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Original Article

The Role of Investment Interest in Mediating the Influence of Financial Literacy, Herding Behavior, and Parental Income on Stock Investment Decisions Among Gen Z

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Abstract: *Generation Z's participation in the capital market is increasing, but is not matched by a proportional asset contribution, indicating a gap between interest and actual investment decisions. This study aims to obtain empirical evidence regarding the role of investment interest in mediating the influence of financial literacy, herding behavior, and parental income on stock investment decisions in Generation Z. The study uses a quantitative approach with a causality design. The population is Generation Z in Bali Province aged 14–29 years who have registered as capital market investors. The sample was determined by a purposive sampling method of 384 respondents based on the Krejcie and Morgan (1970) Table at a 95% confidence level and a 5% margin of error. The data analysis technique used was SEM-PLS. The results show that financial literacy has a positive and significant effect on investment interest and on investment decisions through the mediation of investment interest. Herding behavior does not have a significant effect on investment interest. Parental income has a significant direct effect on investment decisions, but does not have an effect on investment interest. Financial literacy has a direct effect on investment decisions, while the interest in investing mediates this relationship, but there is no mediation of herding behavior and parental income. The implications for this study suggest that the financial literacy programs targeting Generation Z should be strengthened; there is a need to increase analytical independence in order to avoid speculative herding behavior and create synergy between parental assistance with regularly available investment funds and responsible investor education.*

Keywords: *Investment Interest, Financial Literacy, Herding Behavior, Parental Income, Investment Decisions*.

I. INTRODUCTION

Investment is one of the most important components in economic growth, where it drives capital accumulation and capacity-increasing production (Maharani et al., 2021) to increase productive assets that are expected to provide a return and a financial future. Investment is perceived as an understanding based not only on making a profit but also on a long-term funding plan, in which current funds will be sacrificed for future ones (Bastarani et al., 2023). The evolution of investment activity with changes in patterns of public participation has changed dramatically, as breaking the barriers to participating in the capital market becomes much easier and faster for a wider layer through digital platforms (Aiza et al., 2024). This is complemented by different capital market literacy and education programs actively organized with the Indonesia Stock Exchange as a supporting institution, together with the Financial Services Authority (OJK), to increase public knowledge so that people are more inclined to participate in capital market instruments (Indonesia Stock Exchange, 2024).

This is in line with the increasing number of capital market investors in Indonesia, where the growth trend of Indonesian investors from 2021 to January 2025 had consistently and significantly increased (KSEI, 2025) for each investment instrument. There were about \r\n7.48 million investors who owned capital market instruments in 2021, according to KSEI, which increased to more than twice the number or about 15.16 million investors, in January of this year, with a fairly high and stable annual growth rate of Single Investor Identification (SID) holders per SID-based listed company from time to time, as shown. In another similar development, the number of investors in mutual funds also increased from 6.48 million to more than 14.36 million (January 2025). More generally, stocks and other securities also rose but at a much slower pace. On the other hand, Government Securities (SBN) also saw an increase in investors, but it was still considered a relatively smaller number compared to those of other instruments.

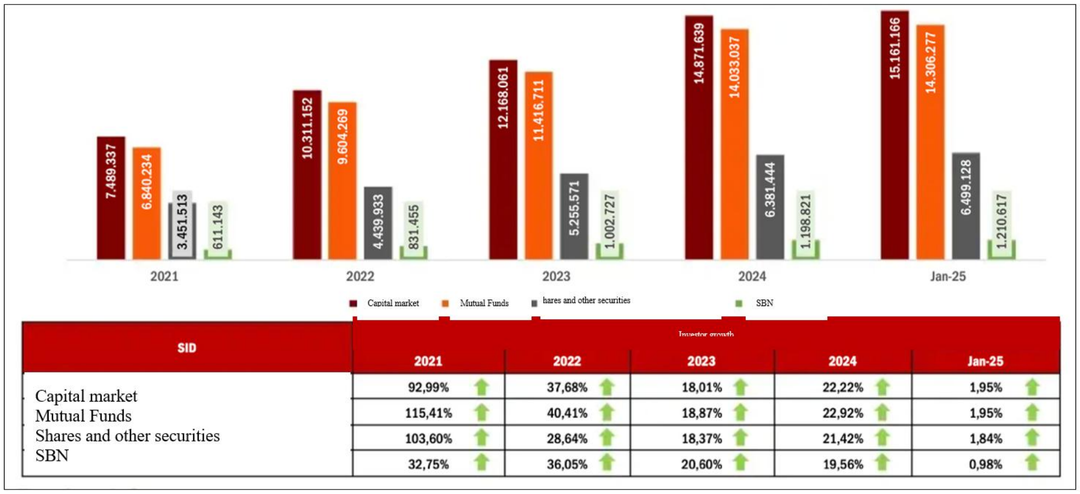

Figure 1. Number of Investors in Indonesia

Source: *Indonesian Central Securities Depository (2025).*

Investor structure in the Indonesian capital market shows that more and more communities are involved, including young people who have just started their education or early working lives. While the students have comparatively small capacity compared to fixed-income investors, there is evidence that this type of group has been entering the capital market for some time. An overview of investor characteristics by gender, education level, and occupation, along with the value of assets under management for the period 2024 to 2025, is presented in the following table.

