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THE INFLUENCE OF FINANCIAL LITERACY AND INVESTMENT KNOWLEDGE ON MUTUAL FUND INVESTMENT INTEREST AMONG GENERATION Z WITH INVESTMENT MOTIVATION AS A MEDIATING VARIABLE

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Abstract

This study aims to analyze the influence of financia l literacy and investment knowledge on mutual fund investment interest among Generation Z, with investment motivation as a mediating variable. The research employs a quantitative approach using a survey method by distributing questionnaires to 100 Generation Z respondents who are mutual fund investors. The sampling technique used is probability sampling with a simple random sampling method. Data analysis was conducted using Structural Equation Modeling–Partial Least Squares (SEM-PLS) through the SmartPLS application. The results indicate that financial literacy does not have a significant effect on investment interest, but it has a positive and significant effect on investment motivation. Furthermore, investment motivation is proven to have a positive and significant effect on investment interest. Investment knowledge also shows a positive and significant influence on both investment interest and investment motivation. These findings suggest that investment knowledge and investment motivation are important factors in increasing mutual fund investment interest among Generation Z. Therefore, improving investment education and financial literacy is essential to encourage more rational and sustainable investment participation among young people.

Keywords: Financial Literacy, Investment Knowledge, Investment Motivation, Investment Interest, Generation Z

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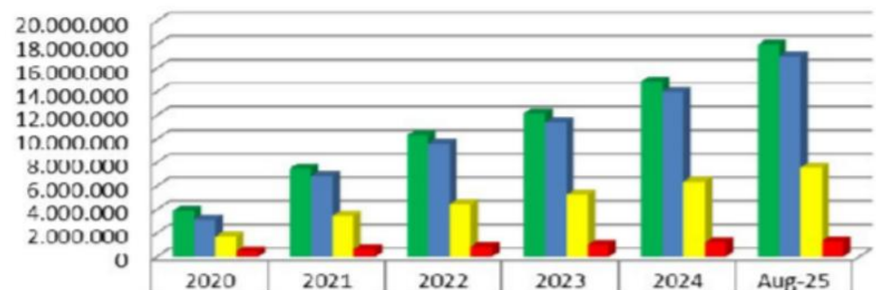
Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545

INTRODUCTION

Currently, the number of investors in Indonesia has grown significantly in line with the advancement of financial technology and the increasing public participation in investment instruments. According to data from Kustodian Sentral Efek Indonesia (KSEI), the number of capital market investors actively conducting transactions increased from 3 million in 2020 to more than 14 million by the end of 2024, indicating a multiple-fold growth over the past five years (Apluswire, 2025). The following presents data on investment growth in Indonesia.

Figure 1.
Growth of Individual Investors in the Indonesian Capital Market (2020-2024)



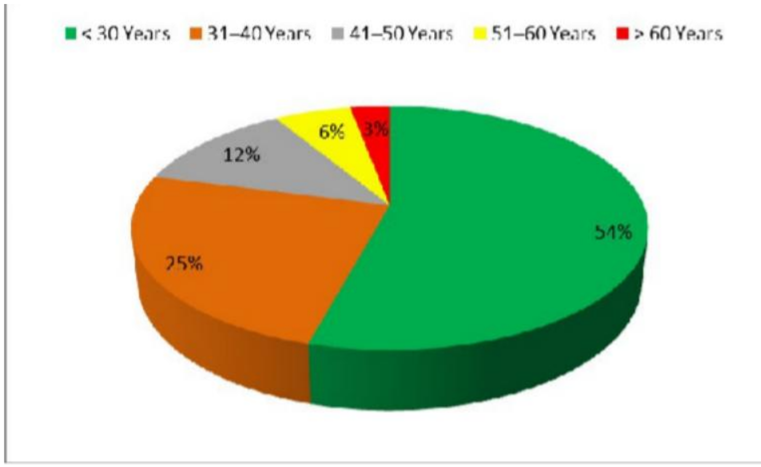
	2020	2021	2022	2023	2024	Aug-25
Capital Market SID	3.880.753	7.489.337	10.311.152	12.168.061	14.871.639	18.018.947
Mutual Funds	3.175.429	6.840.239	9.604.269	11.416.711	14.003.037	17.031.932
Stocks and Other Securities	1.695.268	3.451.513	4.439.933	5.255.571	6.381.444	7.556.287
Government Securities (SBN)	460.372	611.143	831.455	1.002.727	1.198.821	1.322.618

The chart above illustrates a significant increase in the number of investors in Indonesia from 2020 to August 2025, rising from 3.88 million to 18.01 million investors. This growth occurred across all investment instruments, particularly mutual funds, which recorded the largest and most consistent increase. Overall, the data reflects a continuously strengthening trend in public interest in investment from year to year.

