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The Influence of Financial Influencers and Financial Literacy on Investment Decisions with Herding Behavior as a Mediation

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ABSTRACT: This study aims to analyze the influence of financial influencers and financial literacy on Generation Z's investment decisions with herding behavior as a mediating variable. The research method uses a quantitative approach with Partial Least Square-Structural Equation Modeling (PLS-SEM) analysis techniques. The sampling technique uses purposive sampling. The research sample consisted of 200 respondents aged 13-28 years old, residing in Jakarta, who had invested at least twice and had seen or followed content from financial influencers. The results showed that financial influencers and financial literacy had a positive and significant effect on investment decisions. In addition, both variables were also found to have a significant influence on herding behavior, indicating that exposure to information and the level of financial understanding do not completely eliminate the tendency to follow the majority's decisions. Herding behavior also has a positive effect on investment decisions and acts as a mediator in the relationship between financial influencers and financial literacy on Generation Z's investment decisions

KEYWORDS: Financial influencers, financial literacy, investment decision, herding behavior

I. INTRODUCTION

Investment decisions constitute a crucial process in both individual and corporate financial management. Such decisions are undertaken with the expectation of generating future returns, prompting individuals or groups to allocate funds across various financial instruments. According to Brmalj (2023), investment decision-making involves analyzing past and present facts to forecast future events, and it inherently entails uncertainty at the time decisions are made. Ideally, this process is grounded in rational analysis, both fundamental and technical, to minimize risks. Positive outcomes, such as asset growth and improved financial wellbeing, may be achieved when appropriate decisions are made; conversely, poor decisions can lead to substantial losses. Therefore, the quality of investment decisions becomes a determining factor in an investor's success.

The phenomenon of increasing investment activity among Generation Z in Indonesia continues to grow alongside advancements in digital technology and the accessibility of investment applications, where social media platforms such as Instagram, YouTube, and TikTok serve as primary sources of financial and investment information. Data from *Kustodian Sentral Efek Indonesia* (KSEI) indicates a surge in young investors, with 54.71% of them belonging to the under-30 age group as of January 2025. However, this generation's investment decisions are not always based on rational analysis; instead, they are often influenced by educational content and recommendations from financial influencers such as Timothy Ronald, Raditya Dika, and Felicia Putri Tjiasaka, who present information in an engaging and easily understandable manner. This condition encourages many members of Generation Z to begin investing, yet also poses the risk of speculative decisions and potential losses due to insufficient in-depth analysis.

In addition to the influence of financial influencers, financial literacy is also an essential factor in determining the quality of investment decisions, as it encompasses an understanding of basic financial concepts, investment instruments, risk management, and personal financial management—all of which encourage more rational and less speculative decision-making. Based on the 2024 National Survey on Financial Literacy and Inclusion (SNLIK) conducted by OJK, Indonesia's financial literacy level stands at 65.43%, with literacy rates higher in urban areas than in rural regions, and with notable differences across age groups. Individuals aged 26–35 exhibit the highest literacy, followed by those aged 36–50, while the 18–25 age group ranks third. According to Angela et al. (2023), low financial confidence often leads to poor financial practices.

Furthermore, as stated by Yusbardini & Andani (2020), psychological factors play a critical role in investment, with many scholars asserting that psychological aspects exert the greatest influence on investment behavior and outcomes. Psychological

factors such as overconfidence, loss aversion, and herding behavior (the tendency to follow others' actions and decisions) significantly shape investment behavior. Generation Z, with relatively limited experience, often lacks confidence in making independent decisions, leading them to follow public opinion or recommendations from influencers perceived as credible. This increases the potential for herding behavior, where investors imitate the decisions of the majority or of certain figures without conducting thorough analysis. According to Trisno & Vidayana (2023), herding occurs when investors possess unclear or insufficient knowledge, prompting them to replicate the decisions of others.

Field observations show that many young investors have suffered losses due to rushed investment decisions, as illustrated by the case involving Felicia Putri Tjiasaka, who was associated with the PT Akseleran default that resulted in investor losses of up to Rp178 billion, demonstrating how influencer-driven decisions, without adequate financial literacy, can trigger herding behavior.