Table 1: Characteristics of Indonesian Capital Market Investors 2024–2025

Category	Subcategory	Assets 2024 (Rp Trillion)	Assets 2025 (Rp Trillion)
Gender	Male	1.095,57 (C-BEST) 80,66 (S-INVEST)	1.106,74 (C-BEST) 86,83 (S-INVEST)
	Female	439,39 (C-BEST) 71,46 (S-INVEST)	450,77 (C-BEST) 76,22 (S-INVEST)
Education	≤ Senior High School	154,29 (C-BEST) 24,45 (S-INVEST)	155,14 (C-BEST) 25,44 (S-INVEST)
	Diploma 3	47,98 (C-BEST) 5,83 (S-INVEST)	48,26 (C-BEST) 6,12 (S-INVEST)
	Bachelor	682,70 (C-BEST) 91,22 (S-INVEST)	695,42 (C-BEST) 97,65 (S-INVEST)
	≥ Master	143,22 (C-BEST) 20,15 (S-INVEST)	142,62 (C-BEST) 22,86 (S-INVEST)
	Others	44,27 (C-BEST) 9,87 (S-INVEST)	45,37 (C-BEST) 10,33 (S-INVEST)
Work	Businessman	520,35 (C-BEST) 56,23 (S-INVEST)	529,62 (C-BEST) 60,17 (S-INVEST)
	Public, Private and Teacher Servants	450,54 (C-BEST) 49,55 (S-INVEST)	453,65 (C-BEST) 53,71 (S-INVEST)
	Housewife	74,32 (C-BEST) 14,11 (S-INVEST)	74,60 (C-BEST) 14,86 (S-INVEST)
	Students	18,12 (C-BEST) 10,68 (S-INVEST)	18,35 (C-BEST) 11,01 (S-INVEST)
	Others	493,80 (C-BEST) 21,55 (S-INVEST)	503,94 (C-BEST) 23,30 (S-INVEST)

Note: *C-BEST represents stock assets, S-INVEST represents mutual fund assets.*

Source: *Indonesian Central Securities Depository (2025).*

Table 1 shows the uneven distribution of asset ownership across investor groups. Investors with a bachelor's degree, as well as those in the business, civil servant, private sector, and teacher occupations, dominated the value of assets managed in the 2024–2025 period. The values of student group assets increased over the period, but were nominally smaller than all groups apart from a year 2024-prompted rise in 2025. This means that although not yet followed by a great wealth accumulation capacity in the long term, the younger generation already started investing in the capital market from an early age. For the most part, Generation Z consists of students and college students, so early research on what it takes to learn about investments reflects their eagerness toward investment activities. Membership of this group is not only based on financial capital, but signifies an interest in investment instruments as a form of economic practice at the earliest phase.

Regional realities affect the degree of public participation in capital markets. The existence of different economic characteristics and access to finance across regions leads to heterogeneous classes of investments. This is particularly problematic for achieving equitable financial inclusion given the participation gap between western and eastern Indonesia. Through Bali, East Nusa Tenggara (NTT), and West Nusa Tenggara (NTB), where you are positioned to be watched. Not just the eastern region undergoing rapid development, these three provinces also act as barometers for comparing the results of financial inclusion policies in transforming regions. It is essential to understand the investment dynamics in these regions, taking into consideration the participation of Generation Z, such a young age group that recently began investing real money in the capital market. Table 2: Investment development in these three provinces, both from the involvement and assets of Generation Z.

Table 2: Development of Generation Z's Participation and Asset Contribution in Investment in Bali, NTT, and NTB Regions for the 2023–2025 Period

Yeras	Total Investors (People)	Gen Z Investors (People)	Proportion of Gen Z	Total Assets	Gen Z Assets
2023	420.000	159.600	38,00%	Rp15,78 T	Rp3,00 T
2024	549.000	225.090	41,00%	Rp23,32 T	Rp5,26 T
2025	*616.000*	*264.880*	*43,00%*	*Rp26,36 T*	*Rp6,80 T*

Source: *Indonesian Central Securities Depository (processed 2025).*

Data in Table 2 tends to show that the population of Gen Z investors in Bali, NTT and NTB continues to increase from a number of 159600 people (38.00%) in the year 2023 to 264880 people (43.00%)in the submitted time in 2050. This participation does not correspond with the same proportion of assets. The other asset owned by Gen Z, which is contributed up to the amount of IDR 3.00 trillion (19.00% of total assets) in 2023, then increases steadily every year until finally being able to not only reach up to IDR 5.26 trillion (22.55%) between 2024 and with a projection rising again to an approximate value of IDR 6.80 trillion (25.0%). The persistence between the asset and investor gap shows that the average value of investments per person in Gen Z is significantly lower than in older generations. This parallels the restrictive capital capabilities, as many are beginning education or entering their careers. This means that in terms of growth, only at the figure of 13.04% far behind from the achievement without a finance mechanism, reaching 47.78% is recorded for asset growth around Gen Z analytics indicates purchasing power decrease or allocation investment decline among Gen Z during this year What we learn as well about wealth creation profile; The percentage fluctuation investor counts form %3,36(2024), to %3.66 (2025) and lose momentum again by %3,52 in vertical; Leading us learning although growing new young investors are coming along us still struggling hard with maintaining status fan out remain partners/ better development barrels message: This suggests that the turnover, or lack of persistence amongst young investors is significant due to low risk literacy, speculating driven trading habits from social media trends and poor experiences with losses in a falling market.

An investment decision is the decision that needs to be made by investors stemming from various investment alternatives available with regard to uncertainty (and risk), which could arise in their investment activities quite often (Ramashar et al., 2022). Another definition of an investment decision is a choice made to generate income in order to obtain future returns (Sulistyowati et al., 2022). One of the goals of investors in investing is to obtain an expected return or increase in asset value in the future. Therefore, to achieve this return, investors must make investment decisions (Addinpujoartanto & Darmawan, 2020). Investment decisions are important because they influence the success of achieving company goals and are the core of financial analysis. Investors order their investments according to the principle of prudence based on risk and return (Hidayat et al., 2023). An investment decision is a decision to invest capital in the present with the hope of getting back more money or profit from this investment period (Budiman et al.).

Investment decisions are treated by Ajzen (1991) in the Theory of Planned Behavior as a class of final behavior, or actual behavior influenced by three determinants: attitude toward the behavior a positive or negative evaluation an individual has about investing; subjective norms the perceived social pressure from surroundings to invest against no investment and subjective behavioral control an individual's impression that how easy it is for him/her to make any decision regarding investments which also reflects past experiences and anticipations involving obstacles Savithri & Rajakumari J. These three factors influence intentions, and then actual behavior, including investment decisions by the individual (Bastarani et al., 2023).

