

The Influence Of Financial Socialization, Overconfidence And Mental Accounting On Investment Decisions

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Abstract: This study examines the effect of financial socialisation, herding, overconfidence and mental accounting on investment decisions among stock investors in Jakarta. The sample in the study is stock investors who reside in Jakarta. The purposive sampling method collected 205 respondents through Google Forms distributed online on social media. The research data were analysed with a structural equation system using SmartPLS.3.2.9 software. The results showed that financial socialisation positively and significantly influences Generation Z's investment decisions in Jakarta. Overconfidence positively and significantly influences Generation Z's investment decisions in Jakarta. Mental accounting has a positive and significant influence on the investment decisions of Generation Z in Jakarta.

Keywords: Financial Socialisation; Over Confidence; Mental Accounting; Investment Decision.

Abstrak: Penelitian ini bertujuan untuk mengkaji pengaruh *financial socialization*, *herding*, *over confidence* dan *mental accounting* terhadap *investment decision* di kalangan investor saham di Jakarta. Sampel dalam penelitian adalah investor saham dan bertempat tinggal di Jakarta. Metode *purposive sampling* digunakan untuk mengumpulkan 205 responden melalui Google Formulir yang dibagikan secara online di mediasosial. Data penelitian dianalisis dengan *structural equation system* menggunakan software SmartPLS.3.2.9. Hasil penelitian menunjukkan bahwa *Financial socialization* memiliki pengaruh positif dan signifikan terhadap *investment decision* generasi Z di Jakarta. *Overconfidence* memiliki pengaruh positif dan signifikan terhadap *investment decision* generasi Z di Jakarta. *Mental accounting* memiliki pengaruh positif dan signifikan terhadap *investment decision* generasi Z di Jakarta

Kata Kunci: *Financial Socialization*; *Over Confidence*; *Mental Accounting*; *Investment Decision*.

INTRODUCTION

In the atmosphere of the COVID-19 pandemic, which began to spread in Indonesia from March 2020 to 2022, financial market conditions have the potential to experience high volatility. The government issued the National Economic Recovery (PEN) stimulus policy to mitigate the impact of the COVID-19 pandemic on the Indonesian economy (Indonesia, 2021). In addition, the implementation of the WFH and PSBB (social distancing) policies affected the dynamics of the Indonesian capital market, which can be seen in the movement of the JCI (Composite Stock Price Index) on the Indonesia Stock Exchange (Fadli, 2021). Until September 2020, the government issued regulations on online work, learning, and teaching activities. This, according to Hoesen, the chief executive of the OJK capital market supervisor at finance. detik said that the COVID-19 pandemic helped the growth of capital market investors in Indonesia because various businesses carried out by the community could not be carried out, so people decided to



buy and sell shares online (Sujadi, 2021). This has resulted in the growth of capital market investors in Indonesia over the past few years, experiencing a rapid increase, especially in 2019. This can be seen from the data provided by KSEI (2021), which states that the number of capital market investors has increased by 65.730 per cent from 2020 to September 2021. The capital market has instruments consisting of stocks, bonds, mutual funds, warrants, rights, etc. (Safitri & Kartawinata, 2020). The increase in investors with stock instruments is greater than the increase in capital market investors from 2018 to September 2021. Most registered investors are less than 30 years old and are employees and students (KSEI, 2021). This can be seen in the data provided by KSEI.

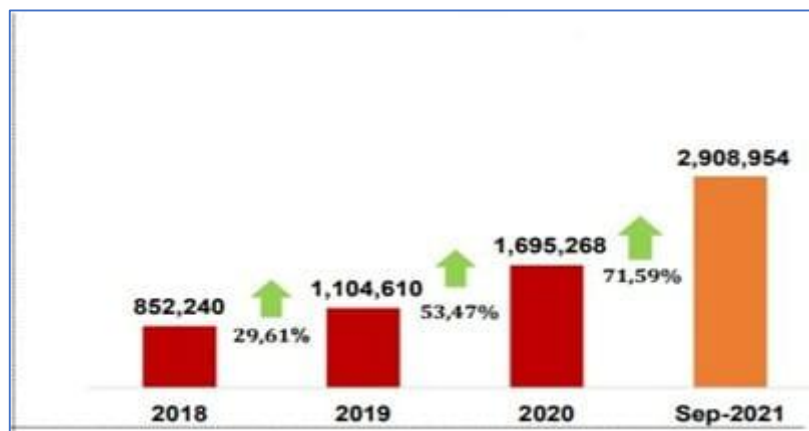


Figure 1. Growth Chart of Stock Investors (2018 to September 2021)

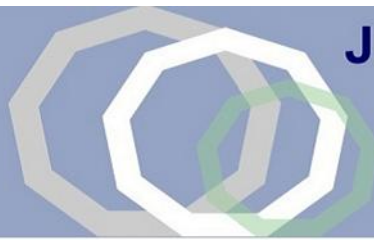
Source: Kustodian Sentral Efek Indonesia

Figure 1 shows that the number of investors from 2020 to 2021 has increased significantly, namely 92.990 per cent. From this data, Indonesian capital market investors who work as students are recorded at 28.030 per cent or with an asset value of IDR 17.42 trillion. This shows that the younger generation is very interested in investing their funds in the Indonesian capital market. Generation Z is one of the individuals who have the potential to invest.

This shows that periodic short-term trading is correlated with worse investment returns because it requires additional costs to adjust the portfolio, and this behaviour is influenced by excessive self-confidence. Excessive overconfidence can result in the inability to recognise the reality of financial situations (Zhang & Sussman, 2018), while a lack of financial confidence results in poor financial practices (Chen et al., 2022). On the other hand, entry-level investors are considered more cautious in investing and avoid risky decisions compared to general investors (Natan & Mahastanti, 2022).