Previous studies by Martaningrat and Kurniawan (2024) indicate that financial influencers significantly affect investment decisions. Khatik et al. (2021) found that social media has a positive and significant impact on Generation Z's investment decisions. However, Saputri et al. (2024) argue that influencers do not influence investment decisions. Another study by Arriqoh & Zoraya (2024) shows that financial literacy has a significant positive effect on herding behavior and on Generation Z's cryptocurrency investment decisions, with herding acting as a mediator in the relationship between financial literacy and cryptocurrency investment decisions. Meanwhile, Putri et al. (2024) found that herding behavior has a negative and insignificant effect on investment decisions. According to Chofifah et al., (2023), financial literacy has a significant negative impact on students' investment decisions.

This study aims to examine the effect of financial influencers and financial literacy on investment decision with herding behavior as a mediating variable. The hypothesis proposed in this study is:

H1: Financial influencers have a positive effect on the investment decisions of Generation Z.
H2: Financial literacy has a positive effect on the investment decisions of Generation Z.
H3: Financial influencers have a positive effect on herding behavior.
H4: Financial literacy has a positive effect on herding behavior.
H5: Herding behavior has a positive effect on the investment decisions of Generation Z.
H6: Herding behavior mediates the influence of financial influencers on the investment decisions of Generation Z.
H7: Herding behavior mediates the influence of financial literacy on the investment decisions of Generation Z.

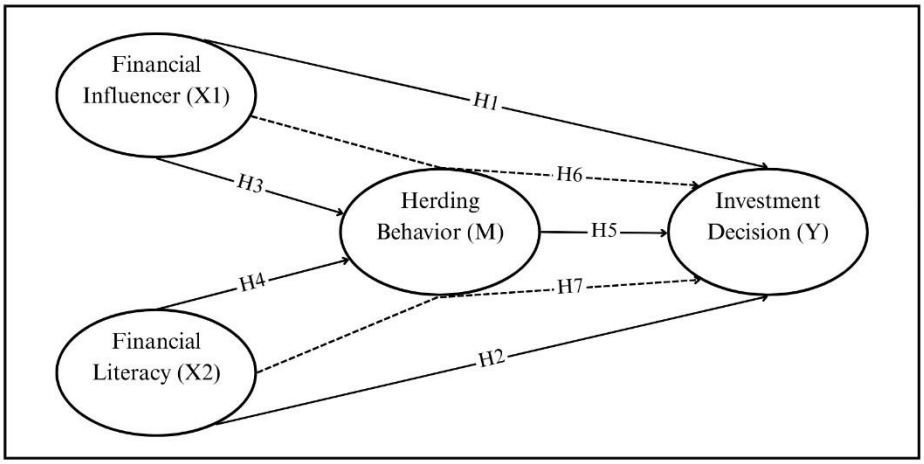

Figure 1. 1

II. METHODOLOGY

In this research, financial influencers (X1) and financial literacy (X2) are used as independent variables, investment decisionmaking serves as the dependent variable (Y), and herding behavior is used as the mediating variable (M). These variables are measured using a questionnaire instrument with a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). This study employs a quantitative approach using a survey method. The data used in this research are derived from primary data collected directly from respondents. According to Sekaran & Bougie (2016), primary data are defined as information obtained directly from research subjects without intermediaries, making them more accurate and relevant to current conditions. The main data collection technique is the distribution of an online questionnaire via Google Forms targeted at respondents from Generation Z. After the data were collected, they were analyzed using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) method with the SmartPLS application.