A study conducted by Populix reported an 11% increase in the number of investors from 2023 to mid-2024. In line with data from Kustodian Sentral Efek Indonesia (KSEI), which showed that 54.96% of investors are under the age of 30, this finding indicates that younger generations are the primary drivers of this growth (Gizmologi, 2024). Furthermore, the Populix survey found that 47% of respondents considered investment to be more profitable than conventional instruments such as savings accounts or time deposits, further strengthening public interest in investing. This phenomenon demonstrates that the financial behavior of Indonesian society is becoming increasingly digital-savvy and more inclined to utilize fintech applications for daily investment activities. The percentage distribution of investors by age in Indonesia, according to data from Bursa Efek Indonesia (BEI), is presented as follows.

Figure 2.
Composition of Capital Market Investors by Age Group in 2025

Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545



The chart shows that the majority of capital market investors are dominated by individuals under the age of 30, accounting for 54% of the total investors, followed by those aged 31–40 years at 25%. Meanwhile, the 41–50 age group contributes 12%, investors aged 51–60 account for 6%, and those above 60 years old represent only 3%. These data confirm that younger generations, particularly individuals under the age of 30, constitute the most dominant group in investment activities within the Indonesian capital market.

Generation Z (Gen Z) refers to the generation born between 1997 and 2012, characterized by various distinctive traits and characteristics. Generation Z grew up in the era of the internet and digital technology, making them highly familiar with online investment platforms from an early age (Rahmi et al., 2024). Investment decisions among Generation Z are influenced by factors such as financial literacy, financial behavior, and risk tolerance, which encourage higher participation in investment activities compared to previous generations due to easier access to information and digital technology. According to (CFA Institute, 2023), the average Generation Z individual begins investing before the age of 21, with more than 80% of Generation Z respondents across various countries already having investment accounts in early adulthood. Furthermore, the influence of social media and digital information has significantly accelerated Generation Z's involvement in investment decision-making, including their preference for alternative financial instruments offered through digital applications (Zainordin et al., 2025).

In Indonesia, this trend is reflected in the increasing preference of younger generations for digital investment applications, where the main factors influencing their choices include ease of use, security, and the educational features offered by the platforms (Priyono et al., 2022). The active participation of Generation Z in investment activities is also evident through their dominance in the cryptocurrency and mutual fund investor segments, highlighting the important role of this generation in driving the growth of retail transaction volumes in the capital market. Nevertheless, Generation Z's involvement in investment activities also presents challenges, particularly the need for stronger financial literacy to ensure that investment decisions are made more carefully and based on adequate information.

Mutual funds are one of the collective investment instruments in which funds from

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

multiple investors are pooled and managed by investment managers to be allocated across various securities portfolios, such as stocks, bonds, and money market instruments, enabling investors to obtain diversification and professionally managed investment returns. The trend of mutual fund products in Indonesia continues to grow, with total mutual fund assets under management recording an annual increase of approximately 35.1%, reaching IDR 679.24 trillion in December 2025, indicating that public interest in this type of investment continues to rise (Kontan.co.id, 2025). Therefore, the mutual fund industry in Indonesia demonstrates strong growth potential, particularly among younger investors who are becoming increasingly investment-literate and who show a preference for ethical and responsible investment practices.

Although many members of Generation Z are interested in engaging in investment activities through digital applications, various studies indicate that financial literacy and investment knowledge among this group remain relatively low, potentially leading to suboptimal investment decisions. The phenomenon of Fear of Missing Out (FOMO), combined with limited financial literacy, contributes to investment decisions driven more by impulse than by an understanding of risk and long-term strategy (Javier et al., 2024). According to (Tirtawinata & Ruslim, 2025), the low level of financial literacy among Generation Z affects their ability to understand complex financial instruments and the associated risks, thereby increasing the likelihood of investment mistakes.

Studies conducted in several regions of Indonesia have also found that Generation Z demonstrates a high interest in investment activities; however, their understanding of risk management and long-term investment objectives remains inadequate (Setiawan et al., 2025). The implication of this low level of financial literacy and investment knowledge is the increased likelihood of immature investment decisions or decisions influenced by temporary trends and Herding Behavior, which may negatively affect young investors in achieving their long-term financial goals. Therefore, insufficient financial literacy and investment knowledge constitute significant challenges that must be addressed in order to encourage Generation Z to participate effectively and responsibly within the investment ecosystem.