In traditional financial theory, namely the Efficient market hypothesis, all existing investors, in making investment decisions, are assumed to be people who behave rationally. However, behavioural finance theory argues that psychological biases can significantly influence investment decision-making (Gerlich, 2021). Investment decisions are decisions about what commodities to buy so that they can get maximum profit (Setiawan et al., 2018). Behavioural finance theory is where cognitive psychology models influence decision-making. Cognitive psychology is how a person thinks about making a





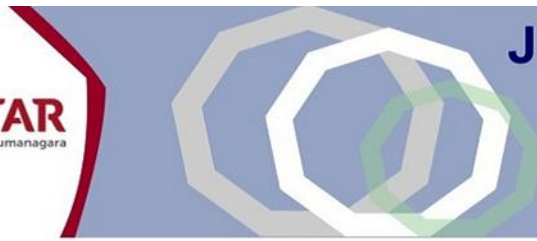
(Setiawan et al., 2018). Another theory that will be used is Prospect Theory, which, in prospect theory, says that humans sometimes also behave irrationally in making a decision (Rahman & Gan, 2020). With this significant increase in investors, psychological factors likely influence investment decision-making. Not all investors registered in KSEI are someone who can analyse and read the company's financial statements. Therefore, they will look at the latest news, seek advice from friends, influencers, colleagues, etc., and feel safer if they consider decisions made by other investors (Jain et al., 2020).

According to (Bickersteth et al., 2018) Overconfidence, an individual or organisation feels it already has a lot of knowledge and experience about something. According to (Abu Karsh, 2018), (Natan & Mahastanti, 2022), (Jain et al., 2020), (Shah et al., 2018) (Gerlich, 2021), (Barberis, 2018), (Khan 2020) suggests that the overconfidence variable has a positive influence on stock investment decision making. Investors who have overconfidence influence investment decisions. Meanwhile, (Rahman & Gan 2020), (Jorgensen et al., 2017) (Jorgensen et al., 2017) suggest that the overconfidence variable has a negative influence on stock investment decision-making.

To avoid significant losses, a person usually invests with a special fund separate from the main account. The tendency of people to separate money into fixed accounts based on various criteria, such as the source of income or the intended use of each account, is called mental accounting. Mental accounting can affect one's investment decisions. The greater an investor's mental accounting tendency results the investor becoming more aware of the level of risk that can arise from the chosen investment (Chen et al., 2022). The allocation of different functions in each account deviates from conventional concepts, so it can cause an irrational impact on investment decisions. This aligns with the statement that mental accounting positively influences investment decisions. (Zhang & Sussman, 2018), (Harrison et al., 2021) and (Cupák et al., 2020) also state that mental accounting significantly influences investment decisions. However, the results of these findings differ from the research of (Sukamulja, 2022) and (Jain et al., 2020), which state that mental accounting has no significant effect on investment decisions.

Generation Z is a term used to refer to people born between 1996 and 2012. They are the generation that grew up in the digital age, where technology and social media became an essential part of their lives. In many analyses, experts state that Gen Z has very different traits and characteristics from previous generations. This generation is labelled as a boundary-less generation. (Jenkins, 2019) in his article titled "Four Reasons Generation Z will be the Most Different Generation", for example, he states that Generation Z has different expectations, preferences and work perspectives and is considered challenging for organisations. However, they do not yet have the skills and confidence to manage the environmental uncertainties that often occur, so they tend to become more anxious. Generation Z was born and raised in an overprotective upbringing in an uncertain world: Economic recession, digital transformation, invasion in several countries, natural disasters, and disease outbreaks. This has led to Generation Z becoming less tolerant of environmental ambiguity in adulthood due to an overprotected childhood (Rastati. R, 2018). Related to that, financial behaviour is vital in managing personal finances because financial decisions are often influenced by psychological biases such as





mental accounting, Financial Socialisation, and Overconfidence. Managing, evaluating, and tracking the financial activities of each individual and family well can be done by having mental accounting and stable confidence so that Generation Z is expected that policies in managing finances can be arranged and planned correctly. This topic was chosen for research because mental accounting, the level of self-confidence in Generation Z, can help a person in regulating, evaluating and tracking financial activities so that they can have sound finances and can bear the cost of living for families who are still dependent so that this research has novelty and can be helpful.

The rapid growth of investors in Jakarta and many investment galleries and existing investors are dominated by people aged less than 30 years. They are employees and students, causing researchers to be interested in researching Generation Z in Jakarta. The difference in the results of previous research causes researchers to be interested in examining the population of stock investors in the Jakarta community, with variables of Financial Socialisation, Overconfidence, and Mental Accounting.

THEORETICAL REVIEW

Investment Decision. Investment is a process of investing money in the hope of a return that should be done rationally to make the investment successful (Jackson et al., 2018). Appropriate analysis of various investment alternatives can help investors reason when making decisions. Investors affected by bias in analysing an investment will make irrational decisions. Investment decisions are made by investing investors' money to maximise returns (Ramadhan & Asandimitra, 2019). Investment is the process of investing funds in the hope of future returns. Every investor has goals, but no investor wants to experience losses. Even so, investors making decisions can be swayed so that they use various conveniences that make investment decisions irrational. Investment is a commitment to entrusting the investor's funds to the issuer of investment instruments within a certain period (Bickersteth et al., 2018). This suggests that to be rational, an investor must resist the influence of their own biases. Investment decisions are problems someone faces in allocating their funds into investment forms that will produce future profits. There are two attitudes of investors in making investment decisions: rational and irrational. A rational attitude is the attitude of someone who thinks based on common sense, while an irrational one is a person's attitude that is not based on common sense. An investor with a rational attitude will decide based on financial literacy. For example, when someone invests their funds in a specific type of investment, they will use existing information, such as the profits and risks of that type of investment.

Meanwhile, an investor with an irrational attitude will make decisions based on several factors, such as psychology and demographics. According to (Sujadi, 2021), one psychological factor influencing financial behaviour is the locus of control. Meanwhile, regarding demographic factors (Gerlich, 2021), race and ethnic background tend to influence financial behaviour.