The population in this study consists of Generation Z individuals in Indonesia, specifically those aged 13 to 28 years. A purposive sampling technique is employed in this research. Purposive sampling is a non-probability sampling technique in which samples are selected deliberately and based on certain considerations (Sugiyono, 2023). The sample in this study is selected based on the following criteria:

a. Aged 13–28 years
b. Domiciled in Jakarta
c. Has conducted investment activities at least twice
d. Has viewed or followed content from financial influencers

This study uses Cochran's formula to determine the sample size. Cochran's formula is commonly used for unknown or very large populations, as it calculates sample size based on the confidence level and margin of error. The following is the sample calculation using a 95% confidence level and a 7% margin of error:

$$n_0 = \frac{Z^2.p.(1-p)}{e^2}$$

$$n_0 = \frac{1.96^2.0.5.(1-0.5)}{0.07^2}$$

$$n_0 = \frac{0.9604}{0.07^2}$$

$n_0 =$ 196 respondents

$n_0 =$ Initial sample size
$Z =$ Confidence level (95%/1.96)
$p =$ Proportion assumed in the population (0.5)
$e =$ Margin of error (7%)

Based on the above calculation, the sample size used in this study is rounded to a minimum of 200 respondents.

III. RESULTS AND DISCUSSION

In Partial Least Squares–Structural Equation Modeling (PLS-SEM), model analysis is conducted through two main stages: the outer model and the inner model. The first stage, the outer model, functions to examine the relationship between indicators (questionnaire items) and the constructs (latent variables) they measure. At this stage, validity and reliability testing is carried out to ensure that the measurement instruments are accurate and consistent. Once the measurement model (outer model) is confirmed to be valid and reliable, the next step is to test the structural model (inner model). This stage aims to assess the relationships among the latent constructs in the study, including the direction of influence, the strength of the relationships, and the significance between variables.

Outer model test results

At this stage, validity and reliability tests are conducted using the outer model to ensure the instrument used is accurate and consistent.

a. Validity Test

Convergence Test Results

Convergence tests are conducted to ensure that the indicators of a construct have a high correlation.

Table 3.1

	Average variance extracted (AVE)
IF	0,630
LK	0,670
HB	0,653
KI	0,670

The data was processed in SmartPLS software to determine the Average Variance Extracted (AVE) value. Based on the results shown in Table 3.1, the AVE values for all variables exceeded the minimum limit of 0.5. This indicates that all indicators passed the convergent test and had good convergent validity.

Discriminant Test Results

Discriminant tests were conducted to ensure that the indicators of one construct differed significantly from the indicators of another construct. The Fornell-Larcker test was then used to conduct the discriminant test.

Table 3.2

	HB	IF	KI	LK
HB	0,808			
IF	0,760	0,794		
KI	0,800	0,792	0,818	
LK	0,770	0,729	0,807	0,819

Based on the results of the discriminant test, the Fornell-Larcker results are as shown in Table 3.2. It is known that the square root of the AVE value for each construct is greater than the correlation of the other constructs. Therefore, it can be concluded that the constructs in this study have good discriminant validity.

b. Reliability Test

Reliability testing is a test conducted to determine the consistency or reliability of a research instrument (such as a questionnaire).

Table 3.3

	Cronbach's alpha
IF	0,883
LK	0,901
HB	0,894
KI	0,901

Based on the results of the reliability test, the Cronbach's Alpha results were obtained as shown in Table 3.3. The Cronbach's Alpha value exceeded the minimum limit of 0.70. Therefore, it was concluded that this study passed the reliability test.

Inner model test results

Results of the Coefficient of Determination (R^2)

The R Square test is used to show the proportion of variation in the dependent variable that can be explained by the independent variable.

Table 3.4

	R-square
HB	0,677
KI	0,766

Based on Table 3.4, the R-square values indicate that herding behavior is influenced by financial influencers and financial literacy by 0.677 (67.7%), while investment decisions are influenced by financial influencers, financial literacy, and herding behavior by 0.766 (76.6%). Referring to Hair et al. (2019), these values indicate that the model has a moderate ability to explain herding behavior and a strong ability to explain investment decisions.

Results of the Effect Size Test (F^2)

F-Square is used to measure the magnitude of the influence of the independent variable on the dependent variable.