Therefore, investment motivation becomes a highly important psychological factor in explaining individual investment behavior, particularly among younger generations who are in the early stages of financial decision-making. Investment motivation can be defined as the internal and external drives that encourage individuals to engage in investment activities for specific purposes, such as obtaining financial returns, achieving future financial security, or fulfilling personal values and goals (Chasanah et al., 2022). Motivation serves as the primary driving force that bridges the gap between an individual's knowledge and their actual investment behavior. Empirical studies have also shown that individuals with a high level of investment motivation tend to demonstrate stronger and more consistent investment interest, even when facing market risks and uncertainties. Among Generation Z, investment motivation is influenced not only by economic factors but also by psychological aspects such as the desire for financial independence, social influence, and the aspiration to contribute to investments that generate positive impacts on society and the environment (Chasanah et al., 2022). Therefore, investment motivation is regarded as an important variable that should be

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

considered in understanding how financial knowledge and literacy can be translated into actual investment interest among Generation Z individuals.

Previous studies have examined the relationship between financial literacy, investment knowledge, investment motivation, and investment interest among younger generations; however, only a limited number of studies have specifically investigated the mediating role of investment motivation within the investment context. For instance, a quantitative study conducted among Generation Z in Denpasar found that financial literacy, investment knowledge, and investment motivation positively influenced capital market investment decision-making, although the study did not specifically focus on investment products such as mutual funds (Rindiani & Darmawan, 2024). Another study conducted in Soloraya revealed that investment knowledge had a positive effect on digital investment interest; however, investment motivation did not show a significant influence on digital investment interest, thereby raising questions regarding the role of motivation in more complex investment behaviors (Utama & Aji, 2025). Furthermore, a study in Semarang found that financial literacy and investment knowledge affected investment interest among Gen Z through financial behavior as an intervening variable, yet it did not explicitly position investment motivation as a mediating variable within the structural model (Brilianda et al., 2025).

Nevertheless, most existing studies remain focused on general investment instruments or the capital market in a broader context. Furthermore, although several studies have incorporated motivation as a direct predictor of investment interest, only a limited number have theoretically and empirically examined the role of investment motivation as a mediating variable between financial literacy and investment knowledge on investment interest, particularly within the context of investing among Generation Z. Therefore, this study seeks to address this gap by developing a deeper understanding of the mediating role of investment motivation within the investment behavior model.

Based on the issues outlined above and the existing research gap regarding the role of investment motivation as a mediating variable, this study aims to analyze the influence of financial literacy and investment knowledge on mutual fund investment interest among Generation Z, with investment motivation serving as the mediating variable. This research is expected to contribute to the enrichment of academic studies concerning the investment behavior of younger generations, while also serving as a reference for industry practitioners and stakeholders in designing educational strategies and developing investment products.

REVIEW OF LITERATURE

Financial Literacy

Financial literacy refers to an individual's ability to understand, manage, and make appropriate decisions regarding personal finances effectively and responsibly. According to Otoritas Jasa Keuangan (OJK), financial literacy encompasses the knowledge, skills, and confidence that influence attitudes and behaviors in improving the quality of financial decision-making in order to achieve financial well-being (OJK, 2024). In line with this definition, (Tirtawinata & Ruslim, 2025) define financial literacy as the ability to understand

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

basic financial concepts such as interest, inflation, and risk, which are essential for making rational economic decisions. Therefore, financial literacy becomes an important aspect in shaping individual financial behavior, including investment decision-making.

Investment Knowledge

Investment knowledge refers to an individual's understanding of various aspects related to investment activities, such as types of investment instruments, levels of risk, potential returns, and market mechanisms. According to (Gheta & Meylano, 2023), investment knowledge reflects the extent to which individuals understand the fundamental concepts of investment, enabling them to make appropriate and rational investment decisions. Furthermore, (Sun & Lestari, 2022) stated that investment knowledge is essential for avoiding mistakes in investing, particularly in understanding the relationship between risk and return. Therefore, the higher an individual's level of investment knowledge, the greater their ability to select investment options that align with their financial goals.

Mutual Fund Investment Interest

Mutual funds are investment vehicles that pool funds from investors, which are subsequently invested in securities portfolios managed by investment managers, such as stocks, bonds, and money market instruments (Kontan.co.id, 2025). Mutual fund investment interest refers to an individual's tendency or desire to invest in such instruments as part of financial planning (Cahya & W, 2019). According to (Viana, 2021), interest is an internal drive that creates the desire to perform a particular action. In the context of investment, interest reflects an individual's readiness to seek information, learn about investment, and ultimately engage in investment activities. Therefore, mutual fund investment interest can be interpreted as an individual's desire to invest in mutual funds, influenced by their understanding, perceptions of risk and return, and the financial goals they intend to achieve.