Investment interest is an individual's tendency to place funds in financial instruments such as stocks, bonds or mutual funds over a limited time period and the willingness or ability of individuals (Thakur et al., 2023). Investment interest might be alluded to via a stage that involves beforehand somebody ensures his investment decision. As a behavioral function, investment interest represents the motivational drives that motivate individuals to start with what solutions they know and can do at every step of taking (Hudson et al., 2021; Nurjannah & Yusrialis, 2025; Tambun et al., 2022). Investors' investment interest is defined as an early and direct predictor of actual behavior to invest in the stock market, which can be directly determined by attitudes, subjective norms, and perceived behavioral control (Eshpulatov et al., 2025; Falah & Haryono, 2023; Yang et all). Thus, investment interest is an important part of seeing how psychologically and behaviorally ready someone is (especially among Gen Z students) before they bet their money in the real sustainable capital market.

Multiple empirical studies indicate that investment intention positively affects the decisions to invest. One study by Yang et al. Investment intention in the stock market is highly significantly positively related to actual stock market participation (2021). However, similar results were achieved in Eshpulatov et al. and Liu et al. (2025), who showed that investment intention was the most significant predictor and had a positive impact on stock market participation in reality for their paper on Uzbek students. Manaf et al. further corroborate this finding; investment intention had a significant positive influence on stock market participation using data from 669 Malaysian students (2025). In the larger context, an Indian study by Savithri and Rajakumari (2025) corroborated that investment decision-making intentions are significantly associated with investor perceptions of the market, which ultimately translates into actual investment decisions. However, the empirical evidence on how investment intention influences investment decisions has not been consistent. Specifically, in the field of investment decision-making research, some studies found that this effect was not direct and could depend on a number of factors (Hu et al., 2017; Newton, 1998). Marpaung et al. According to a study by Armeli et al. 2024, investment interest mediates the relationship between knowledge and behavior such that having higher investment interest strengthens the relationship (Armeli et al., 2024). That is to say, investment interest will be treated as a third variable instead of an independent one. On the other hand, research by Satyani (2024), Falah dan Haryono (2023) and Gürbuz & Yılmaz 8(023) investigated the effect of financial literacy, parental socialization, social media and self-control on investment behavior without using interest in learning as a mediation variable and found that all these variables had significant direct effects. The model of investment interest and its impact on investment decisions appears to shift, which indicates that the importance or function of this factor is context-specific depending upon sample characteristics. Research Object & Methodology: Analytical Model.

Financial literacy is a basic determinant that influences the investors' willingness to be active in investing (Mishra et al, 2024). Financial literacy is defined as the knowledge, skills, attitudes and behaviours that individuals possess in use of information[12], financial products or tools to make informed money management decisions (Adil et al., 2022; Marpaung et al., 2024) In the context of capital market, financial literacy is manifested as an individual level character and it indicates that person understanding investment mechanism, with knowledge on characteristics of financial instruments along with relationship between risk and return which serves necessary condition for emergence of intention or propensity to invest (Savithri & Rajakumari, 2025). Theoretically, a better level of financial literacy promotes levels of self-confidence and results in more objective evaluation of investment opportunities while managing risk (Kumar et al., 2023). While this condition serves to train perceived behavioral control, interest in investment may still form as the first stage of actual behavior before conducting the investment behavior (Firdaus et al., 2022). Based on the Theory of Planned Behavior, financial literacy has indirect consequences through attitudes and perceptions of control, which can increase stronger intentions to participate in the capital market (Bayar et al., 2020; Yang et al., 2021).

Data up to October 2023 suggests, through numerous empirical studies, that financial literacy is an organic driver of investment interest, decisions and actions. Research by Ramadhianto et al. (2025), Maizan et al. (2024), Satyani (2024), and Gürbuz & Yılmaz (2023) indicates that better financial literacy successfully predicts investment interest and rational decision-making in investments, especially among university students or young investors. This is supported by Marpaung et al. (2024), who carried out the analysis; the strong relationship between financial literacy and investment decisions is mediated by motivation to invest. This means that motivation to invest converts financial literacy into changed patterns of economic behavior.

But these latter empirical studies about the effect of financial literacy on investment interest and behavioral decisions have been less conclusive. There have been few studies that indicate financial literacy has little-to-no impact on interest in investing or investment decisions. Research by Yang et al. The study of adult investors in Malaysia by Ibrahim et al. (2021) showed that psychological and social factors, such as risk tolerance, herding behavior, and social interaction, are more influential on their investment interest than financial literacy among the male sample only. Savithri and Rajakumari (2025 in India and Eshpulatov et al. (2025) on Uzbek learners found that investing intentions are not directly affected by financial knowledge. However, in regard to investment decisions, Falah & Haryono (2023) stated that the results of their study among Generation Z Surabaya found that behavioral factors such as herding and the disposition effect have a more dominant influence on investment decisions; instead, financial literacy does not have a significant role in investments made.

These are opposing results, revealing a gap in knowledge, and research is needed. The variation in results may be due to demographic context, characteristics of the respondents surveyed (age, educational level and income), or differences in theoretical bases. Savithri & Rajakumari (2025) suspected that the negligible financial literacy found in their study could have been influenced by mostly male, highly educated and working-age samples. Meanwhile, Eshpulatov et al. (2025) found that Uzbek university students were trained in digital literacy, which negatively influenced their willingness to invest, indicating that without sufficient financial knowledge, digitization may enhance the perception of risk and inversely affect investment motivation. Lerner et al. (2023) also emphasized the need for contextual factors in understanding financial literacy effectiveness, as they revealed that family communication about money was positively associated with college students' financial literacy–but only if parental income was not too high or low (Ndou, 2023).

