
**FEAR OF MISSING OUT AS A MODERATOR OF FINANCIAL LITERACY AND
GENERATION Z INVESTMENT DECISIONS IN CIREBON**

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Abstract

Digital investment platforms have expanded investment access among Generation Z, but easier access does not always ensure rational investment decisions. This study examines the effect of financial literacy on investment decisions among Generation Z in Cirebon and analyzes the moderating role of fear of missing out in this relationship. A quantitative associative design was applied using survey data collected from 105 respondents selected through purposive sampling. The respondents were Generation Z individuals aged 17–28 years who lived in Cirebon and had investment experience or interest. Data were analyzed using partial least squares structural equation modeling. The findings show that financial literacy has a positive and significant effect on investment decisions, indicating that better financial understanding improves the ability of young investors to evaluate risk, return, and investment alternatives. Fear of missing out also has a positive and significant effect on investment decisions, suggesting that psychological and social pressure can encourage investment participation. More importantly, fear of missing out negatively moderates the relationship between financial literacy and investment decisions, meaning that high fear of missing out weakens the role of financial literacy in guiding rational investment decisions. This study contributes to behavioral finance literature by integrating rational and psychological factors in explaining young investors' behavior and provides practical implications for investment literacy programs that include behavioral awareness.

Keywords: Fear of Missing Out; Financial Literacy; Generation Z; Investment Decision; Partial Least Squares

INTRODUCTION

The rapid development of digital financial technology has transformed the way individuals access financial products, obtain investment information, and make investment decisions. Investment activities that were previously associated with formal financial institutions are now increasingly accessible through digital platforms, mobile applications, and social media-based information channels. This development has expanded investment participation among young people, particularly Generation Z, who are familiar with digital technology and accustomed to receiving financial information quickly. However, easier access to investment products does not automatically guarantee that young investors are able to evaluate investment risks, expected returns, and product suitability in a rational manner. The increasing complexity of financial products requires individuals to have adequate financial literacy so that investment decisions are not merely driven by trends or social influence.

This issue is highly relevant in the Indonesian context because financial inclusion continues to develop alongside the need to strengthen financial literacy. The 2024 National Survey of Financial Literacy and Inclusion reported that Indonesia's financial literacy index reached 65.43 percent, while the financial inclusion index reached 75.02 percent. In the 18–25 age group, the financial literacy index reached 70.19 percent, and the financial inclusion index reached 79.21 percent (Otoritas Jasa Keuangan & Badan Pusat Statistik, 2024). These figures indicate that young people increasingly have access to financial products and services, but the quality of their financial decision-making still needs continuous attention. Access to investment platforms without sufficient financial understanding may lead young investors to participate in investment activities without adequate evaluation of risk and long-term financial goals.

Financial literacy is a critical factor in investment decision-making because it reflects an individual's ability to understand financial concepts, evaluate information, and use financial knowledge in making economic decisions. Lusardi & Mitchell (2014) explain that financial literacy functions as a form of human capital that influences financial planning and decision-making. In a similar direction, van Rooij et al. (2011) found that individuals with lower levels of financial literacy are less likely to participate in the stock market, suggesting that financial knowledge plays an important role in investment participation. Fernandes et al. (2014), however, show that the relationship between financial literacy, financial education, and financial behavior is not always straightforward because psychological traits and behavioral factors may influence how individuals translate financial knowledge into actual decisions. Therefore, financial literacy should not only be understood as financial knowledge, but also as the ability to apply that knowledge in specific financial situations.

The importance of financial literacy among young people has also been emphasized in the Indonesian context. Laturette et al. (2021) show that financial literacy training among Generation Z can improve the application of financial literacy, even when the improvement in understanding is not always statistically different before and after training. This finding indicates that financial literacy among young people should be viewed not only as cognitive understanding, but also as practical application in daily financial behavior. In the context of investment, this distinction becomes important because young investors may know basic financial concepts but still face difficulties in applying them when confronted with social pressure, digital investment trends, and persuasive financial narratives on social media.

Although financial literacy provides a rational foundation for investment decisions, investment behavior is not always shaped by rational considerations alone. The Theory of Planned Behavior explains that individual behavior is influenced by attitude toward behavior, subjective norms, and perceived behavioral control (Ajzen, 1991). In digital investment environments, subjective norms may emerge from peers, online communities, influencers, and social media content that repeatedly displays investment success stories. As a result, Generation Z investors may not only rely on financial knowledge when making investment decisions, but also respond to social expectations and psychological pressure surrounding investment trends.