Investment Motivation

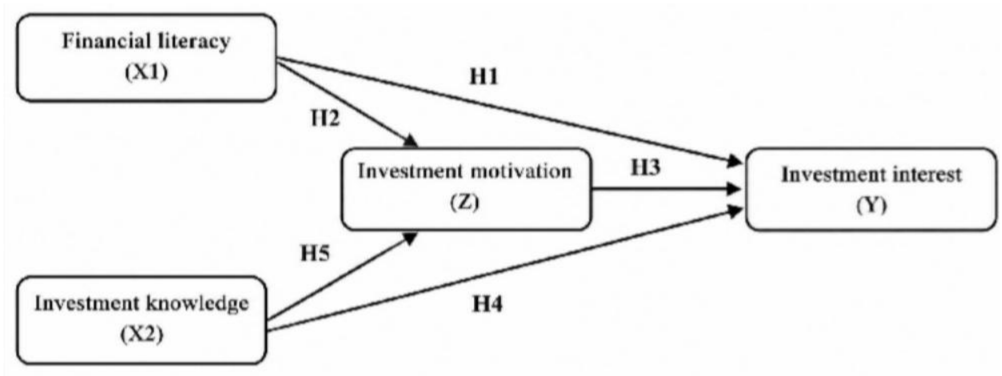
Investment motivation refers to the internal and external drives that encourage individuals to engage in investment activities in order to achieve specific financial goals. According to (Chasanah et al., 2022), investment motivation is related to an individual's desire to obtain financial returns, achieve financial security, and prepare for future needs. Furthermore, (Sun & Lestari, 2022) stated that motivation is the internal force that drives and directs individual behavior toward achieving desired goals. In the context of investment, motivation plays an important role in encouraging individuals to transform their knowledge and understanding into actual investment actions. Therefore, the higher an individual's investment motivation, the greater the tendency to develop investment interest and consistently engage in investment activities.

Conceptual Framework

Based on the discussion above, this study presents a conceptual framework illustrating the relationships among financial literacy, investment knowledge, investment motivation, and mutual fund investment interest among Generation Z.

Figure 3.
Research Conceptual Framework

Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545



The conceptual framework illustrates that financial literacy and investment knowledge serve as the primary factors influencing investment interest, both directly and indirectly through investment motivation as a mediating variable. Therefore, investment motivation acts as an important intermediary that explains how individuals' understanding and knowledge can encourage the development of stronger investment interest. Based on the conceptual framework above, the research hypotheses are formulated as follows:

H1: Financial literacy have a significant effect on mutual fund investment interest among Generation Z.

H2: Financial literacy has a positive and significant effect on investment motivation among Generation Z.

H3: Investment motivation has a positive and significant effect on mutual fund investment interest among Generation Z.

H4: Investment knowledge has a positive and significant effect on mutual fund investment interest among Generation Z.

H5: Investment knowledge has a positive and significant effect on investment motivation among Generation Z.

RESEARCH METHOD

This study employed a quantitative approach using a survey method to empirically examine the causal relationships among variables through numerical data analysis. The research falls under the category of explanatory research, which aims to explain the influence of financial literacy and investment knowledge on mutual fund investment interest among Generation Z, as well as the role of investment motivation as a mediating variable. This approach was selected because it is capable of providing an objective and measurable description in accordance with the characteristics of Generation Z respondents.

The population in this study consists of Generation Z mutual fund investors in Indonesia. Based on data from Kustodian Sentral Efek Indonesia, the number of mutual fund investors reached approximately 12.3 million investors, with around 54% dominated by investors under the age of 30. Therefore, the number of Generation Z mutual fund investors in Indonesia is estimated at approximately 6,642,000 investors. The sampling technique employed in this study was probability sampling using a simple random sampling approach,

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

which provides equal opportunity for each member of the population to be selected as a respondent. The sample size in this study was determined using the Slovin formula with a margin of error (e) of 10%. The sample calculation based on the Slovin formula is presented as follows:

$$n = \frac{N}{1 + N\,(e)^2}$$

$$n = \frac{6.642.000}{1 + 6.642.000\,(0{,}1)^2} = 99{,}97$$

Based on the calculation using the Slovin formula, the result obtained was 99.97; therefore, the sample size in this study was rounded to 100 respondents. Furthermore, the data collection technique in this study was conducted through the distribution of online questionnaires using Google Forms to respondents who met the research criteria. The questionnaire was developed based on the indicators of each research variable and measured using a 5-point Likert scale, representing respondents' levels of agreement ranging from strongly disagree to strongly agree. Consequently, the collected data could be analyzed quantitatively.

Data analysis in this study was conducted using SmartPLS with the Structural Equation Modeling–Partial Least Square (SEM-PLS) approach. This method was selected because it is capable of simultaneously examining relationships among latent variables, including both direct and indirect (mediating) relationships. In addition, SEM-PLS does not require normally distributed data and is considered suitable for studies with moderate sample sizes

1. Outer Model Evaluation

The outer model evaluation was conducted to assess the quality of the research instrument, which includes validity and reliability testing. Convergent validity was evaluated through the loading factor and Average Variance Extracted (AVE) values, where indicators were considered valid if they had a loading factor value of ≥ 0.70 and an AVE value of ≥ 0.50. Furthermore, discriminant validity was tested to ensure that each construct demonstrated a clear distinction from other constructs, which could be identified through the Fornell–Larcker criterion values. Meanwhile, construct reliability was assessed using Cronbach's Alpha and Composite Reliability values, with a threshold of ≥ 0.70 indicating good internal consistency of the instrument.