(Sirait & Murdianingrum, 2020) States that several things influence a person when making investment decisions. First is the return, which is the main reason for investing. Second is risk; the greater the expected return from a type of investment, the higher the risk. Third is the relationship between return and risk. The relationship between the risk



and return levels is expected to be linear or unidirectional. (Arifin, 2019) categorises investment types according to the risk level: bank accounts, capital markets, and tangible assets. A Bank account is an investment in the money market made in assets included in banking products such as savings, deposits, and current accounts. Capital markets are investments in capital markets, which are investments made in assets such as stocks. Tangible assets are investments in fixed assets, which are investments made in assets that can be seen and measured, such as houses, land, gold, etc.

Financial Socialisation. Financial socialisation is the process of individuals acquiring skills, knowledge, and behaviour from the surrounding environment needed to improve consumer decisions in financial matters (Harrison et al., 2021). Financial socialisation, when translated into Indonesian, is financial socialisation. According to (Saurabh & Nandan, 2020), financial socialisation is the act of learning values, attitudes, and behaviours to gain financial security. Financial socialisation is an effort to improve finance through information and learning from the surrounding environment to increase competence in financial markets (Jackson et al., 2018). So, financial socialisation is the process of acquiring knowledge and skills that can help improve financial conditions and individual well-being. According to (Cao et al., 2021), financial socialisation is the process by which a person acquires the skills, knowledge, and attitudes from the internal and external environment needed to maximise the role of consumers in the financial market. In this study, financial socialisation means gaining knowledge, skills, and attitudes related to finance from people interacting in the surrounding environment. Socialisation is a social process in consumers with various characteristics from specific sources, usually called socialisation agents (Kaur & Singh, 2020). Financial socialisation in this study is people who provide financial knowledge by interacting in finance, which then influences a person in managing financial behaviour. Financial socialisation agents include interactions with family, friends, schools, and the media on money and wealth optimisation (Putri & Wijaya, 2020).

In this case, financial socialisation agents will provide information to gain valuable knowledge and understanding about how to manage personal finances. Financial socialisation agents can be explained as follows: (1) the family is the leading and first educator in imparting lessons to their children that are useful for the future. The family is the primary socialisation agent in the child's learning process regarding money and developing financial behaviour. (2) Friends Friends are a group of children with the same level of maturity who apply the principles of living together and provide mutual influence on group members (Abbas Elhussein & Elfaki Osman, 2019). Peers can shape individuals (both women and men) to think independently, make their own decisions, and even accept or reject views and values from the family and learn behaviour patterns from their group (Shimizutani & Yamada, 2020). (3) School is a gathering place for children from various levels of society and family conditions. Schools provide learning about finances that can support students' success in managing finances. (4) Media is a place that provides a variety of complete information, including financial information. Media sources help someone learn about financial information independently.

Financial socialisation in this study is the process of providing financial information to other individuals or groups by a group of people called socialisation agents, which will have an impact on adding knowledge about good financial behaviour. (Shimizutani &

Yamada, 2020) They explained that financial socialisation indicators are by financial socialisation agents: parents, formal education, friends, and the media. The agents of financial socialisation in these indicators can be explained as follows: (1). Families, especially parents, are known as one of the primary socialisation agents for young people when forming attitudes towards money or savings attitudes. This socialisation agent is related to students' openness with families, especially parents, about their financial situation (2). Formal education as a socialisation agent is also considered essential in shaping personal financial knowledge. Long-term behavioural influences on financial education by showing that financial education in schools is mandated to increase savings rates and wealth levels (3). Peer influence is also influential in shaping financial management behaviour. Peers influence financial behaviour, especially regarding product choice, gift requests, materialistic attitudes and consumer competence (4). Media is another vital socialisation agent for consumers, children and adolescents. College students have used the internet media as a medium to obtain financial information.

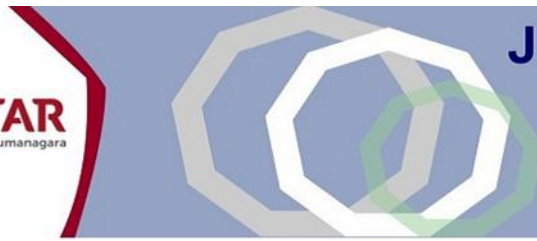
In addition, (Cupák et al., 2020) explained that the financial socialisation process tends to refer to the relationship between financial socialisation agents, namely, family, school, friends, and the media. Socialisation starts with children, adolescents, and young people, to adults at home, so financial socialisation agents include family, friends, social media and electronic media, conventional reading materials such as books or magazines or newspapers, part-time jobs, courses or public information seminars. Therefore, the Financial socialisation indicators used in this study refer to the opinion of (Saurabh and Nandan, 2020), which is based on financial socialisation agents, including parents, education, friends, and the media. The social environment faced is often a lesson to hone skills and manage finances so that a person can make the right decisions. If someone has good financial socialisation, financial management behaviour will also increase and vice versa (Safitri & Kartawinata, 2020). The same thing was shown in. (Ridlo, 2023), which showed no effect of financial socialisation variables on financial management behaviour. In addition, (Rahman & Gan, 2020) show that financial socialisation agents, specifically the primary agent, do not affect financial management behaviour.

Overconfidence. Excessive self-confidence is when someone has expectations that do not match the reality of something (Harrison et al., 2021). The illusion of knowledge can cause overconfidence. Where individuals or organisations feel they already have much knowledge and experience about something themselves (Bickersteth et al., 2018). Overconfidence usually occurs in executives or someone with a high position with much experience (many years) in their respective fields. However, overconfidence can also occur in someone who is just starting in a particular field and wants to get high profits because they have courage that tends to be higher (Setiawan et al., 2018).