Table 3.5

	F-square
IF -> HB	0,260
IF -> KI	0,157
LK -> HB	0,307
LK -> KI	0,195
HB -> KI	0,114

Based on Table 3.5, financial influencers and financial literacy both have a moderate effect on herding behavior and investment decisions, as their F-square values fall within the medium category. Financial literacy demonstrates the strongest influence on herding behavior, whereas herding behavior has the smallest effect on investment decisions. Thus, financial literacy is the most influential variable in the model, while herding behavior contributes the least to investment decisions.

Results of the Q-Square (Q^2) Predictive Relevance Test

The Q-Square (or Q^2) test assesses how well a model can predict observed data, particularly for endogenous constructs.

Table 3.6

	Q^2 predict
HB	0,664
KI	0,731

Based on the results in Table 3.6, the Q^2 value for herding behavior is 0.664, and for investment decisions is 0.731. Both values exceed 0, indicating that the model possesses predictive relevance. With Q^2 values of 0.664 and 0.731, the model can be categorized as having strong predictive relevance.

Hypothesis Testing Results

Path coefficients indicate the direction and strength of relationships between latent variables. A positive value shows a positive effect of the independent variable on the dependent variable, while a negative value indicates the opposite. Additionally, the pvalue must be below 0.05 for the hypothesis to be accepted.

Table 3.7

Variable	Original sample (O)	P values
IF → KI	0,314	0,000
LK → KI	0,357	0,000
IF → HB	0,424	0,000
LK → HB	0,460	0,000
HB → KI	0,287	0,000

H1: Financial influencers have a positive effect on the investment decisions of Generation Z.

Based on Table 4.10, the coefficient for IF → KI is 0.314, indicating a positive effect. With $p = 0.000 < 0.05$, the effect is significant, and the hypothesis is accepted. This means that the greater the trust or interest Generation Z has in financial influencers, the stronger their tendency to make investment decisions.

H2: Financial literacy has a positive effect on the investment decisions of Generation Z.

According to Table 4.10, the coefficient for LK → KI is 0.357, with $p = 0.000$. This indicates that financial literacy has a positive and significant effect on investment decisions. Thus, the hypothesis is accepted, meaning that individuals with higher financial literacy tend to make better investment decisions.

H3: Financial influencers have a positive effect on herding behavior.

Table 4.10 shows a coefficient of 0.424 for IF → HB, indicating a positive relationship—meaning that the more frequently individuals follow financial influencer content, the more likely they are to exhibit herding behavior. With $p = 0.000 < 0.05$, the effect is significant, and the hypothesis is accepted.

H4: Financial literacy has a positive effect on herding behavior.

Based on Table 4.10, the coefficient for LK → HB is 0.460, indicating a strong and positive effect. Combined with p = 0.000 < 0.05, the effect is significant, and the hypothesis is accepted. This shows that financial literacy can influence herding behavior.

H5: Herding behavior has a positive effect on the investment decisions of Generation Z.

Table 4.10 shows a coefficient of 0.287 for HB → KI, indicating a positive and significant effect (p = 0.000). This means that the stronger an investor's tendency to follow the decisions of others, the more this influences their investment decisions. Therefore, the hypothesis is accepted.

Specific Indirect Effects

Specific indirect effects are used to determine whether a variable mediates the relationship between independent and dependent variables. The results of the specific indirect effect analysis using SmartPLS are as follows:

Table 3.8

	P values
IF → HB → KI	0,001
LK → HB → KI	0,001

H6: Herding behavior mediates the effect of financial influencers on the investment decisions of Generation Z.

Based on Table 4.11, the p-value of 0.001 (< 0.05) indicates that herding behavior successfully mediates the effect of financial influencers on investment decisions. Thus, the hypothesis is accepted. This means that financial influencers affect investment decisions both directly and indirectly through herding behavior, making herding behavior a partial mediator.

H7: Herding behavior mediates the effect of financial literacy on the investment decisions of Generation Z.

Based on Table 4.11, the p-value of 0.001 indicates that herding behavior mediates the effect of financial literacy on investment decisions. This means that financial literacy influences investment decisions not only directly but also indirectly through herding behavior. Therefore, the hypothesis is accepted.