2. Inner Model Evaluation

The inner model evaluation was conducted to examine the structural relationships among latent variables within the research model. This evaluation included the assessment of the R-Square value to determine the extent to which the independent and mediating variables explain the dependent variable. In addition, the relationships among variables were tested through path coefficient analysis by examining the t-statistic and p-value. A relationship was considered significant when the t-statistic value exceeded 1.96 and the p-value was less than 0.05.

3. Mediation Test

The mediation test was conducted to determine the role of investment motivation as

Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545

a mediating variable in the relationship between financial literacy and investment knowledge on mutual fund investment interest. The mediation analysis was performed by examining the indirect effect values through the bootstrapping procedure in SmartPLS, where the indirect effect was considered significant if the t-statistic value was greater than 1.96 and the p-value was less than 0.05.

RESULTS AND DISCUSSION

Results of Measurement Model Evaluation (Outer Model)

1. Convergent Validity

Convergent validity aims to examine the extent to which the indicators within a construct are capable of explaining the measured latent variable. According to (Ghozali, 2018), convergent validity can be assessed through the loading factor values, where an indicator is considered valid if it has a loading value of ≥ 0.70. Loading values ranging from 0.60 to 0.70 are still considered acceptable in social research, provided that other reliability criteria are fulfilled.

Table 1.
Convergent Validity Results (Outer Loadings)

Indicators	Financial Literacy	Investment Interest	Investment Motivation (Mediating)	Investment Knowledge
X1P2	0.834			
X1P3	0.881			
X1P4	0.794			
X1P5	0.819			
X2P1		0.905		
X2P2		0.890		
X2P3		0.908		
X2P4		0.932		
X2P5		0.842		
YP1			0.928	
YP2			0.899	
YP3			0.923	
YP4			0.930	
YP5			0.828	
ZP1				0.891
ZP2				0.884
ZP3				0.894
ZP4				0.904
ZP5				0.852

Source: SmartPLS Processing Results, 2026

Based on the data processing results using SmartPLS, all indicators of the Financial

Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545

Literacy, Investment Knowledge, Investment Motivation, and Investment Interest variables obtained outer loading values above 0.70. Therefore, all indicators in this study are considered convergently valid, as they satisfy the criterion of outer loading values ≥ 0.70, indicating that they are appropriate for further analysis.

2. Discriminant Validity

Discriminant validity aims to ensure that each construct has a clear distinction from other constructs within the research model. In this study, discriminant validity was determined based on the Fornell–Larcker Criterion by comparing the square root value of the Average Variance Extracted (AVE) of each construct with the correlation values among constructs. A construct is considered to satisfy discriminant validity if the square root of its AVE is greater than its correlations with other constructs (Savitri et al., 2021).

Table 2.
Discriminant Validity Results (Fornell–Larcker Criterion)

	Financial Literacy	**Investment Interest**	**Investment Motivation (Mediating)**	Investment Knowledge
Financial Literacy	0.837			
Investment Interest	0.410	0.902		
Investment Motivation (Mediating)	0.578	0.614	0.885	
Investment Knowledge	0.452	0.643	0.669	0.896

Source: SmartPLS Processing Results, 2026

Based on the data processing results, the square root AVE values for each construct are as follows: Financial Literacy (0.837), Investment Interest (0.902), Investment Motivation (0.885), and Investment Knowledge (0.896). All of these values are higher than the correlations among variables within the corresponding rows and columns. Therefore, it can be concluded that all constructs in this study have satisfied the discriminant validity criteria based on the Fornell–Larcker Criterion method. This indicates that each variable demonstrates a strong ability to distinguish itself from the other constructs within the research model.

3. Reliability Test

The reliability test aims to measure the level of internal consistency among indicators within a construct. According to (Savitri et al., 2021), a construct is considered reliable if it has Cronbach's Alpha and Composite Reliability values of ≥ 0.70. Values above 0.80 indicate a good level of reliability, while values above 0.90 indicate very high reliability.

Table 3.
Reliability Test Results

	Cronbach's alpha	***Composite reliability (rho_α)***

Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545

Financial Literacy	0.893	0.895
Investment Interest	0.942	0.947
Investment Motivation (Mediating)	0.931	0.932
Investment Knowledge	0.938	0.941

Source: SmartPLS Processing Results, 2026

Based on the data processing results, all variables obtained values above 0.70, with most of them exceeding 0.90. Therefore, it can be concluded that all constructs in this study demonstrate a very high level of reliability. Accordingly, the research instrument is considered consistent and appropriate for use in the analysis.