One psychological factor that is increasingly relevant in explaining investment behavior among digitally connected young people is fear of missing out. Fear of missing out refers to a psychological condition in which individuals feel anxious about being left behind from experiences, opportunities, or benefits enjoyed by others. Przybylski et al. (2013) describe fear of missing out as a pervasive apprehension that others might be having rewarding experiences from which one is absent, accompanied by a desire to stay continually connected with what others are doing. In the investment context, this condition may appear when young individuals observe others gaining profit from certain assets, following popular investment trends, or sharing financial achievements through social media. Morsi et al. (2025) further explain that individuals who are prone to fear of missing out may respond quickly to persuasive appeals and imitate the behavior of others, even when such decisions can lead to negative cognitive and emotional consequences.

Cirebon provides a relevant context for examining this issue because it represents an urban area where young people are increasingly exposed to digital financial services, higher education environments, and social media-driven investment information. Generation Z in Cirebon may have greater opportunities to participate in investment activities due to the availability of digital platforms, but at the same time they are also exposed to investment trends and social comparison through online networks. This condition raises an important question about whether financial literacy can consistently guide rational investment decisions when young investors are also influenced by fear of missing out.

Previous studies have widely examined the relationship between financial literacy and financial behavior or investment participation, while studies on fear of missing out have mostly focused on social media use and consumer behavior. However, limited attention has been given to the integration of financial literacy and fear of missing out in explaining investment decisions among Generation Z, particularly by positioning fear of missing out as a moderating variable. This gap is important because individuals with adequate financial literacy may not always apply their financial knowledge effectively when they experience emotional pressure to follow investment trends. Thus, fear of missing out may weaken the role of financial literacy in producing rational investment decisions.

Based on this gap, this study aims to analyze the effect of financial literacy on investment decisions among Generation Z in Cirebon and to examine the moderating role of fear of missing out in this relationship. This study contributes to the behavioral finance literature by integrating a rational cognitive factor and a psychological factor in a single investment decision-making model. Practically, the findings are expected to provide insights for educational institutions, financial regulators, and financial service providers in designing investment literacy programs that not only improve financial knowledge but also strengthen young investors' ability to manage social pressure, emotional responses, and investment-related fear of missing out in the digital era.

REVIEW OF LITERATURE

Financial Literacy and Investment Decisions

Financial literacy is generally understood as an individual's ability to understand financial concepts, evaluate financial information, and use such knowledge to make effective economic decisions. In the investment context, financial literacy is not limited to knowing basic financial concepts, but also includes the ability to evaluate risk, expected return, diversification, investment products, and long-term financial planning. Lusardi & Mitchell (2014) explain that financial literacy represents a form of human capital that influences financial planning and economic decision-making. Individuals with better financial literacy tend to have stronger capacity to process financial information and to make decisions that are aligned with their financial goals.

The relationship between financial literacy and investment behavior has been widely discussed in previous research. van Rooij et al. (2011) found that individuals with lower financial literacy are less likely to participate in the stock market, indicating that knowledge limitations can reduce investment participation. This finding suggests that financial literacy plays an important role in encouraging individuals to understand financial markets and participate in investment activities. In addition, Hastings et al. (2013) emphasize that financial literacy and financial education are closely related to economic outcomes, although the effectiveness of financial knowledge may depend on how individuals apply such knowledge in actual decision-making situations.

Financial literacy also has behavioral dimensions. Fernandes et al. (2014) argue that financial literacy and financial education do not always produce direct and stable effects on financial behavior, because behavioral outcomes may also be shaped by psychological traits, decision context, and individual characteristics. This argument is relevant to investment decisions because financial knowledge may not automatically lead to rational investment behavior when individuals face emotional pressure, social influence, or persuasive digital investment narratives. Allgood & Walstad (2016) further show that both actual financial literacy and perceived financial literacy influence financial behavior. This distinction is important because individuals may feel confident in their financial ability even when their actual knowledge is limited, which may increase the possibility of poor investment decisions.

In the context of youth and Generation Z, financial literacy becomes increasingly important because young individuals are more exposed to digital financial products and online investment information. Garg & Singh (2018) highlight that financial literacy among youth is essential because young people are increasingly required to make financial decisions in a complex financial environment. In Indonesia, Laturette et al. (2021) show that financial literacy among Generation Z is a relevant issue because this generation needs practical financial understanding to support daily financial behavior. Therefore, financial literacy in this study is positioned as a rational cognitive factor that can improve the quality of investment decisions among Generation Z in Cirebon.

Measurement of financial literacy also needs to consider the multidimensional nature of the construct. Potrich et al. (2018) propose that financial literacy should be understood through indicators that capture knowledge, attitude, and behavior. This approach is consistent with the view that financial literacy is not merely a cognitive understanding of financial terms, but also includes how individuals behave and make decisions based on their financial knowledge. In this study, financial literacy is expected to influence investment decisions because individuals with stronger

financial understanding are more capable of evaluating risks, comparing investment alternatives, and avoiding decisions based solely on market trends or social pressure.