Overconfidence is a biased aspect that influences a person in making investment decisions. Overconfidence behaviour hurts investment decision-making because it is an irrational action that makes an investor overestimate their knowledge and abilities without thinking about the risks they will face later. Investors with a high Overconfidence then overestimate their knowledge; they estimate they will get greater profits from investing (Shah et al., 2018).

(Adielyani & Mawardi, 2020) Their research stated that millennial investors in Semarang who are overconfident consider several things in making their investment





decisions, namely, the belief that they have good enough knowledge and experience to make investment decisions based on the analysis they do themselves. However, the analysis carried out has good information or vice versa. The results (Adielyani & Mawardi, 2020) state that overconfidence significantly affects investment decision-making. So, if overconfidence increases, it will be increasingly considered in making investment decisions.

According to (Khan, 2020), overconfidence also leads investors to make reliable investment decisions because investors get good experience when doing so. According to (A. Alshamy, 2019), overconfidence was also important in making better investment decisions on the Pakistan Stock Exchange. According to (Saurabh & Nandan, 2020) Pakistani investors are significantly and positively influenced by overconfidence on investment decisions. Overconfidence increases as investor knowledge and experience increase. According to (Qasim et al., 2019), overconfidence has a positive and significant effect on investment decisions of Vietnamese investors. Research shows that investors with an overconfidence bias tend to be more influenced to make investments because they have made better investment decisions.

Mental accounting. It is a series of cognitive processes known as mental accounting and is used by people to plan, assess, and keep the flow of financial activities under control (Barberis, 2018). Mental accounting focuses on how a person addresses and evaluates a situation when there are two or more possible outcomes and how to combine the possibilities of these outcomes. When there are two or more possible outcomes, mental accounting focuses on how a person reacts, assesses, and decides how to combine the results (Natan & Mahastanti, 2022).

Mental Accounting is a series of cognitive operations individuals or households use to organise, evaluate and maintain the flow of their financial activities. Therefore, mental accounting refers to the tendency of individuals to group their finances into different accounts based on subjective criteria, such as the source of income and the purpose of using the funds. The allocation of different functions to each account can have an irrational impact on the decisions taken. Irrational behaviour is based on the perception of value placed by each individual on their assets, such as in making financial and tax decisions (Bickersteth et al., 2018).

Mental accounting impacts individuals' attitudes and behaviour in managing their finances. An individual's budget that runs out at the end of the period indicates that the individual has significant expenses for himself, so he is not thinking about his long-term future. Regarding behaviour towards taxes, Mental Accounting is an attitude where a person tends to classify or separate their taxes from the income turnover obtained by the individual as well as in carrying out financial management and the ability to pay taxes.

Taxpayers with a high awareness of mental accounting have an excellent and precise level of awareness and tax reporting compared to someone with a different mental accounting attitude. This mental accounting is related to each individual's tax decisions (Olsen et al., 2019). (Qasim et al., 2019) explained that mental accounting can be measured using several indicators, namely, investors always allocate income to several accounts, investors always treat monthly income and bonuses differently, investors always calculate costs that come out of monthly money, and investors do not always calculate costs that come from bonus money.



Research by (Gerlich, 2021), (Safitri & Kartawinata, 2020), and (Barberis, 2018) measures mental accounting through respondents' self-assessment of individual habits in separating money based on certain accounts, choice bracketing, self-control and evaluation of financial decisions presented in the form of statements into indicators. This is because there will be factors or assumptions that influence investment decision-making when making investment decisions (A. Alshamy, 2019). Mental accounting is included in prospect theory, which explains that the state of mind can affect the investor's decision-making process; investors tend to categorise their finances in different accounts that deviate from conventional concepts, causing irrational effects on investment decisions. (A. Alshamy, 2019) explains that mental accounting positively affects investment decisions. (Zhang & Sussman, 2018), (Hunguru et al., 2020) and (Abbas Elhusein & Elfaki Osman, 2019) also stated that mental accounting significantly affects investment decisions. However, the results of this study differ from the research of (Sukamulja, 2022) and (Natan & Mahastanti, 2022), which explain that mental accounting has no significant effect on investment decisions.

Based on several phenomena and gaps in the research results discussed above, this research hypothesis is: (1). Financial Socialization can predict stock investment decisions, (2). Overconfidence can be used to predict stock investment decisions (3). Mental accounting can be used to predict stock investment decisions.

METHODS

The population of this study are people who live in Jakarta and have invested in the capital market. The sample selection technique uses non-probability sampling with a sample size of around 200 people (Bougie, 2020), which states that the sample size can consist of around 30 to 500 samples. (Hunguru et al., 2020) Revealed that the number of samples in a study is at least five to ten times the number of variables, and a minimum of twenty times the number of independent variables is recommended. The purposive sampling technique is used by researchers with certain considerations in a limited research sample that requires specific types of respondents and can meet predetermined criteria. The sample selection criteria in this study are as follows: 1. People domiciled in Jakarta, and 2. Individuals who have invested in the capital market. The questionnaire results were 253 respondents selected from 205 respondents according to the criteria, and 47 respondents needed to be eliminated because they did not meet the criteria.

Variable operation is the determination of boundaries to explain a concept briefly and clearly so that researchers can obtain measuring instruments for the variables studied. The questionnaire was used as a data collection technique in this study. The questionnaire consists of questions or statements made in writing by the researcher for the respondents to answer. Collecting respondents' responses will be measured based on a Likert scale.

According to (Sujadi, 2021), the Likert scale measurement is based on the respondent's disagreement or agreement with each statement in the questionnaire given as 1 of strongly disagree, 2 disagree, three disagree, four agree, and five strongly agree. In describing the Likert scale results, researchers used categorisation with the following average range of Likert scale values:



Table 1. Range of Average Likert Scale Values

No	Category Value	Range
1	1.000 to 1.790	Strongly Disagree
2	1.800 to 2.590	Disagree
3	2.600 to 3.390	undecided
4	3.400 to 4.190	Agree
5	4.200 to 5.000	Strongly Agree

Source: Sugiyono, 2018

Table 1 shows that the interval length used is 0.800 for each category. The interval length in the average value range of 5 points on the Likert scale was obtained by calculating the highest value minus the lowest value and then dividing by the number of categories.