Results of Structural Model Evaluation (Inner Model)

1. R-Square

The R-Square (R^2) value is a measure used to determine the extent to which independent variables are able to explain the variation occurring in the dependent variable, while also reflecting the magnitude of influence exerted within a research model. According to (Savitri et al., 2021), an R^2 value of 0.70 is categorized as strong, 0.50 as moderate, and 0.25 as weak.

Table 4.
R-Square Results

	R-square	**R-square adjusted**
Investment Interest	0.475	0.459
Investment Motivation	0.543	0.534

Source: SmartPLS Processing Results, 2026

Based on the results of the SmartPLS analysis, the R-Square value for Investment Interest was 0.475 (Adjusted R^2 = 0.459), indicating that the variables of Financial Literacy, Investment Knowledge, and Investment Motivation collectively explain and influence Investment Interest by 47.5%, while the remaining 52.5% is influenced by other variables outside the research model. According to the classification proposed by (Savitri et al., 2021), this value falls into the moderate category, suggesting that the independent variables possess a sufficient capability to explain the variation in Investment Interest. Meanwhile, the R-Square value for Investment Motivation was 0.543 (Adjusted R^2 = 0.534), indicating that the variables of Financial Literacy and Investment Knowledge are able to explain and influence Investment Motivation by 54.3%, while the remaining 45.7% is affected by variables outside the model. This value is also categorized as moderate, demonstrating that the model has a reasonably good explanatory power in describing the relationships between the independent variables and the mediating variable.

2. Effect size

Effect size (f^2) is used to measure the magnitude of the influence of each exogenous

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

variable on the endogenous variables within the structural model. According to Savitri et al. (2021), an f^2 value of 0.02 is categorized as small, 0.15 as moderate, and 0.35 as large.

Table 5.
Effect Size (f^2) Test Results

	Investment Motivation	**Investment Interest**
Financial Literacy	0.209	0.002
Investment Motivation		0.085
Investment Knowledge	0.457	0.179

Source: SmartPLS Processing Results, 2026

Based on the obtained results, the effect size (f^2) can be explained as follows:

- Financial Literacy → Investment Motivation has a moderate effect ($f^2 = 0.209$).
- Financial Literacy → Investment Interest has a very small effect ($f^2 = 0.002$).
- Investment Knowledge → Investment Motivation has a large effect ($f^2 = 0.457$).
- Investment Knowledge → Investment Interest has a moderate effect ($f^2 = 0.179$).
- Investment Motivation → Investment Interest has a small effect ($f^2 = 0.085$).

3. Hypothesis Testing

Hypothesis testing in this study was conducted using the bootstrapping method in SmartPLS to examine the relationships among variables within the research model. The hypotheses were evaluated based on the T-statistic and P-value. According to (Savitri et al., 2021), a hypothesis is considered significant if the T-statistic value is greater than 1.96 and the P-value is less than 0.05 at a 5% significance level. The results of the hypothesis testing in this study are presented in Table 6 below.

Table 6.
Hypothesis Testing Results

Rute	**Part Koefisien**	**T statistics**	**P values**
Financial Literacy -> Investment Interest	0.042	0.577	0.564
Financial Literacy -> Investment Motivation	0.346	3.923	0.000
Investment Motivation -> Investment Interest	0.312	2.504	0.012
Investment Knowledge -> Investment Interest	0.415	3.723	0.000
Investment Knowledge -> Investment Motivation	0.513	6.896	0.000

Source: SmartPLS Processing Results, 2026

Based on the results of the bootstrapping analysis using SmartPLS, the hypothesis

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

testing results are as follows:

- The Effect of Financial Literacy on Investment Interest; the analysis results indicate that Financial Literacy does not have a significant effect on Investment Interest.
- The Effect of Financial Literacy on Investment Motivation; the analysis results indicate that Financial Literacy has a positive and significant effect on Investment Motivation.
- The Effect of Investment Motivation on Investment Interest; the analysis results indicate that Investment Motivation has a positive and significant effect on Investment Interest.
- The Effect of Investment Knowledge on Investment Interest; the analysis results indicate that Investment Knowledge has a positive and significant effect on Investment Interest.
- The Effect of Investment Knowledge on Investment Motivation; the analysis results indicate that Investment Knowledge has a positive and significant effect on Investment Motivation.

The Effect of Financial Literacy on Investment Interest

Financial literacy refers to an individual's ability to understand financial concepts, manage finances, and make appropriate financial decisions. Financial literacy reflects a person's level of knowledge and understanding regarding financial products, personal financial management, and the ability to plan future finances (Chasanah et al., 2022). Through adequate financial literacy, individuals are expected to better understand investment risks and returns, thereby increasing their interest in investing. Conceptually, financial literacy encourages individuals to act more rationally in making economic decisions, including investment-related decisions. The function of financial literacy is to provide an understanding of income management, financial planning, and the selection of investment instruments that align with individual financial goals.