One of the most important behavioral biases studied in Behavioral Finance is herding behavior, which affects people's decision to invest (Sawitri, 2025). Herding behavior is an actual situation whereby investors follow the decision (behavior) of other people, disregarding any personal information and/or analysis; by nature, it must be more evident in circumstances that involve uncertainty regarding market characteristics (Eshpulatov et al., 2025; Savithri & Rajakumari, 2025; Yang et al., 2021). For novice and younger investors, this behavior may stem from a lack of experience, risk aversion or being influenced by social signals to make investment decisions (Fu et al., 2022). So, herding is not only the collective nature of market behavior that takes place, but there is a larger conditioning or psychology behind it to form intentions or interests on behalf of individuals who want to enter the capital market. In this study, herding behavior is codified as subjective norms in the theory of planned behavior (TPB) model that are related to social pressure or a perception by an individual about what behaviors are considered normal and acceptable for one's environment (Falah & Haryono, 2023). The perception of many other investors doing the same investment behavior may solidify a belief that investing is a good and meaningful thing to do; this often creates an interest in investing prior to any actual action (Firdaus et al., 2022).

A number of empirical studies find that herding behavior is positively associated with investment interest. Studies by Eshpulatov et al. Finch (2023); Pan et al. (2021), and Maizan et al. (2023) state that the pattern of imitation and following other investors has a positive enough influence on investment interest, especially among students and novice investors. These results suggest that individuals use other people's behavior as a reference when forming their intent to invest during times of market uncertainty.

Several studies likewise validate that herding was also favorable in prompting investment decisions. According to Falah and Haryono (2023), herding behavior influenced investment decisions positively and significantly for Generation Z in Surabaya. The results showed that young investors appear to primarily base investment decisions on the behaviors of most other performing investors. Ramadhianto et al. also reported similar findings. (2025) discovered that herding had a positive influence on investment decisions. This implies that even if you know something such as financial literacy or self-efficacy that is internal, social influence has an effect size much less than these factors.

However, not every study finds the same unambiguous results. In fact, some literature argues that the impact of herding behavior is not as significant and is even negatively associated with actual or intended investment decisions. For example, research by Satyani (2024) on Generation Z in Indonesia proves that herding is not the dominant factor determining investment decision-making and has a negative path coefficient value compared to financial literacy and overconfidence. This study has important implications because it indicates that a Generation Z individual in Indonesia who is highly financially literate and self-confident would certainly make an investment decision, as opposed to the nature of interest, which tends to follow each other. Gürbuz and Yılmaz (2023) also obtained similar results on their sample of Turkish students, where peer influence had an insubstantial effect on investment behavior.

These opposing findings imply important research opportunities, especially in the context of realistic investment decisions. As noted in the works discussed, there may be differences across samples based on respondent features (i.e., age, education level and prior investment experience), cultural context, as well as differences between the measurements of intentions versus actual decisions to invest. Eshpulatov et al. (2025) demonstrated via a multi-group analysis that the investment intentions of some students were significantly higher due to herding effects, whereas Savithri & Rajakumari (2023) concluded in their study on India, an emerging market setting, that behavioral biases like herding are significant determinants of investor intention and decision.

One possible sociodemographic factor that influences the financial environment of individuals from an early age is parental income (Ulumudiniati & Asandimitra, 2022). Parental income is the amount of money earned by parents as a result of wages, salaries and business results or investments over a specific period (Cahyani & Rochmawati, 2021), ranging from poorer households. At the level of opulent college students, parental income can almost be interpreted as mobile money (pocket cash) and investment access to finances may make preparatory steps less compelling for someone building sensitivity towards their own readiness on this subject (Serido et al., 2020). From the Theory of Planned Behavior perspective, family economic conditions can form perceived behavioral control, which is a self-perception that arises for an individual about their financial ability to carry out actions such as beginning investing in the Financial Market (Safryani et al., 2020).

Empirical discoveries on the relation between parental revenue and financial behavior have yielded mixed results. The studies of Soleha & Hartati (2021) and Hendra & Mn (2024) indicate parental income has a significant positive effect on financial management behavior. Research by Nurjanah & Yusrialis (2025) also suggests that parental income is the most dominant external factor in influencing students' financial management behavior; higher family finances help provide an opportunity for students to learn from their parents how to manage finances. More generally, Ndou (2023) concluded that in South Africa, parental income significantly moderated the relationship between parents' financial communication and young people's answers to a test of their general financial knowledge, with this relation being stronger among respondents whose parents earned a higher salary. Importantly, this finding reveals that parental income has a direct effect as well and amplifies the efficacy of knowledge transfer within families.

However, these findings are inconsistent. A number of other research studies have revealed that schools do not considerably change the financial behavior or decisions influenced by students and also young capitalists (Setyawati et al., 2025). Falah & Haryono (2023) found that personal income (which is closely related to parental income for students) in Generation Z Surabaya did not significantly impact investment decisions the amount of output results was CR = 0.218; p = 0,828 which means other than individual internal factors are more determining financial behavior and decisions such as also observed by Manoubi et al[34] among GenZ through banking accounts based itself on flush parents money A study by Setyawati (2025) thesiss in Malang had similar results that parental income location did not have a significant effect on financial behavior, but establishedfinancial information exists with driving factors of lifestyle and locus acuity variables.

These opposing findings show a gap that warrants more investigation, especially with respect to younger generations' investment decisions. These differences in results might be explained by variation in respondent characteristics, geographic context and the difference between general financial behavior on one side and specific investment decision-making on another. As an example, a study by Nurjanah & Yusrialis (2025) concluded that only parental income was significant in Pekanbaru, while financial literacy, hedonistic lifestyle and self-control did not significantly influence, contrary to the majority of previous research. This implies that the effect of parental income is contextual and changes depending on a region with different conditions.

The growing volume of capital market investors in Indonesia is not complemented by stable active participation from the younger generation. KSEI (2025), based on data during the current period, found that there were only a few investors who belonged to some age groups, including students and college students, but did not provide color fill-in on their investment decision. Slowing number of Investor Despite Increasing Total Asset Value in Bali, East Nusa Tenggara and West Nusa Tenggaraw (NTB) period 2023–2025: Challenge to Create Realistic and Sustainable Investment decision making across Generational Function Bali Province, as a magnet for economic growth in Eastern Indonesia is strategically located with high technology penetration and financial access, the population consists mostly of youth from diverse socio-economic backgrounds ranging from students to young workers working on tourism or creative economy. The urban characteristics of Bali, bathed in high social interaction and collective culture, were a proper setting to explore how financial literacy and herding behavior, along with parental income, affect investment decisions made by millennials using investment interest as mediating variables. Considering this, the title of this paper is: The Role of Investment Interest Mediating Financial Literacy, Herding Behavior and Parental Income Towards Generation Z Stock Investing Decisions.