Fear of Missing Out and Behavioral Finance

Investment decisions are not always made under conditions of full rationality. Behavioral finance explains that investors may be influenced by psychological bias, emotion, and social pressure when making financial decisions. Kahneman & Tversky (1979) through prospect theory argue that individuals often evaluate gains and losses subjectively rather than purely rationally. Barberis & Thaler (2003) also explain that behavioral finance provides a framework for understanding why investors may deviate from rational decision-making assumptions. This perspective is important in the context of digital investment because investors are not only exposed to market information, but also to social narratives, online trends, and emotional triggers.

One psychological factor that has become increasingly relevant in digital environments is fear of missing out. Fear of missing out refers to a condition in which individuals feel anxious or worried that others may be experiencing valuable opportunities from which they are absent. Przybylski et al. (2013) define fear of missing out as a pervasive apprehension that others might be having rewarding experiences from which one is absent, accompanied by the desire to remain continually connected with what others are doing. In the investment context, fear of missing out can emerge when individuals observe others gaining profits, following investment trends, or sharing financial success stories through social media.

Fear of missing out is conceptually related to social comparison theory. Festinger (1954) explains that individuals have a natural tendency to compare themselves with others in order to evaluate their abilities, achievements, and social position. In digital environments, this comparison becomes more intense because social media provides continuous exposure to other people's financial activities and achievements. For Generation Z, who are highly connected to digital platforms, such social comparison may influence how investment opportunities are perceived. When individuals repeatedly observe others participating in certain investment trends, they may feel pressure to do the same in order to avoid being left behind.

Previous studies show that fear of missing out can affect individual motivation, emotional states, and behavioral responses. Milyavskaya et al. (2018) found that fear of missing out is associated with psychological dynamics and consequences that may influence individual behavior over time. In consumer behavior, Morsi et al. (2025) show that individuals who are prone to fear of missing out may be more responsive to persuasive appeals and may imitate the behavior of others, even when such decisions generate negative cognitive or emotional consequences. These findings are relevant to investment decisions because investment behavior can also be shaped by persuasive messages, perceived scarcity, social comparison, and the desire to follow opportunities that appear popular.

In the context of Generation Z investment behavior, fear of missing out may encourage individuals to make investment decisions quickly, especially when they perceive that others are benefiting from certain investment instruments. This condition can reduce the dominance of rational evaluation and increase reliance on social signals. Therefore, fear of missing out is not only relevant as a psychological condition, but also as a behavioral factor that may influence investment decisions in the digital era.

Investment Decisions

Investment decision refers to the process through which individuals choose investment alternatives based on risk, expected return, information, and financial objectives. From the perspective of the Theory of Planned Behavior, individual behavior is shaped by attitude toward behavior, subjective norms, and perceived behavioral control (Ajzen, 1991). This theory is relevant to investment decisions because individuals do not make investment choices only based on objective information, but also based on their attitudes toward investment, perceived social expectations, and confidence in their ability to manage investment risks.

East (1993) applies the Theory of Planned Behavior to investment decisions and shows that investment behavior can be explained through behavioral intention and the psychological determinants underlying that intention. In this study, financial literacy can strengthen perceived behavioral control because individuals with better financial understanding may feel more capable of evaluating investment products and managing risk. Meanwhile, fear of missing out can be linked to subjective norms because individuals may feel pressured to follow investment trends when they observe peers or online communities participating in certain investment activities.

Investment decisions are also influenced by individual preferences and psychological factors. Aren & Aydemir (2015) explain that individual investment choices are shaped by several factors, including risk perception, expected return, and personal characteristics. Bakar & Yi (2016) further suggest that psychological factors can influence investor decision-making because investors may respond to market information through cognitive and emotional mechanisms. This supports the argument that investment decisions among Generation Z should not be viewed only as a rational calculation of risk and return, but also as a behavioral response to social and psychological stimuli.

Based on this perspective, investment decisions in this study are understood as the outcome of both rational and psychological processes. Financial literacy provides the knowledge base for evaluating investment alternatives, while fear of missing out may shape the emotional and social context in which those alternatives are interpreted. Therefore, the interaction between financial literacy and fear of missing out becomes important for explaining how Generation Z makes investment decisions in a digital investment environment.