For example, individuals who understand the concepts of investment diversification and financial risk management tend to be more confident in choosing investment instruments such as stocks, mutual funds, or bonds. However, the results of this study indicate that financial literacy does not have a significant effect on investment interest. This may occur because, although individuals possess financial knowledge, they may not necessarily have sufficient motivation or encouragement to engage in investment activities. Other factors, such as personal motivation, economic conditions, and perceptions of investment risk, may also influence an individual's interest in investing. The findings of this study are consistent with the research conducted by (Herdjiono & Damanik, 2016), which found that financial literacy does not always directly influence investment interest, as investment decisions are also affected by psychological and motivational factors. Therefore, it can be concluded that financial literacy in this study has not been able to directly increase investment interest. This suggests that financial understanding alone is insufficient to encourage individuals to invest without the support of other factors, such as investment motivation or prior investment experience.

Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545

The Effect of Financial Literacy on Investment Motivation

Financial literacy refers to an individual's ability to understand financial concepts, manage personal finances, and make appropriate financial decisions. According to (Sun & Lestari, 2022), financial literacy reflects a person's level of understanding regarding financial management, financial planning, and the various financial products and instruments available in society. Such understanding can assist individuals in planning their financial future more effectively, including in investment activities. Financial literacy encourages individuals to become more confident and rational in making economic decisions. Its function extends beyond providing knowledge about financial management, as it also fosters awareness of the importance of long-term financial planning.

For example, individuals who understand the benefits of investment and the concept of the time value of money are likely to be more motivated to begin investing in order to achieve future financial goals. The results of this study indicate that financial literacy has a positive and significant effect on investment motivation. This means that the higher an individual's level of financial literacy, the greater their motivation to invest. Understanding investment benefits, risks, and financial management strategies can encourage individuals to develop internal motivation to achieve better financial conditions in the future.

The findings of this study are consistent with the research conducted by (Brilianda et al., 2025), which stated that financial literacy has a positive influence on behavior and motivation in financial decision-making, including investment activities. Furthermore, research conducted by (Viana, 2021) also found that individuals with higher levels of financial literacy tend to possess greater motivation to engage in financial planning and investment activities. Therefore, it can be concluded that financial literacy plays an important role in increasing an individual's investment motivation. The better individuals understand financial management and investment concepts, the greater their motivation to utilize investment as a means of achieving future financial goals.

The Effect of Investment Motivation on Investment Interest

Investment motivation refers to the internal drive that encourages individuals to engage in investment activities in order to achieve specific financial goals in the future. Motivation is an internal impulse that arises within individuals to fulfill needs and accomplish certain objectives. In the context of investment, motivation may include the desire to earn profits, prepare for future financial security, and improve economic well-being. Motivation possesses a driving characteristic that influences individual behavior in decision-making, including investment-related decisions. Its primary function is to encourage individuals to take action. For example, individuals who possess strong motivation to achieve financial freedom or prepare future financial funds tend to demonstrate greater interest in learning about and engaging in investment activities.

This motivation may emerge in various forms of objectives, such as the desire to generate passive income, prepare retirement funds, and protect wealth from inflation. With clear financial goals, individuals tend to have stronger direction and reasons for making investment decisions. Among Generation Z, one of the most rational investment motivations is the desire to protect wealth from inflation. Inflation refers to a condition in which the

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

general prices of goods and services increase, resulting in a decline in the purchasing power of money over time. According to Irving Fisher, inflation directly affects the real value of money; therefore, without proper financial management, an individual's wealth may experience a significant real decline. Consequently, investment becomes one of the most effective strategies to preserve and increase asset value so that it is not eroded by inflation.

Generation Z also tends to utilize investment as a means of protecting asset values from inflation while simultaneously improving long-term financial well-being. Furthermore, the accessibility of digital technology has made Generation Z more open to various investment instruments and encouraged them to begin investing at a younger age. Generation Z generally demonstrates a long-term orientation toward investment, particularly for achieving financial stability and improving quality of life (Jum'an, 2026). Based on the findings of this study, investment motivation has a positive and significant effect on investment interest.

This indicates that the stronger an individual's motivation to invest, the greater their interest in participating in investment activities. Strong motivation encourages individuals to seek investment-related information, understand investment opportunities, and begin allocating funds to various investment instruments. The findings of this study are consistent with the research conducted by (Sun & Lestari, 2022), which stated that investment motivation positively influences an individual's interest in investing. In addition, (Cahya & W, 2019) also found that individuals with high investment motivation tend to demonstrate greater interest in investment activities. Therefore, it can be concluded that investment motivation is one of the important factors that can increase an individual's investment interest. The stronger the internal drive to achieve financial goals through investment, the greater the individual's interest in becoming involved in investment activities.