Based on research by (Shah et al., 2018), socialisation can come from parents, siblings, formal education, and other peer sources. In (Abbas Elhussein & Elfaki Osman, 2019) research, financial socialisation is measured through respondents' self-assessment of the acquisition of information and skills from family, friends, education, and the media which are presented in the form of statements as indicators. Financial socialisation in this study is measured using the following indicators:

Table 2. Operational Variabel Financial Socialization

Variable	Indicator	Code	Source
<i>Financial Socialisation</i>	I gained financial information and skills from my family.	FS1	(Shah et al., 2018) (Abbas Elhussein & Elfaki Osman, 2019)
	I gained financial information and skills from friends.	FS2	
	I gain financial information and skills from my educational background (formal or non-formal).	FS3	
	I gained financial information and skills from consulting with professionals.	FS4	
	I obtain financial information and skills from social media or the internet.	FS5	

Source: (Shah et al., 2018) and (Abbas Elhussein & Elfaki Osman, 2019)

Table 2 shows that the Financial Socialization variable consists of five indicators with codes FS1, FS2, FS3, FS4, and FS5, where each indicator will be used as a questionnaire item.

Excessive self-confidence in the ability to invest. Overconfidence in this study is measured using the following indicators:

Table 3. Operational Variabel Over Confidence

Variable	Indicator	Code	Source
<i>Over Coincidence</i>	I make riskier investments to get maximum profits	OC1	(Gerlich, 2021)
	I feel I have the qualifications to make investment decisions	OC2	
	I feel I can predict future stock prices better than other investors	OC3	
	I am confident in my ability to choose better stocks than other investors.	OC4	
	My investment will provide higher dividends than other investors.	OC5	
	The shares of the companies I like most are good enough for long-term investments.	OC6	

Source: (Gerlich, 2021)

Table 3 above shows that the Over Coincidence variable consists of six indicators with codes OC1, OC2, OC3, OC4, OC5, and OC6, where each indicator will be used as a questionnaire item.

(Gerlich, 2021), (Cao et al., 2021) and (Bougie, 2020) measure mental accounting through respondents' self-assessment of individual habits in separating money based on certain accounts, choice bracketing, self-control and evaluation of financial decisions, which are presented in the form of statements into indicators. Mental accounting in this study is measured using the following indicators:

Table 4. Operational Variabel Mental Accounting

Variable	Indicator	Code	Source
Mental Accounting	I categorise income based on sources of income.	MA1	(Gerlich, 2021)
	I make an expenditure allocation plan based on income.	MA2	(Bickersteth et al., 2018)
	I categorise the purposes for using money from what is needed (primary needs) to not needed (secondary/tertiary needs).	MA3	(Cao et al., 2021)
	I always compare income and expenses.	MA4	
	I evaluate every time I make a purchase.	MA5	
	I can feel emotional after purchasing a product.	MA6	

Source: (Gerlich, 2021), (Bickersteth et al., 2018) and (Cao et al., 2021)

Table 4 shows that the Mental Accounting variable consists of six indicators with codes MA1, MA2, MA3, MA4, MA5, and MA6, where each indicator will be used as a questionnaire item.

Research by (Jackson et al., 2018) measured respondents' investment decisions based on investment objectives, profit expectations, length of time, and respondents' understanding of the investment decisions chosen. These were then presented in the form of statements as indicators. Investment decisions in this study are measured using the following indicators:

Table 5. Operational Variabel *Investment Decision*

Variable	Indicator	Code	Source
Investment Decision	I invest to meet emergency needs.	ID1	(Jackson et al., 2018)
	I am confident that I can solve the investment problem that I created.	ID2	
	A significant investment to make.	ID3	
	Investing in the capital market is profitable.	ID4	
	I have investment plans, both short and long-term.	ID5	
	I first study the risks that will be accepted before making investment choices.	ID6	
	Investment is protection from inflation.	ID7	
	I invest to meet future needs.	ID8	
	I will look for the most profitable return from existing investments.	ID9	
	The results of my investment decisions are based on my investment objectives.	ID10	
	The expected return and risk are based on consideration of the length of the investment period.	ID11	
	I know when I should sell or buy an investment.	ID12	

Source: (Jackson et al., 2018)

Table 5 shows that the Investment Decision variable consists of twelve indicators with codes ID1, ID2, ID3, ..., and ID12, where each indicator will be used as questionnaire items.

In conducting research, it is necessary to have validity and reliability for the variables studied to ensure that the questionnaire distributed to respondents can represent and measure the variables in the research. Analysis of The validity and reliability of the research was calculated using the Variance-Based Structural Equation Modelling (SEM) technique using Smart PLS software.

Validity is a measuring tool used to measure data (Shimizutani & Yamada, 2020), meaning how an instrument of research variables can measure what will be measured in the research. In PLS-SEM convergent and discriminant validity are used to measure the validity of a study to measure a study's validity. In convergent validity, a measuring instrument can be considered valid if its loading factor is more than 0.700 and AVE is less than equal to 0.500 (Kaur & Singh, 2020). Moreover, in discriminant validity, a measuring instrument is said to be valid if it meets the cross-loading requirements for each variable indicator to have a construct that is higher than the cross-loadings of other constructs and also the former Larker requirements (Kaur & Singh, 2020).

Reliability is an instrument if it is used to measure research objects several times in

a study, showing the same results (Sukamulja, 2022). This means that a study is considered reliable, where the variable instruments in the research can be used in more than one study and show the same results. Reliability testing is divided into several techniques: Cronbach's alpha value and composite reliability. Data can be declared reliable if the data has a Cronbach's alpha value of less than or equal to 0.600 and the composite is less than or equal to 0.700 (Kaur & Singh, 2020).