Hypothesis Development

Financial literacy is expected to have a positive effect on investment decisions because it improves an individual's ability to understand investment information, evaluate risk, and select investment instruments that are suitable for financial goals. Previous studies have shown that financial literacy is related to financial planning, stock market participation, and financial behavior (Lusardi & Mitchell, 2014; van Rooij et al., 2011). In addition, financial literacy among youth is essential because young individuals increasingly face complex financial products and digital investment opportunities (Garg & Singh, 2018). Therefore, individuals with higher financial literacy are expected to make better investment decisions.

H1: Financial literacy has a positive effect on investment decisions among Generation Z in Cirebon.

Fear of missing out is expected to have a positive effect on investment decisions because individuals who experience fear of being left behind may be more likely to follow investment trends. In digital environments, social media can intensify exposure to other people's investment activities, success stories, and perceived opportunities. Przybylski et al. (2013) explain that fear of missing out involves the desire to stay connected with what others are doing, while Morsi et al. (2025) show that individuals who are prone to fear of missing out may respond quickly to persuasive appeals

and imitate others' behavior. In investment settings, this psychological condition may encourage Generation Z to participate in investment activities more actively.

H2: Fear of missing out has a positive effect on investment decisions among Generation Z in Cirebon.

Although financial literacy can improve investment decisions, its effect may depend on the psychological condition of the investor. Fernandes et al. (2014) show that financial knowledge does not always translate directly into financial behavior because behavioral outcomes may be influenced by individual and contextual factors. When fear of missing out is high, individuals may feel pressured to follow investment trends quickly, reducing the role of rational evaluation. From the behavioral finance perspective, emotional and psychological factors can cause individuals to deviate from rational decision-making (Barberis & Thaler, 2003; Kahneman & Tversky, 1979). Therefore, fear of missing out is expected to moderate the effect of financial literacy on investment decisions. Specifically, high fear of missing out may weaken the positive effect of financial literacy because individuals may rely more on emotional pressure and social comparison than on financial knowledge.

H3: Fear of missing out moderates the effect of financial literacy on investment decisions among Generation Z in Cirebon.

Conceptual Framework

Based on the theoretical review and hypothesis development, this study proposes a conceptual framework that integrates financial literacy, fear of missing out, and investment decisions. Financial literacy is positioned as a rational cognitive factor that directly influences investment decisions. Fear of missing out is positioned as a psychological factor that directly influences investment decisions and moderates the relationship between financial literacy and investment decisions. This framework emphasizes that investment decisions among Generation Z are shaped not only by knowledge and rational evaluation, but also by emotional pressure and social comparison in digital environments.

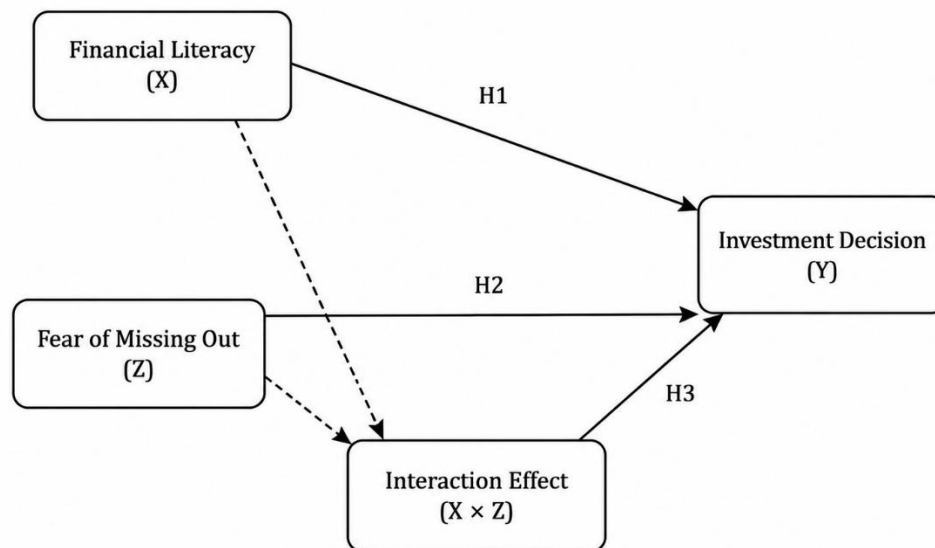


Figure 1.
Conceptual Framework

RESEARCH METHOD

This study employed a quantitative approach with an associative research design to examine the relationship between financial literacy, fear of missing out, and investment decisions among Generation Z in Cirebon. The quantitative approach was selected because the study aims to test causal relationships among latent variables using numerical data obtained from respondents. The associative design was considered appropriate because the model examines both direct effects and a moderating effect in the relationship between financial literacy and investment decisions.