II. RESEARCH METHOD

This study uses a quantitative approach with a causal design, which aims to systematically identify and analyze the influence of one variable on another. The population in this study is all young people in Bali Province who are registered as capital market investors, whether in stocks, mutual funds, or Government Securities (SBN). Generation Z, as defined in this study, is the generation born between 1997 and 2012, aged 14–29. This includes students, young workers, and young entrepreneurs residing in Bali Province and already experienced or engaged in investment activities. This population selection is based on the consideration that the young generation in Bali Province is a group with high levels of technology penetration and financial access, and diverse socio-economic characteristics. Therefore, it is relevant to examine the influence of financial literacy, herding behavior, and parental income on investment decisions, both directly and through investment interest as a mediator.

This study cannot determine the specific population size because, until now, aggregate data on how many Generation Z investors are in Bali Province is still not publicly available or centrally available. So this is now an infinite population, or at least a very large size that no meaningful calculation of the exact number can be made. The sample was set using purposive sampling, which is a method of sampling that involves some considerations to ensure that the respondent met research criteria. The sample selection criteria using the purposive sampling method are as follows: 1) Generation Z aged 14-29 years, 2) Registered as capital market investors or have previously invested in stocks, mutual funds, or Government Securities (SBN). The sample size in this study was determined using the Krejcie & Morgan (1970) table. This table is derived from Cochran's formula for an infinite population. This study set a target sample of 384 respondents who fall within the Generation Z criteria in Bali Province. The data used in this study were quantitative. The research instrument was a questionnaire composed of a list of statements for four research variables. The analysis technique used was Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach.

III. RESULTS AND DISCUSSION

The respondents in this study were 384 Generation Z individuals in Bali Province. The analysis of respondent characteristics aims to provide an overview of the respondent profile based on gender, age, occupation, and domicile. The results of the respondent characteristics analysis are presented in Table 3.

Table 3: Results of the Analysis of Respondent Characteristics

Classification	Choice	Frequency	Percentage
Gender	Male	127	33,1
	Female	257	66,9
Age	14–20 Years	110	28,6
	21–23 Years	165	43
	24–29 Years	109	28,4
Work	State-Owned Enterprises	3	0,8
	Private sector employee	173	45,1
	Students	180	46,9
	Civil servant	11	2,9
	Businessman	17	4,4
Domicile (District/City)	Badung	117	30,5
	Bangli	2	0,5
	Buleleng	3	0,8
	Denpasar	173	45,1
	Gianyar	26	6,8
	Karangasem	15	3,9
	Klungkung	11	2,9
	Tabanan	37	9,6
Total		**384**	**100**

Based on Table 3, the characteristics of respondents by gender indicate that 257 respondents were female (66.9%), while 127 respondents were male (33.1%). This predominance of female respondents indicates that Generation Z women in Bali Province participate quite strongly in stock investment activities, in line with the growing trend of increasing women's financial inclusion nationally.

According to the age group, there were 110 Gen Z respondents (28.6%) aged from 14- 20 years old; and those of ages from21–23years and24–29years are165 (43.0%);109(28.4%). This spread suggests that over three-quarters of respondents are in the transition phase from higher education to employment, a time when increasing financial awareness occurs, and individuals begin thinking about investment choices as part of their long-term financial planning.

Regarding occupation, 180 were students (46.9%) and 173 private sector employees (45.1%). Meanwhile, entrepreneurs came in at 17 (4.4%), followed by civil servants with 11 respondents (2.9%), and state-owned enterprises, which added up to three responses (0.8%). The majority of students and private sector employees are notably in keeping with the profile of Generation Z, many still engaged in university studies or early-stage careers. This scenario fits quite well with research examining how investment interest mediates the effects of financial literacy, herding behavior and parental income on stock investments for both groups, which indicate significant differences in their financial dependencies as well as high susceptibility to social media trends.

According to domicile (regencies/cities in Bali Province), the most Respondents were in Denpasar (173 respondents) and Badung (117 respondents. These two areas are the heart of Bali's economy and education, with access to financial services, banking institutions, and a more advanced investment community than other areas. Seventy-eight of the respondents belonged to Tabanan (9.6%), 26 Gianyar (6.8%), 15 Karangasem (3.9%), two Bangli (0.5%) and three Buleleng, respectively; while for Klungkung, data were available for only 11 people, so no stable estimates could be made. The results of the validity test for each indicator variable in this research are shown in Table 4.

Table 4: Summary of Research Instrument Validity Tests

Variables	Statement Items	Correlation Coefficient	Information
Financial Literacy (LK)	LK1	0,798	Valid
	LK2	0,811	Valid
	LK3	0,856	Valid
	LK4	0,757	Valid
	LK5	0,864	Valid

	LK6	0,842	Valid
	LK7	0,860	Valid
	LK8	0,836	Valid
Herding behavior (HB)	HB1	0,802	Valid
	HB2	0,789	Valid
	HB3	0,787	Valid
	HB4	0,853	Valid
	HB5	0,839	Valid
	HB6	0,737	Valid
	HB7	0,768	Valid
	HB8	0,771	Valid
Parental income (PI)	PI1	0,832	Valid
	PI2	0,821	Valid
	PI3	0,830	Valid
	PI4	0,813	Valid
	PI5	0,844	Valid
	PI6	0,841	Valid
	PI7	0,805	Valid
	PI8	0,811	Valid
Investment Interest (MI)	MI1	0,767	Valid
	MI2	0,766	Valid
	MI3	0,842	Valid
	MI4	0,815	Valid
	MI5	0,869	Valid
	MI6	0,858	Valid
	MI7	0,847	Valid
	MI8	0,850	Valid
Investment Decisions (KI)	KI1	0,830	Valid
	KI2	0,819	Valid
	KI3	0,853	Valid
	KI4	0,869	Valid
	KI5	0,820	Valid
	KI6	0,839	Valid
	KI7	0,781	Valid
	KI8	0,801	Valid
	KI9	0,861	Valid
	KI10	0,860	Valid
	KI11	0,822	Valid
	KI12	0,831	Valid
	KI13	0,838	Valid
	KI14	0,817	Valid

Table 4 above, the results of the research statistical testing show that all statement items from the four variables studied are valid with a correlation coefficient above 0.30, so that all items in the instrument are said to be valid. The results of the reliability test for each variable or construct are presented in Table 5.