The Effect of Investment Knowledge on Investment Interest

Investment knowledge refers to an individual's understanding of the basic concepts of investment, various types of investment instruments, levels of risk, and the potential returns that may be obtained from investment activities. According to (Gheta & Meylano, 2023), investment knowledge is the understanding possessed by individuals regarding various investment alternatives, as well as their ability to assess the risks and returns of an investment. Such knowledge serves as the foundation for individuals in making rational and well-planned investment decisions. Conceptually, investment knowledge has the capacity to enhance individuals' understanding and confidence in engaging in investment activities. The function of investment knowledge is to provide information regarding investment mechanisms, investment benefits, and potential risks, thereby enabling individuals to make more appropriate investment decisions. For example, individuals who understand how the capital market operates, the risks associated with investment, and the potential returns from stocks or mutual funds are more likely to be interested in investing compared to those who lack such knowledge.

Based on the findings of this study, investment knowledge has a positive and significant effect on investment interest. This indicates that the higher an individual's level of investment knowledge, the greater their interest in engaging in investment activities. A strong

Vol. 4 No. 1, (2026), 848 – 866 e-ISSN: 3025-8545

understanding of investment instruments, risks, and potential returns can increase individuals' confidence in making investment decisions. The findings of this study are consistent with the research conducted by (Gheta & Meylano, 2023), which stated that investment knowledge positively influences an individual's investment interest. Therefore, it can be concluded that investment knowledge plays an important role in increasing investment interest. The better individuals understand investment concepts, the greater their interest and willingness to participate in investment activities.

The Effect of Investment Knowledge on Investment Motivation

Investment knowledge refers to an individual's understanding of the fundamental concepts of investment, types of investment instruments, levels of risk, and the potential returns that may be obtained from investment activities. According to (Dwiyanti & Ahmadi, 2024), investment knowledge is an individual's ability to understand various investment alternatives and evaluate the relationship between risk and the rate of return associated with an investment. Conceptually, investment knowledge possesses the capacity to stimulate the emergence of internal motivation that encourages individuals to begin investing. The function of investment knowledge is to provide information and understanding regarding the benefits of investment, investment mechanisms, potential returns, and the assessment of investment risks.

For example, individuals who understand the potential returns from investments such as stocks or mutual funds, as well as methods to minimize investment risks, are more likely to be motivated to begin investing compared to individuals who lack investment knowledge. Based on the findings of this study, investment knowledge has a positive and significant effect on investment motivation. This indicates that the higher an individual's level of investment knowledge, the greater their motivation to engage in investment activities. Adequate knowledge of various investment instruments can increase individuals' awareness of the importance of investment as a means of achieving future financial goals.

The findings of this study are consistent with the research conducted by (Marlin, 2020), which stated that investment knowledge positively influences an individual's motivation to invest. Therefore, it can be concluded that investment knowledge plays an important role in increasing investment motivation. The better individuals understand investment concepts, the stronger their internal drive to utilize investment as a strategy for achieving future financial objectives.

CONCLUSION

Based on the analysis using the SmartPLS method, this study demonstrates that the research model possesses good quality, as indicated by the results of the outer model and inner model evaluations. The convergent validity test results show that all indicators have outer loading values above 0.70, indicating that all indicators are valid. The discriminant validity test using the Fornell–Larcker criterion also demonstrates that each construct is capable of distinguishing itself from other constructs. In addition, the reliability test results indicate that all variables have Cronbach's Alpha and Composite Reliability values above 0.70, confirming that the research instrument is reliable.In the inner model evaluation, the R-

Vol. 4 No. 1, (2026), 848 – 866 **e-ISSN: 3025-8545**

Square values indicate that the variables of financial literacy, investment knowledge, and investment motivation are able to explain investment interest within the moderate category. The hypothesis testing results reveal that financial literacy does not have a significant effect on investment interest; however, it has a positive and significant effect on investment motivation, with a coefficient value of 0.346. Furthermore, investment knowledge and investment motivation have positive and significant effects on investment interest, with coefficient values of 0.415 and 0.312, respectively.

The T-statistic and P-value testing results indicate that the effect of investment knowledge on investment interest is significant (T = 3.723; P = 0.000), and the effect of investment motivation on investment interest is also significant (T = 2.504; P = 0.012). In contrast, financial literacy does not have a significant effect on investment interest (T = 0.577; P = 0.564), although it has a positive and significant effect on investment motivation (T = 3.923; P = 0.000). Therefore, it can be concluded that investment knowledge and investment motivation are important factors in increasing investment interest, while financial literacy plays a greater role in enhancing investment motivation as an indirect driving factor toward investment interest.

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