Due to a limited sample, the data analysis technique used to answer the problem formulation contained in the study uses PLS-SEM with the help of Smart PLS software. In PLS-SEM analysis, there are three stages: the first stage is model specification, then the second stage is outer model evaluation, and the last stage is inner model evaluation. At the model specification stage, the inner and outer models will be determined to explain the relationship between each indicator and the most appropriate variable concept. In determining the inner and outer models, you must first determine the inner model; then, in determining the outer model, you must select a multi-item scale or single-item scale.

At the outer model evaluation stage, the reliability and validity of the model will be evaluated. This stage also defines and explains the relationship between indicators and theoretical concepts, whether reflective or formative.

RESULTS

The questionnaire results were 253 respondents selected from 205 respondents according to the criteria, and 47 respondents needed to be eliminated because they did not meet the criteria. Further analysis and discussion will use 205 respondents who already fit the criteria. The results of the questionnaire will be discussed further in this subchapter.

For the Financial Socialisation variable, most respondents agreed that they obtained financial information and skills from their formal and non-formal educational background, as well as from social media or the internet. Most respondents also agreed to obtain information and skills through consultation with professionals. However, the average respondent needed more help obtaining financial information and skills from family and friends. Based on the results of respondents' responses to the financial socialisation indicator, most respondents have socialisation of financial information and skills through their educational background and social media or the internet. **Table 6** summarises the results of respondents' feedback on the financial socialisation indicator statement.

Table 6. Respondents' Responses to the Financial Socialisation Statement

Code	Weight					AVG	Description
	1 SD	2 DA	3 UD	4 A	5 SA		
FS1	24	32	38	66	45	3.400	Undecided
FS2	8	36	50	77	34	3.400	Undecided
FS3	6	25	35	76	63	3.800	Agree
FS4	6	36	53	59	51	3.600	Agree
FS5	7	17	51	68	62	3.800	Agree

Source: Processed From Respondent Data



Table 6 shows that most respondents responded to the financial Socialisation variable by agreeing, strongly agreeing and then disagreeing.

For the Overconfidence variable, most respondents agreed that they have a clear idea of the type of financial products they need, know how to get professional advice and help for financial problems and know how much money to earn and spend. Respondents also believe they are good at budgeting and managing personal finances and can solve money problems independently. Respondents also agreed that they could overcome stress and worries caused by money problems. Based on the results of respondents' responses to the financial confidence indicator, most respondents have a clear idea of the type of financial product needed. **Table 7** summarises the results of respondents' feedback on the financial confidence indicator statement.

Table 7. Respondents' Responses to the Statement Overconfidence

Code	Weight					AVG	Description
	1 SD	2 DA	3 UD	4 A	5 SA		
OC1.	4	7	10	113	71	4.200	Agree
OC2	5	8	36	81	75	4.100	Agree
OC3	7	8	19	103	70	4.100	Agree
OC4	7	5	33	100	60	4.000	Agree
OC5	4	9	43	90	59	3.900	Agree
OC6	6	5	47	82	65	3.900	Agree

Source: Processed From Respondent Data

Table 7 shows that most respondents responded to the Overconfidence variable by agreeing, followed by strongly agreeing and then disagreeing.

For the mental accounting variable, most respondents agreed that they categorise income based on income sources and categorise the purpose of using money based on priority needs. Most respondents also agreed that they make an expenditure allocation plan based on income, compare income and expenses, evaluate every purchase, and feel emotional after buying a product. Based on the respondents' responses to mental accounting indicators, most have mental accounting habits that tend to categorise income and expenses based on income sources and consider and evaluate expenses based on income. **Table 8** summarises the results of respondents' responses to the mental accounting statement.

Table 8. Respondents' Responses to Mental Accounting Statements

Code	Weight					AVG	Description
	1 SD	2 DA	3 UD	4 A	5 SA		
MA1	6	5	18	98	78	4.200	Agree
MA2	7	5	37	78	78	4.000	Agree
MA3	1	10	16	101	77	4.200	Agree
MA3	5	5	36	94	65	4.000	Agree



MA4	7	7	30	95	66	4.000	Agree
MA5	5	5	24	104	67	4.100	Agree

Source: Processed From Respondent Data

Table 8 shows that most respondents responded to the Mental Accounting variable by agreeing, strongly agreeing and then disagreeing.

For the investment decision variable, most respondents strongly agreed that the respondents could solve the investment problems. Most respondents agree that investing in capital market investment instruments can be profitable and is a form of protection from inflation. Respondents also agree that they have investment plans for both the short and long term and try to learn the risks accepted when choosing investments. Respondents understand that return and risk are influenced by the investment time, and respondents will prioritise the most profitable return from existing investments. Most respondents believe that investing can fulfil emergency and future needs, that investment is essential, and that they know the right time to sell or buy an investment. Respondents also feel that the results of investment decisions are based on investment objectives. Based on the results of respondents' responses to the investment decision indicator, it can be concluded that respondents feel that investing in the capital market is essential because it has both short and long-term benefits; respondents also understand the returns and risks that will be faced in investing and believe that they can solve existing problems, know the right time to trade and feel that the investment results made are by investment objectives. **Table 9** summarises the results of respondents' responses to the investment decision statement.

Table 9. Respondents' Responses to the Investment Decision Statement

Code	Weight					AVG	Description
	1 SD	2 DA	3 UD	4 A	5 SA		
ID1	10	7	21	78	89	4.100	Agree
ID2	7	5	40	96	57	4.300	Strongly Agree
ID3	5	5	10	84	101	4.000	Agree
ID4	7	4	41	91	62	3.900	Agree
ID5	8	9	35	95	58	3.900	Agree
ID6	5	8	30	88	74	4.100	Agree
ID7	5	9	22	103	66	4.100	Agree
ID8	5	3	36	76	85	4.100	Agree
ID8	2	9	24	100	70	4.100	Agree
ID9	7	8	30	97	63	4.000	Agree
ID10	4	9	35	99	58	4.000	Agree
ID11	3	10	34	92	66	4.000	Agree

Source: Processed From Respondent Data

Table 9 shows most respondents' responses to the Decision Investment variable, which gave agree responses, followed by strongly agree and then disagree.