Table 5: Summary of Research Instrument Reliability Tests

Variables	Number of Instruments	*Cronbach's Alpha*	Information
Investment Decisions (KI)	14	0,966	Reliabel
Investment Interest (MI)	8	0,934	Reliabel
Financial Literacy (LK)	8	0,934	Reliabel
Herding behavior (HB)	8	0,916	Reliabel
Parental income (PI)	8	0,934	Reliabel

Table 5 above, the results of the research instrument testing show that all question items from the four variables studied have shown a good level of reliability Cronbach's Alpha (α) correlation coefficient is above 0.70. Thus, the research instrument (questionnaire) can be used and distributed to all target samples that have been determined in this study.

The basis used in testing the hypothesis is the value of the output path coefficients, presented in Table 6. below.

Table 6: Hypothesis Test Results

Construct	Original Sample (O)	T Statistics (|O/STDEV|)	P Values	Information
Direct Influence				
Investment Decisions (LK) -> Investment Interest (MI)	0,743	23,916	0,000	Accepted
Herding behavior (HB) -> Investment Interest (MI)	0,010	0,221	0,825	Rejected
Parental income (PI) -> Investment Interest (MI)	0,059	1,392	0,165	Rejected
Investment Interest (MI) -> Investment Decisions (KI)	0,197	4,045	0,000	Accepted
Parental income (PI) -> Investment Decisions (KI)	0,517	11,087	0,000	Accepted
Indirect Influence				
Investment Decisions (LK) -> Investment Interest (MI) -> Investment Decisions (KI)	0,147	3,963	0,000	Accepted
Herding behavior (HB) -> Investment Interest (MI) -> Investment Decisions (KI)	0,002	0,211	0,833	Rejected
Parental income (PI) -> Investment Interest (MI) -> Investment Decisions (KI)	0,012	1,293	0,197	Rejected

A) Discussion

a. The Influence of Financial Literacy on Gen Z's Investment Interest

Financial literacy has a positive effect on Gen Z's investment interest, demonstrating a unidirectional and meaningful influence. Higher investment interest generally comes after greater financial literacy. Descriptive analysis shows that respondents are already literate in basic financial knowledge, financial behavior, financial attitudes and investment awareness, as indicated by the average values of the financial literacy variable being in a fairly Good category.

This finding is consistent with the Theory of Planned Behavior (Ajzen, 1991), which posits that financial literacy serves as an antecedent to both positive attitudes towards investment and perceived behavioral control, leading to higher investment interest. More financially literate investors are more confident in assessing subjective investments and perceived risk (Kumar et al., 2023). Financial literacy, broadly defined as an individual's understanding of financial data, characteristics of investment instruments and the trade-off between risk and return, is another important prerequisite for a developed level of intent or tendency to invest (Savithri & Rajakumari, 2025). In addition, they have evolved in a very digital manner, consuming financial education on social networks (TikTok, Instagram Reels) and podcasts, which increases the chances of exposure to knowledge about investment instruments. This exposure will only evolve into an interest if it is based on sufficient financial literacy. The Generation Z that understands finance is not naive or credulous as some would think, but one who can filter educational media against investment scams or FOMO, creating a more organized and rational desire to invest.

Several earlier empirical studies have confirmed the existence of a positive correlation between financial literacy and investment interest. Research by Ramadhianto et al. (2025), Maizan et al. (2025), as well as Satyani (2024) also reveals that students and young investors have a higher interest in investment with better financial literacy. These results are also in line with the findings from Marpaung et al. (2024), which indicate that investment motivation is a mediator reinforcing financial literacy and financial behavior.

b. The Influence of Herding Behavior on Generation Z Investment Interest

Herding behavior did not have an impact on the interest of Generation Z in investing in Bali. The conclusion shows that the tendency of Generation Z to follow other investors' decisions or behavior is not significant for the decision to invest in Generation Z. This can be seen through descriptive analysis, where, from the herding variables, this herding behavior Tendency of Generation Z also has a relatively high index towards the average value, but one variable itself cannot determine a significant interest decision. Greyed out

Herding behavior is also described as a subjective norm where individuals perceive others in their environment as conducting normal and acceptable behavior within the Theory of Planned Behavior (Falah & Haryono, 2023). However, with regard to Generation Z, subjective norms framed on herd behavior are inadequate to mold interest in investment. This condition is due to the characteristics of Generation Z, which is more independent and critical when responding to information, especially from social media and financial influencers. Rapid technological developments and digitalization have actually opened up broader access to information, giving Generation Z a wider range of reference sources in shaping investment interest, rather than relying solely on the behavior of others. The lack of influence of this variable is closely related to Generation Z's digital literacy culture, which has begun to adopt the DYOR (Do Your Own Research) principle. The upsurge of viralesque investment scams (eg., binary options affiliates or trading robots) is shock therapy for this generation.

So instead of friends showing their portfolios by flexing and influencers telling them what crypto to buy or stocks, this is not enough, and they now see it more as entertainment trends.

This is also in accordance with Satyani (2024), where she found herding to have no significant effect on investment decisions of Generation Z, and it turns out that the most dominant one are financial literacy followed by overconfidence. In a study conducted among Turkish students, Gürbuz and Yılmaz (2023) also reported similar results in that influencers have no significant effects on investment behavior.

c. One Generation Z Investment Interest Tied to Parental Income

Parental income does not influence Generation Z investment interest at all. The results indicate that parental income is not a significant predictor of investment interest in Generation Z. Descriptive analysis of the variable parent academic degree: free or paid.