The population of this study consisted of Generation Z individuals aged 17–28 years who lived in Cirebon and had experience or interest in investment activities. This group was selected because Generation Z is highly exposed to digital financial information and social media-based investment narratives, making them relevant for examining the interaction between financial literacy and psychological pressure in investment decision-making. The sample was selected using purposive sampling, with three inclusion criteria: respondents had to be aged 17–28 years, reside in Cirebon, and have investment experience or interest in digital investment platforms, capital market products, or other investment instruments.

The final sample consisted of 105 respondents. The sample size was considered adequate for partial least squares structural equation modeling because the research model contains a limited number of latent variables and structural paths. In studies using partial least squares structural equation modeling, sample adequacy should be considered based on model complexity and statistical power rather than solely on population-proportional formulas, particularly when the exact

population size is not available (Kock & Hadaya, 2018). Therefore, the use of 105 respondents was considered sufficient to estimate the measurement and structural models in this study.

Data were collected using an online questionnaire distributed through Google Forms. The questionnaire consisted of screening questions, respondent profile questions, and measurement items for the main constructs. The measurement items were developed based on previous studies and adjusted to the context of Generation Z investment behavior. All items were measured using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Only complete responses that met the screening criteria were included in the analysis.

Table 1.
Variable Measurement and Indicators

Construct	Operational Definition	Indicators	Number of Items	Main References
Financial Literacy	The ability to understand and use financial information in evaluating investment risks, returns, and financial decisions.	Understanding of investment risk, return, financial products, diversification, financial planning, and evaluation of investment information.	7 items	Lusardi & Mitchell (2014); van Rooij et al. (2011)
Fear of Missing Out	Psychological pressure arising from fear of being left behind from investment opportunities, trends, or gains experienced by others.	Anxiety about missing investment opportunities, tendency to follow investment trends, social comparison, and pressure from social media information.	6 items	Przybylski et al. (2013); Morsi et al. (2025)
Investment Decision	Individual consideration and action in choosing investment instruments based on risk, return, information, and financial goals.	Risk consideration, return consideration, investment confidence, information evaluation, and suitability with financial goals.	7 items	Ajzen (1991); East (1993); van Rooij et al. (2011)

Source: Developed from previous studies, 2025.

The data were analyzed using partial least squares structural equation modeling with the assistance of SmartPLS software. This method was selected because it is suitable for analyzing complex relationships among latent variables, including moderation effects, and can be applied to predictive research models with relatively limited sample sizes. The analysis was conducted in two stages: evaluation of the measurement model and evaluation of the structural model.

The measurement model was evaluated to assess the validity and reliability of the constructs. Convergent validity was examined through outer loading and average variance extracted. An indicator was considered acceptable when its outer loading exceeded 0.70, while average variance extracted values above 0.50 indicated adequate convergent validity. Construct reliability was assessed using Cronbach's alpha and composite reliability, with values above 0.70 considered

acceptable (Hair et al., 2020). Discriminant validity was assessed using the heterotrait-monotrait ratio because this criterion is considered more sensitive in detecting discriminant validity problems than the Fornell–Larcker criterion and cross-loading assessment (Henseler et al., 2015). Henseler et al. (2015) specifically proposed the heterotrait-monotrait ratio as an alternative approach for discriminant validity assessment in variance-based structural equation modeling.

The structural model was evaluated by examining the coefficient of determination, collinearity statistics, path coefficients, t-statistics, and p-values. The coefficient of determination was used to assess the explanatory power of financial literacy, fear of missing out, and their interaction term on investment decisions. Collinearity was assessed using variance inflation factor values to ensure that the relationships among predictor constructs did not suffer from multicollinearity problems. Hypothesis testing was conducted using bootstrapping procedures. A hypothesis was considered supported when the t-statistic exceeded 1.96 and the p-value was below 0.05 at a 5 percent significance level.

The moderating role of fear of missing out was tested by creating an interaction term between financial literacy and fear of missing out. The interaction effect was included in the structural model to examine whether fear of missing out strengthens or weakens the effect of financial literacy on investment decisions. A significant interaction path indicates that fear of missing out functions as a moderator in the relationship between financial literacy and investment decisions.

This study also considered ethical aspects in the data collection process. Respondents were informed that their participation was voluntary and that the data would be used only for academic purposes. The questionnaire did not collect sensitive personal identities, and all responses were treated confidentially. To reduce potential common method bias in self-reported survey data, the questionnaire used clear item wording, anonymous responses, and separated measurement items for different constructs as recommended in survey-based behavioral research (Podsakoff et al., 2003).

RESULTS AND DISCUSSION

Measurement Model Evaluation

The measurement model was evaluated to ensure that the indicators used in this study adequately represented their respective latent constructs. Convergent validity was assessed through outer loading values and average variance extracted. An indicator was considered valid when its outer loading value exceeded 0.70, while a construct was considered to have adequate convergent validity when its average variance extracted value exceeded 0.50.