Next is the hypothesis test, which will determine whether a hypothesis in the study will be rejected. The hypothesis will be accepted if the original sample path coefficients are from -1 to plus one and the p-value is less than 0.050.

Table 10. The Hypothesis Test

	Variable	OriginalSample	F Square	P values
Overconfidence	InvestmentDecision	0.338	0.150	0.000
Financial Socialisation	Investment Decision	0.224	0.064	0.003
Mental Accounting	Investment Decision	0.161	0.041	0.016

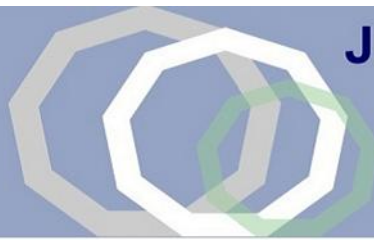
Source: Results Of Using SmartPls

Table 10 shows that overconfidence has a positive and significant influence, with a moderate effect, on Generation Z's investment decisions in Jakarta. Overconfidence has a positive and significant influence with a moderate effect on Generation Z's investment decisions in Jakarta. The table above shows a p-value of 0.000, which, by the p-value criteria of less than 0.050, has a favourable path coefficient of 0.338 1, and an F square value of 0.150 indicates a moderate effect. Financial socialisation has a positive and significant influence with a negligible effect on the investment decisions of Generation Z in Jakarta. The table above shows a p-value of 0.003 where the value fits the significant criteria, namely a p-value of less than 0.050, a favourable path coefficient of 0.224, and an F square value of 0.064, indicating a small effect. Mental Accounting has a positive and significant influence with a small effect on the investment decisions of Generation Z in Jakarta. The table above shows a p-value of 0.016 where the value fits the significant criteria, namely a p-value of less than 0.050, a favourable path coefficient of 0.161, and an F square value of 0.041, indicating a small effect.

DISCUSSION

Overconfidence has a positive and significant influence on Generation Z's investment decisions in Jakarta, so the hypothesis test, which states that overconfidence has a positive and significant influence on investment decisions, is not rejected. When investors have a high level of confidence, they will be bolder in making investment decisions, even ignoring the risks that may arise and feeling that the investment will be profitable. This is reflected in the respondents' answers that they are very confident in their investment choices, feel they have good abilities and knowledge in investing and are very confident in their investment choices. These results are by the theory put forward by (Ameliawati & Setiyani, 2018) that overconfidence refers to an investor's assessment of himself; in this context, the investor considers himself to have above-average abilities. A high level of overconfidence makes investors very confident in the profit that will be obtained from their investment, so the more significant the investment they make, the more significant it is. The results of this study are similar to the research of (Jackson et al., 2018), where confidence has a positive and significant effect on investment decisions. (Natan & Mahastanti, 2022) Research also revealed that investor confidence positively



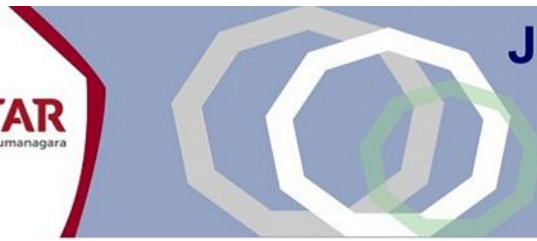


and significantly affects investment decisions in the Netherlands. Similar research by (Cupák et al., 2020), which examines the effect of investor confidence in the United States, suggests that confidence derived from personal financial capabilities or good economic conditions can increase investors' likelihood of investing in the capital market. However, the results of this study are not in line with the results of (Jaakko Aspara, 2019), which reveals that confidence has no effect on stock investment decisions for investors in Finland. In this study, the confidence studied is overconfidence, which is defined as the belief that the investor's self-knowledge and ability to manage and control finances is good. Generation Z's confidence in their financial knowledge and abilities will influence investment decisions. The results of the loading factor of the overconfidence indicator show that Generation Z's belief in the knowledge of the types of financial products needed and that Generation Z can solve their money problems are most dominant in explaining Generation Z's Overconfidence. Generation Z, who have a clear idea of the financial products they need and their financial condition and are confident in their ability to manage their own money, will choose investments that suit their needs. Generation Z, who are confident in overcoming financial problems if they occur in the future, will be more courageous in deciding to invest in the capital market with a higher level of risk.

Financial Socialisation has a positive and significant effect on investment decisions. These results indicate that respondents in the study, namely Z-grade stock investors in Jakarta, tend to be influenced by social agents in socialising the environment both internally and externally so that it impacts their financial management attitudes and behaviour. If a person interacts more with financial socialisation agents such as parents, education, friends, and the media, the higher the level of financial literacy will be. It will further affect financial management behaviour in deciding on investments. The theoretical approach used to explain financial behaviour in this study is the theory of planned behaviour, in which the social environment can influence the intention or purpose of the behaviour (Ameliawati & Setiyani, 2018). In this study, it is closely related to the three concepts contained in the theory of planned behaviour. Subjective norms are reflected through financial socialisation variables that provide social pressure to perform or not perform an action or behaviour. In this study, financial socialisation from financial socialisation agents, namely parents, education, friends, and the media, can improve financial literacy. Socialisation agents represent interactions with the environment that can change a person's financial management behaviour. The more often a person interacts with social agents, the financial understanding will increase, and this understanding will affect financial decisions or financial behaviour. The results of this study are by the research of (Zhang & Sussman, 2018), which reveals that financial socialisation has a positive and significant effect on investment decisions in the United States. Research by (Ali et al., 2022) also found that financial socialisation positively and significantly affects student investment decisions in Saudi Arabia. Research by (Jin, M., & Chen, 2020) revealed that financial socialisation positively and significantly influences more diversified investment decisions.