The overall economic situation of Generation Z families may not be so bad, but it does not mean they are interested in investments. Parental income also influences perceived behavioral control (PBC), or an individual's subjective financial assistance to carry out actions based on the theory of planned behavior Safryani et al., 2020. At the same time, parental income is not a sufficiently strong signal of financial ability, and it does not support investment interest in this study context. Falah and Haryono (2023) detected that investment interest is more influenced by internal individual factors, namely financial literacy and attitude to risk. Ownership of a self-financing plan has no effect on student discipline. Because of this, the current investment interest from Generation Z is heavily influenced by personal ambition to gain financial freedom as early as possible and a strong desire not to follow into the sandwich generation trap. This appeals equally strongly, if not more so, to Generation Z from lower-middle-class economic backgrounds because they see investment as their main social mobility vehicle and way out or vehicle that will provide a better future; it is no longer seen as where one puts money for slightly increased profits, slowly over time.

This finding is in line with a study conducted by Setyawati et al. on university students in Malang, which proved that parental income does not affect financial behavior significantly, and those three factors, such as financial literacy (X1), lifestyle(X2), and locus of control (X3), affect the same number or significance. Likewise, Falah and Haryono (2023) on Generation Z in Surabaya also found that personal income does not affect investment decisions. This implies that Generation Z interest in investing is less a function of inherited wealth from parents than it is one of personal skill and knowledge.

d. The Influence of Parental Income on Generation Z Investment Decisions

The parental income variable affirmed a positive impact on Gen Z investment decisions in Bali, proving the existence of a one-way and substantial relationship. Higher parental household income typically leads to higher investment decisions. According to the descriptive analysis, the parental income variable shows that having money and freedom from parents in Generation Z helps people have more capital to make investments.

The results suggest parental income is a key motivator among Generation Z to make real investment choices. Compared to its small impact on interest in investing, parental income has a direct effect on outcomes. This suggests that Gen Z from rich families can access funds and act on investment decisions immediately, rather than needing time for an interest to form. This is within the framework of the Theory of Planned Behavior, as it shows that perceived behavioral control can directly exert actual behavior (investment) rather than through interest mediating or between parents providing funds. In practice, high parental income is a buffer. Generation Z individuals are more likely to take risks psychologically when they feel that their families have met basic needs. They often get a cash injection from their parents specifically for education. This sense of safety, something to the effect that "If this investment goes down, I will not die in poverty," makes them far bolder and faster at doing what it takes to begin investing in other vehicles such as stocks.

A study by Nurjannah and Yusrialis (2025) found that parental income directly impacted the financial management behavior of university students in Pekanbaru. Moreover, Ndou (2023) found that parental income reinforces the effect of parental financial communication on youth's financial literacy. Furthermore, Generation Z spends more in larger cities, which can be advantageous for local workers and family financial support.

e. The Influence of Investment Interest on Gen Z Investment Decisions

Investment interest has a positive and significant effect on Gen Z investment decisions in Bali, indicating that the relationship is unidirectional. Increased investment interest is typically followed by an increase in making investments. From the descriptive analysis, investment decisiveness is mainly determined by an interest in continuous access to capital market information that influences one towards long-term investing.

This finding supports the Theory of Planned Behavior (Ajzen, 1991); it states that interest has a direct primary relationship with actual behavior. Investment interest is defined as motivational factors that lead individuals to start using their knowledge and resources, which enables a closer look at more targeted and responsible financial practices (Hudson et al., 2021). (1) Investment Interest: The study will focus on individuals belonging to Generation Z, who have a passion for investment based on key components (investment awareness, desire to experiment and long-term commitment), which makes it easier for them to convert their interest into an act of investing in the stock market. This transition to operational decisions is much easier thanks to the lifestyle of Generation Z, who are calling out for a frictionless experience. The presence of various modern investment applications (WealthTech) in Indonesia, offering intuitive UI/UX interfaces, a 100% digital customer fund account (RDN) opening process, and very low minimum purchases (starting from IDR 10,000), eliminates almost all barriers to entry. As a result, once interest is aroused, investment decisions can be made in a matter of minutes with nothing but your cell phone.

These results are consistently supported by empirical research. Yang et al. In the case of Malaysian working adults, Moin and Airida (2021) also proved that investment interest has a positive effect on participation in actual stock market activities. Eshpulatov et al. Investment interest is one of the most powerful predictors for stock market participation among Uzbekistani college students (Damir1lakhonov et al. Manaf et al. Investment interest predicted stock market participation positively in Malaysian college students as well (2024). In this way, investment interest is an important psychological link that turns knowledge and attitudes norows into actual investments.

f. The Role of Investment Interest in Mediating the Effect of Financial Literacy on Generation Z Investment Decisions

It has been demonstrated that financial literacy is mediated by investment interest amongst Generation Z investments (Nawaz et al.). The implication of these results is that investment interest as an intervening variable has a very significant effect in an indirect way on investment decisions through financial literacy. The direct effect of financial literacy on investment interest is significant and directly affects the willingness to perform these investments (indirectly affected by this complementary mediation); the inferences that occur between them are partial effects.

Thus, these findings suggest that there are two pathways through which financial literacy drives investment decisions: directly and indirectly by increasing investor interest. Financial literacy is the knowledge and skill that makes it possible to assess an investment opportunity rationally; however, this implicitly requires some motivation as well, in the form of interest, before one could be expected to convert financial literacy into actual investments. In the context of the Theory of Planned Behavior, financial literacy has an impact on positive attitude and perceived behavioral control, which then affect investment interest that is realized conductively in terms of actual behavior as an investment decision. For Generation Z, this mediation process is manifested in their analytical habits. Before executing a purchase investment decision, those with good literacy will channel their interest by reading the mini-prospectus in the app, comparing fundamental ratios, or discussing it in a digital investor community forum or social trading. Literacy gives this interest its firmness, and that makes for a planned investment.