The outer loading results show that all indicators of financial literacy, investment decision, and fear of missing out exceeded the recommended threshold of 0.70. The outer loading values for financial literacy ranged from 0.880 to 0.914, investment decision ranged from 0.866 to 0.905, and fear of missing out ranged from 0.819 to 0.896. Therefore, all main indicators were retained because they met the convergent validity criterion.

Table 2.
Outer Loading Values

Construct	Indicator	Outer Loading	Status
Financial Literacy	X1	0.905	Valid
Financial Literacy	X2	0.887	Valid

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Financial Literacy	X3	0.886	Valid
Financial Literacy	X4	0.886	Valid
Financial Literacy	X5	0.881	Valid
Financial Literacy	X6	0.880	Valid
Financial Literacy	X7	0.914	Valid
Investment Decision	Y1	0.901	Valid
Investment Decision	Y2	0.866	Valid
Investment Decision	Y3	0.905	Valid
Investment Decision	Y4	0.898	Valid
Investment Decision	Y5	0.887	Valid
Investment Decision	Y6	0.895	Valid
Investment Decision	Y7	0.894	Valid
Fear of Missing Out	Z1	0.896	Valid
Fear of Missing Out	Z2	0.852	Valid
Fear of Missing Out	Z3	0.894	Valid
Fear of Missing Out	Z4	0.828	Valid
Fear of Missing Out	Z5	0.819	Valid
Fear of Missing Out	Z6	0.880	Valid

Source: SmartPLS output processed by the author, 2025.

The average variance extracted values also indicate adequate convergent validity. Financial literacy had an average variance extracted value of 0.794, investment decision had a value of 0.796, and fear of missing out had a value of 0.743. These values exceed the recommended threshold of 0.50, indicating that each construct explains more than half of the variance of its indicators. The interaction effect is not interpreted as a reflective construct in the outer loading discussion because its function in the model is to test the moderation effect.

Table 3.
Average Variance Extracted Values

Construct	Average Variance Extracted	Decision
Financial Literacy	0.794	Valid
Investment Decision	0.796	Valid
Fear of Missing Out	0.743	Valid

Source: SmartPLS output processed by the author, 2025.

Discriminant Validity and Reliability

Discriminant validity was initially evaluated using the Fornell-Larcker criterion. This criterion compares the square root of the average variance extracted of each construct with its correlations with other constructs (Fornell & Larcker, 1981). However, later developments in partial least squares structural equation modeling suggest that the heterotrait-monotrait ratio is more sensitive in detecting discriminant validity problems than the Fornell-Larcker criterion and cross-loading assessment (Henseler et al., 2015).

Table 4.
Fornell-Larcker Criterion

Construct	Financial Literacy	Investment Decision	Fear of Missing Out
Financial Literacy	0.891		

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Investment Decision	0.960	0.892	
Fear of Missing Out	0.791	0.787	0.862

Source: *SmartPLS output processed by the author, 2025.*

As shown in Table 4, the correlation between financial literacy and investment decision is very high. This result indicates that these two constructs are empirically close and that discriminant validity should be interpreted carefully. Substantively, this closeness is understandable because rational investment decisions are strongly related to an individual's ability to understand and apply financial information. Therefore, the interpretation of the structural model should consider the conceptual proximity between financial literacy and investment decision, while future robustness checks may add the heterotrait-monotrait ratio to strengthen discriminant validity assessment.

Construct reliability was evaluated using Cronbach's alpha, rho_A, and composite reliability. The results show that all constructs had reliability values above 0.70. Financial literacy had a composite reliability value of 0.964, investment decision had a value of 0.965, and fear of missing out had a value of 0.945. These values indicate that the measurement instrument has strong internal consistency and is suitable for structural model testing.

Table 5.
Reliability Test Results

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Decision
Financial Literacy	0.957	0.957	0.964	Reliable
Investment Decision	0.957	0.958	0.965	Reliable
Fear of Missing Out	0.931	0.940	0.945	Reliable

Source: *SmartPLS output processed by the author, 2025.*

Structural Model Evaluation

The structural model was evaluated to assess the ability of the independent construct and interaction construct to explain investment decision. The coefficient of determination shows that investment decision had an R-square value of 0.932 and an adjusted R-square value of 0.930. This result indicates that 93.2 percent of the variance in investment decision can be explained by financial literacy, fear of missing out, and the interaction effect between financial literacy and fear of missing out. Thus, the model has very strong explanatory power in the context of this sample.