The results of this study are not in line with the results of (Hendarto et al., 2021) research, which revealed that financial socialisation does not affect the investment decision of Generation Z in Jakarta because the information obtained from financial socialisation agents cannot be fully applied to personal investment decisions. In this





study, financial socialisation is defined as the process by which individuals acquire knowledge and skills that can contribute to their financial condition and well-being. Generation Z, more open to receiving input and seeking financial information from the surrounding environment, can make the investment decisions needed. Most Generation Z in Jakarta obtains financial socialisation from their educational background, social media, or the internet. The financial socialisation indicator loading factor results show that financial information and skills from social media or the internet are the most dominant in explaining Generation Z's financial socialisation. Social media or the internet has more varied content and information, so Generation Z can adjust the information received to be applied to personal investment decisions. Insightful financial socialisation will result in better investment decisions because the younger generation will tend to follow the advice of friends, family, teachers, and other sources when making investment decisions.

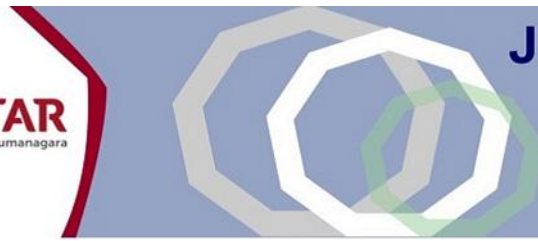
Mental accounting has a positive and significant effect on investment decisions. Based on the results of hypothesis testing, mental accounting has a positive and significant effect on the investment decision of Generation Z in Jakarta, so the results of hypothesis testing, which state that mental accounting has a positive and significant effect on investment decisions, are not rejected. Before making an investment decision, respondents calculate the advantages and disadvantages of investing using personal money and compare the costs and benefits of a type of investment. Investors also conduct analyses first before investing in selected stocks.

This finding aligns with the theoretical basis of mental accounting variables, namely prospect theory, which explains that psychological factors continuously influence individual choices under conditions of uncertainty in a bias. Respondents are a generation aged between 12 and 27 years old with good analytical power (Ryan, 2019). In his article entitled "Four Reasons Generation Z will be the Most Different Generation", he states that Generation Z has different expectations, preferences, and work perspectives and is considered challenging for organisations. This generation was born and raised amid uncertain world conditions: Economic recession, digital transformation, invasion in several countries, natural disasters, and disease outbreaks. This is why, in adulthood, Generation Z has more careful consideration in making investment decisions.

These findings are similar to the results of research (Sukamulja, 2022) and (Mahadevi, 2021), which explain that mental accounting does not significantly influence investment decisions. This research reveals that mental accounting positively and significantly affects investment decisions. (Jain et al., 2020) research in India also revealed a positive and significant effect of mental accounting on investment decisions. Similar research results by (Chen et al., 2022) in North Carolina, United States, revealed a positive and significant effect of mental accounting on investment decisions. The results of this study differ from the research, which revealed that mental accounting has a negative and significant effect on investment decisions.

In contrast, mental accounting can cause imbalances due to different treatment of each account. In this study, mental accounting is defined as a person's cognitive tendency to categorise money, income and expenses and evaluate the results of financial decisions based on separate accounts such as accounting models. This study found that most Generation Z categorises income based on its source and make financial allocation plans based on the source of income, including making investment allocation plans. Mental





accounting assists Generation Z in considering investment decisions by assessing potential long-term returns and regularly evaluating finances. Mental accounting in Generation Z does not cause an imbalance between the accounts owned, but it is helpful for Generation Z in controlling finances based on priority needs. The loading factor results of mental accounting indicators show that the behaviour of categorising the purpose of using money from needed (primary needs) to less needed (secondary/tertiary needs) is most dominant in explaining Generation Z's mental accounting. The financial control is supported by considering potential reciprocal results in the long run, helping Generation Z determine appropriate investment decisions.

Based on the discussion above, Generation Z, as new investors, are learning and looking for suitable investments. Generation Z gains knowledge and skills through financial socialisation from the surrounding environment, social media, or the internet. As a newcomer, generation Z is also trying to minimise risk. To avoid significant losses, generation Z applies investments with special funds separated from the main account; this behaviour is called mental accounting. Generation Z needs confidence that can help them make better investment decisions.

CONCLUSION

Based on the test results and analyses, overconfidence positively and significantly influences Generation Z's investment decisions in Jakarta. Financial socialisation positively and significantly influences Generation Z's investment decisions in Jakarta. Herding positively and significantly influences Generation Z's investment decisions in Jakarta. Mental accounting has a positive and significant influence on the investment decisions of Generation Z in Jakarta.

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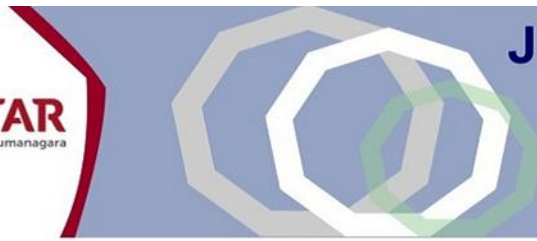
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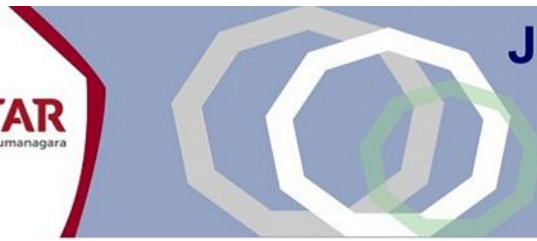
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