investment risk placement, (2) preferred type of investment, and (3) percentage of trust investment asset portfolio, has a positive and significant influence of 0.168 on Investment Decisions. taken by investors, meaning that the higher a person's risk tolerance level, the greater the influence on the investment decisions taken. Based on these results, hypothesis 1 is accepted.

This follows the theory of researchers (Harischandra et al., 2020) , which states that Risk Tolerance is the extent to which an investor tolerates risk or is able to accept the risk of the investments they make. The results of this research are supported by findings from previous research, which explains that Risk Tolerance has a positive influence on student investment decisions in Pekalongan City (Lathifatunnisa & Wahyuni, 2021). Other research also explains that Risk Tolerance has a positive influence on Student Investment Decisions in Bandar Lampung (Hafidh & Cindiyasari, 2024). A good understanding of Risk Tolerance will help investors make wise investment decisions in accordance with their risk profile, as well as achieve their desired investment goals in the stock market. This explains that Risk Tolerance is a benchmark for investors when making Generation Z investment decisions in Sidoarjo.

3.3.2. Overconfidence has a significant effect on the Generation Z Investment Decision

Refer to the path coefficient score in Table 8, which can be explained by the influence of Overconfidence (X2) on Investment Decisions (Y), showing significant results. The original sample value of 0.546 indicates a positive relationship between Overconfidence and Investment Decisions. In addition, a p-value of 0.000 (smaller than 0.05) indicates that this effect is statistically significant. The t-statistic value of 7.654 (greater than 1.96) also supports the significance of this effect. Thus, it can be concluded that Overconfidence, which is measured through five indicators, includes: (1) confident about the profits obtained when investing, (2) confident that knowledge in investing is superior to other investors, (3) confident that knowledge about investing is superiority compared to other investors, (4) being confident in making investment choices, and (5) ignoring risks due to confidence in one's abilities, has a positive and significant influence of 0.546 on investment decisions taken by investors, meaning the higher the level of self-confidence a person, the greater the influence on the investment decisions taken. Based on these results, hypothesis 2 is accepted.

This is in accordance with the theory of researchers (Lathifatunnisa & Wahyuni, 2021) that an investor often makes future predictions with a strong sense of optimism and self-confidence, so that they can ignore the dangers that may be faced. This means that the higher

the level of overconfidence of an investor, the more confident he will be in making decisions and taking risks because he believes that he has more ability and expertise than other investors. The results of this research are supported by findings from previous research, which explains that overconfidence has a significant positive influence on investment decisions in the capital market (Budiman et al., 2021). Other research also explains that Overconfidence has a significant positive influence on Investment Decisions in the capital market of Accounting students at the Faculty of Economics and Business, Muhammadiyah Metro University (Anggraini et al., 2021). A sense of overconfidence in investors can lead to poor decision-making, such as taking excessive risks and rejecting information that does not match the investor's views. To avoid the negative impact of overconfidence, investors need to be realistic about their analytical abilities. This explains that Overconfidence is a benchmark for investors when making Generation Z Investment Decisions in Sidoarjo.

3.3.3. Social Media has a significant effect on the Generation Z Investment Decision

Refer to the path coefficient score in Table 8, it can be explained that the influence of social media (X3) on Investment Decisions (Y) shows significant results. The original sample value of 0.369 indicates a positive relationship between social media and Investment Decisions. In addition, a p-value of 0.000 (smaller than 0.05) indicates that this effect is statistically significant. The t-statistic value of 7.201 (greater than 1.96) also supports the significance of this effect. Thus, it can be concluded that Social Media Overconfidence, which is measured through three indicators including: (1) the level of use or use of social media, (2) using social media to research potential investments, and (3) how effectively social media is used, has a positive and significant influence of 0.369 on investment decisions taken by investors, which means that the greater the influence of social media, the greater the influence on the investment decisions taken. Based on these results, hypothesis 3 is accepted.

This is in accordance with the theory of researchers (Hana et al., 2024) that people can share their thoughts and opinions on social media platforms such as Facebook, Twitter, YouTube, and TikTok where investors often use social media networks to get advice about investments before making decisions in the capital market. The results of this research are supported by findings from previous research that social media has a significant positive influence on investment decisions in the capital market among Millennials (Hana et al., 2024). Other research also explains that Social Media has a positive influence on Generation Z Investment Decisions in the City of Surakarta (Jumiyani et al., 2024). Even though Social Media offers convenience in obtaining information and establishing connections between investors, Social Media also has risks. Therefore, it is important for investors to always rely on wise analysis and research and consider risks carefully before making investment decisions. With this, investors can avoid detrimental impulsive decisions and focus more on long-term investment strategies in accordance with rational analysis. This explains that Social Media Risk is a benchmark for investors when making Generation Z investment decisions in Sidoarjo.

4. CONCLUSION

This study shows that risk tolerance, overconfidence, and social media have a significant influence on investment decisions of Generation Z in Sidoarjo City. Individuals with high risk tolerance are more likely to make investment decisions, while overconfidence increases the tendency to invest. Social media also plays an important role, because information spread across various platforms can shape their investment beliefs and preferences. These findings provide important implications for policy makers and financial service providers to improve financial literacy and provide better investment education to Generation Z. However, this study has

limitations in sampling methods and limited coverage. Therefore, further research with more representative sampling methods and a combination of qualitative approaches is expected to provide deeper insights into psychological and social factors in investment decision making.

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