DISCUSSION

This study shows that all relationships among the variables—financial influencers, financial literacy, herding behavior, and investment delcisions—have positive and significant effects. This confirms that Gen Z's investment behavior is influenced not only by rational capabilities but also by social and psychological dynamics within the digital environment. These factors interact with and reinforce one another in shaping young people's financial decisions.

Financial influencers are proven to significantly affect Gen Z's investment decisions. Social media has become a trusted channel for financial information that is easier to understand and more relevant to young individuals. The simple communication style and the emotional closeness perceived by followers make influencer recommendations more acceptable than formal sources.

Social interactions between followers and influencers create a sense of trust that encourages Gen Z to make decisions based on narratives they consume visually and personally. As a result, financial decisions are not solely based on rational considerations, but also on the trust and psychological attachment built by these digital figures.

Second, financial literacy also has a positive effect on Gen Z's investment decisions. Financial knowledge remains an important foundation for making decisions that are more objective and measurable. Gen Z individuals with higher financial literacy tend to recognize risks, understand potential returns, and evaluate investment instruments more carefully.

Nevertheless, financial literacy does not fully guarantee decisions free from emotional biases. However, overall, financial understanding helps Gen Z avoid impulsive decisions and make investment choices that better align with their financial goals.

Other than that, financial influencers are proven to significantly influence herding behavior. Their recommendations—considered credible and delivered persuasively—often encourage followers to imitate the same investment decisions without conducting in-depth analysis. Emotional closeness makes the influencer's decisions seem like a safe reference.

Furthermore, financial literacy also has a positive effect on herding behavior. Good financial knowledge does not completely eliminate the tendency to follow the crowd. In some situations, financial literacy can even make individuals more confident in following investment trends that they believe have been validated by many people. Psychological biases such as FOMO can still influence their decisions.

Fifth, herding behavior significantly affects Gen Z's investment decisions. The abundance of social proof and the actions of the majority make young investors feel safe following the crowd. Their investment decisions become more influenced by market sentiment and group behavior rather than personal analysis.

Sixth, herding behavior is proven to mediate the influence of financial influencers on investment decisions. Persuasive influencer content triggers collective perceptions that make Gen Z more confident in following the same decisions as many others. This strengthens their tendency to make decisions based on social trends.

Other than that, herding behavior also mediates the relationship between financial literacy and investment decisions. Even with financial knowledge, Gen Z remains vulnerable to following majority decisions due to abundant information, social pressure, and the fast-moving digital market environment. This indicates that financial literacy must be accompanied by the ability to manage psychological aspects so that individuals can make independent decisions.

Overall, the findings show that Gen Z's investment decisions are a combination of rational, psychological, and social factors. Herding behavior plays an important role in bridging the effects of influencers and financial literacy on investment decisions. These results highlight the importance of financial education that not only focuses on knowledge but also on managing behavioral biases and social pressures in the digital era.

IV. CONCLUSIONS

Based on the results of the analysis and discussion in the previous chapter, it can be concluded that in this study:

1. Financial influencers have a positive and significant effect on the investment decisions of Generation Z.
2. Financial literacy has a positive and significant effect on the investment decisions of Generation Z.
3. Financial influencers have a positive and significant effect on herding behavior.
4. Financial literacy has a positive and significant effect on herding behavior.
5. Herding behavior has a positive and significant effect on the investment decisions of Generation Z.
6. Herding behavior mediates the effect of financial influencers on the investment decisions of Generation Z.
7. Herding behavior mediates the effect of financial literacy on the investment decisions of Generation Z.

SUGGESTIONS

Based on the research conducted, the researcher provides several suggestions for future researchers and readers, which are expected to be useful.

a. For future researchers: Future researchers are expected to further develop and expand the scope of the study by adding new variables and enlarging the research sample in order to improve the generalizability of the research findings.

b. For investors: Suggestions for investors, especially Generation Z investors who are currently engaged in investing, include always developing a critical mindset when receiving financial information, whether it comes from influencers, peers, or social media. Additionally, it is recommended to continuously improve financial literacy through trustworthy sources such as books, official training programs, academic journals, or financial education institutions.

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