Table 6.
R-Square Value

Endogenous Construct	R-Square	Adjusted R-Square
Investment Decision	0.932	0.930

Source: *SmartPLS output processed by the author, 2025.*

Hypothesis Testing

Hypothesis testing was conducted by examining the original sample, t-statistics, and p-values obtained from the bootstrapping procedure. A hypothesis was considered supported when the t-statistic exceeded 1.96, and the p-value was below 0.05. The results indicate that all structural paths were significant: the direct effect of financial literacy on investment decision, the direct effect of fear of missing out on investment decision, and the interaction effect on investment decision.

Table 7.
Path Coefficients and Hypothesis Testing

Hypothesis	Path	Original Sample	T-Statistics	P-Values	Decision
H1	Financial Literacy to Investment Decision	0.662	7.459	< 0.001	Supported
H2	Fear of Missing Out to Investment Decision	0.126	2.672	0.008	Supported
H3	Financial Literacy × Fear of Missing Out to Investment Decision	-0.150	3.160	0.002	Supported

Source: SmartPLS output processed by the author, 2025.

Discussion

The findings of this study provide empirical evidence that investment decisions among Generation Z in Cirebon are shaped by both rational and psychological factors. The structural model shows that financial literacy, fear of missing out, and the interaction between financial literacy and fear of missing out explain a substantial proportion of variance in investment decisions. The R-square value of 0.932 indicates that the model has strong explanatory power in explaining investment decisions among respondents. This result suggests that the combination of financial knowledge and psychological pressure is highly relevant for understanding how young individuals make investment decisions in the digital era.

The Effect of Financial Literacy on Investment Decisions

The first finding shows that financial literacy has a positive and significant effect on investment decisions. The path coefficient indicates that financial literacy is the strongest predictor in the model, suggesting that Generation Z individuals with better financial literacy are more likely to make investment decisions based on rational evaluation. This means that knowledge of financial concepts, investment risks, expected returns, and financial goals can strengthen the ability of young investors to assess investment alternatives more carefully.

This finding is consistent with the argument that financial literacy functions as a form of human capital that improves financial planning and decision-making. (Lusardi & Mitchell, 2014) explain that financially literate individuals are better equipped to process financial information and make economic decisions. In the context of investment, (van Rooij et al., 2011) found that financial literacy is strongly related to stock market participation, indicating that individuals with stronger financial knowledge are more likely to engage with investment products and understand the risks involved.

The result is also in line with (Hastings et al., 2013), who emphasize that financial literacy and financial education are associated with economic outcomes. Financial literacy helps individuals

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understand the consequences of financial choices and evaluate available alternatives. In this study, Generation Z respondents with better financial literacy may be more capable of comparing investment instruments, considering risk-return trade-offs, and avoiding investment decisions based solely on trends.

However, financial literacy should not be understood only as technical knowledge. (Fernandes et al., 2014) argue that financial literacy and financial education do not always directly translate into financial behavior because financial decisions are also influenced by individual traits and decision contexts. This perspective is important because investment decisions among Generation Z are made in a digital environment where information is abundant, persuasive, and often socially framed. Therefore, while financial literacy strengthens rational decision-making, its effectiveness may depend on how individuals apply such knowledge when facing social and emotional pressure.

The finding also supports the relevance of financial literacy in the context of young investors. (Garg & Singh, 2018) emphasize that financial literacy among youth is important because young people increasingly face complex financial products and financial choices. Similarly, (Laturette et al., 2021) show that financial literacy is relevant for Generation Z because this generation needs practical financial understanding to support financial behavior. In this study, financial literacy appears to function as a rational foundation that enables Generation Z in Cirebon to make more informed investment decisions.

The Effect of Fear of Missing Out on Investment Decisions

The second finding shows that fear of missing out has a positive and significant effect on investment decisions. This result indicates that the higher the fear of missing out experienced by Generation Z, the stronger their tendency to make investment decisions. In the context of digital investment, fear of missing out may arise when young individuals observe peers, influencers, or online communities gaining profit from certain investment instruments. Such exposure can create psychological pressure to participate in investment activities quickly in order to avoid being left behind.

This finding is consistent with the concept of fear of missing out proposed by (Przybylski et al., 2013), who describe fear of missing out as a pervasive apprehension that others might be having rewarding experiences from which one is absent. In investment settings, the rewarding experience may appear in the form of profit, financial achievement, or participation in popular investment trends. For Generation Z, who are highly connected to social media, continuous exposure to such narratives can strengthen the emotional urge to invest.

The result can also be explained through social comparison theory. (Festinger, 1954) argues that individuals tend to compare themselves with others in evaluating their abilities and achievements. In the digital investment context, social comparison may occur when young investors compare their financial progress, investment choices, or perceived opportunities with those of others. When other people appear to benefit from investment trends, individuals may feel pressure to follow similar actions to maintain a sense of social and financial relevance.