We conclude that the outcomes of this study corroborate with those reported by (Marpaung et al. 2024), who found that the effect of financial literacy on financial behavior is significantly mediated through investment motivation, which means investment drive is what crucially turns knowledge into good actions in finance. Eshpulatov et al. Investment interest mediated the effect of gender and social class (2025), they also found. Considering that the financial sector is booming and Gen Z are lazy in using financial technology for their personal purposes, improving literacy will fulfill its task on top of compounding interest.

g. The Role of Investment Intention in Mediating the Effect of Herding Behavior on Generation Z Investment Decisions

The Effect of Herding Behavior on Investment Interest: An Inability to Establish a Mediating Relationship with Generation Z-Driven Decision-Making. The addition of investment interest as a mediating variable leads to an indirect effect between herding behavior and investors' purchase decisions that is not significant. The insignificant mediation indicates the weak influence of herd behavior on investment interest in the first pathway (H2 rejected).

This result suggests that herding behavior has no effect in consideration of prior increases in investment interest, if any. In short, Generation Z does not take follow-the-line behavior as a basis for forming investment interest, which means the mediation pathway through investment interest is not demonstrated. This finding is in contrast with the study of Eshpulatov et al. Shen et al. (20225) who proved that through the mechanism of herding effect, investment willingness affects stock market participation And that difference may stem from the clearer and more skeptical view on newer investment trends rising up through social media and within their communities seen by Generation Z. While stock hype narratives or over-the-top influencer recommendations (herding) may sometimes spark that impulse buy, they do very little to foster sustained interest. Without genuine interest, the psychological pathway to a planned investment decision is automatically disrupted.

However, this does not mean that herding behavior is completely irrelevant in the context of Generation Z investments. Descriptive analysis shows that herding behavior still exists, but plays a more social role than directly shaping interest. Investment education programs for Generation Z, in practice, must not focus on trends or social pressure but rather enable the younger generation to analyze independently and make smart decisions about risk.

h. The Role of Investment Interest in Mediating the Effect of Parental Income on Gen Z Investment Decisions

Investment Interest (H3) mediation was also not supported for the Parental Income → Gen Z Investment Decisions relationship. This means that the inclusion of Investment Interest does not create an indirect relationship through the motivation between Parental Income and Investment Decisions. This insignificant mediation is caused by the direct effect of Parental Income on Interest in Investment, which was found to be not significant (H3 was rejected), while the direct effect of Parental Income on Decisions acts positively and also starts from a statistically significant correlation (H4 was accepted).

These results uncover an intriguing pattern: Parental income affects how much people invest, but it does not affect the desire to do so. This means that Generation Z members from high-income families tend to make investment decisions directly because they have direct access to financial resources, without having to go through the lengthy process of forming investment interest. This condition can be explained through the perspective of the Theory of Planned Behavior, where high perceived behavioral control due to parental financial support can directly drive actual behavior (investment decisions) without being mediated by interest. This pattern confirms the phenomenon of direct family intervention. Parents with extra money, for instance, sometimes go straight to setting up investment accounts in their kid's name or send large amounts of cash, often indicating no further memorization except how to buy blue-chip shares. These investment decisions emerge from access to clear-cut privileges, not because there is an inherent urge (interest) deeply rooted in Gen Z over time.

This result highlights research by Ndou (2023), which suggests that financial socialization is primarily driven by parental income, which predicts children's attitudes and behaviors regarding managing money, such as investment. Generation Z has what it takes to turn their investment-related intentions into action since they face a relatively high cost of living and will find an increasing number of easy-to-use digital investment platforms as long as each person receives enough financial support from mum and dad. On the other hand, if financial literacy is not reinforced first, easy access can spur irrational investment decisions. Thus, we believe a combination of financial support from parents with increased improvement in the understanding of investment concepts will be required to provide Generation Z with sustainable and responsible investing.

IV. CONCLUSION

From the results as well as an analysis of these discoveries, it can be concluded that financial literacy has a positive effect in terms of investment interest among Gen Z. This points to the finding that as financial literacy of Generation Z increases, so does their interest in investing in stocks. However, the challenge to Gen Z investment interest does not only involve herding. It shows that the tendency of following the investment behavior of other investors is not primarily behind Investment Interest in Generation Z, nor does Parental income influence Gen Z'S investment interest. This suggests that parental income is not so much a driver of investment interest. How growing up with wealthy parents impacts Gen Z's decision to invest. That is, the higher their parents' income, the more likely Gen Z are actually to make an investment decision. Investment interest positively affects Gen Z's investment decisions. That is, the more interested Gen Z guys are in their stock investments (as a percentage of each), the more likely they tend to convert this interest into financial market investment decisions. Investment interest has been shown to mediate the influence of financial literacy on Gen Z investment decisions. This suggests that financial literacy drives investment decisions through two channels: directly and indirectly through increased investment interest. Investment interest has not been shown to mediate the influence of herding behavior on Gen Z investment decisions. This suggests that the influence of herding behavior on investment decisions, if any, does not occur through prior increases in investment interest. Investment interest has not been shown to mediate the influence of parental income on Gen Z investment decisions. This suggests that parental income directly influences investment decisions without prior increases in investment interest.

Based on the conclusions that have been presented, this study still has several limitations, namely based on the results of the determination coefficient (R-Square) test, the value (R-Square) for the investment decision variable is 0.342 which indicates that the constructs in the research model, namely financial literacy, herding behavior, parental income, and investment interest are able to explain variations in Investment Decisions by 34.2%, while the remaining 65.8% is explained by other factors outside this research model. These results indicate that the research model has not been able to comprehensively explain all factors that influence stock investment decisions in Generation Z. Therefore, further research is suggested to add other variables that are theoretically and empirically related to investment decisions, such as investment experience, financial attitude, locus of control, overconfidence, risk tolerance and peer influence, both as independent variables, mediation and moderation. The addition of these variables is expected to improve the model's ability to explain investment decisions, resulting in a more comprehensive research model.

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