(Milyavskaya et al., 2018) show that fear of missing out is associated with psychological dynamics and behavioral consequences over time. This supports the finding that fear of missing out may influence investment decisions because it can create emotional urgency and reduce the tendency to delay decisions for deeper analysis. (Morsi et al., 2025) also explain that individuals who are prone to fear of missing out may be more responsive to persuasive appeals and more likely to

imitate others' behavior. In this study, such psychological tendencies may explain why fear of missing out positively affects investment decisions among Generation Z.

This finding also supports the broader behavioral finance perspective. Investment decisions are not always based on rational evaluation of risk and return; they may also be influenced by psychological factors and emotional responses. (Bakar & Yi, 2016) show that psychological factors can affect investor decision-making, while (Aren & Aydemir, 2015) explain that individual investment choices are influenced by personal and behavioral factors. Therefore, fear of missing out can be understood as a psychological driver that encourages young investors to engage in investment decisions, especially when digital platforms and social media intensify exposure to investment trends.

The Moderating Role of Fear of Missing Out

The third finding shows that fear of missing out moderates the relationship between financial literacy and investment decisions in a negative direction. This means that fear of missing out weakens the positive effect of financial literacy on investment decisions. In other words, although financial literacy helps individuals make more rational investment decisions, the influence of financial literacy becomes less dominant when individuals experience high fear of missing out.

This finding is important because it shows that financial literacy does not operate in isolation. Individuals may have sufficient financial knowledge, but psychological pressure can influence how that knowledge is used in actual decision-making situations. (Fernandes et al., 2014) argue that financial knowledge does not always translate directly into financial behavior because behavioral outcomes depend on individual and contextual factors. The negative moderating effect found in this study supports that argument: financial literacy may become less effective when Generation Z investors face emotional pressure to follow investment trends.

From a behavioral finance perspective, this finding reflects the limitation of rational decision-making. (Kahneman & Tversky, 1979) explain that individuals often evaluate risk and gain subjectively, while (Barberis & Thaler, 2003) emphasize that investor behavior may deviate from rational assumptions due to cognitive and emotional factors. In this study, fear of missing out represents a psychological condition that may disrupt the rational application of financial knowledge. When fear of missing out is high, investors may focus more on immediate social signals and perceived opportunities than on careful analysis of risk, return, and financial objectives.

The moderating effect also indicates that financial literacy programs should not assume that knowledge alone is sufficient to produce rational investment behavior. (Allgood & Walstad, 2016) show that both actual and perceived financial literacy influence financial behavior. This distinction is relevant because young investors may believe that they understand investment risks, but still make decisions under emotional or social pressure. High fear of missing out may create urgency or imitation behavior, reducing the extent to which financial literacy guides decision-making.

This result strengthens the contribution of the present study by positioning fear of missing out not only as a direct predictor of investment decisions but also as a psychological boundary condition that changes the strength of the relationship between financial literacy and investment decisions. The finding suggests that the effectiveness of financial literacy depends partly on the investor's ability to manage social comparison and emotional pressure in digital environments. Therefore, investment behavior among Generation Z should be understood as the interaction between cognitive capability and psychological vulnerability.

Theoretical Implications

Theoretically, this study contributes to behavioral finance literature by integrating financial literacy and fear of missing out in a single model of investment decision-making. Previous studies have often examined financial literacy as a rational factor or fear of missing out as a psychological factor separately. This study extends that perspective by showing that fear of missing out can weaken the role of financial literacy in investment decisions. Therefore, the findings support the idea that rational knowledge and psychological pressure interact in shaping young investors' behavior.

This study also strengthens the relevance of the Theory of Planned Behavior in the investment context. Financial literacy can be linked to perceived behavioral control because individuals with higher financial literacy may feel more capable of evaluating investment products and managing risk. Fear of missing out, on the other hand, can be linked to subjective norms because it reflects social pressure arising from peers, online communities, and social media narratives. Thus, the model provides a more comprehensive explanation of investment decisions by combining perceived control, social influence, and psychological pressure.

Practical Implications

Practically, the findings suggest that financial literacy programs for Generation Z should not only focus on technical investment knowledge, such as risk, return, diversification, and investment instruments. Financial education should also include behavioral components that help young investors recognize emotional bias, manage fear of missing out, and critically evaluate investment information on social media. This is important because the results show that fear of missing out can weaken the positive role of financial literacy in investment decisions.

For educational institutions, financial literacy programs can be designed to include case-based learning about investment trends, social media influence, and decision-making bias. For regulators and financial service providers, investor education should emphasize the importance of verifying information, understanding risk profiles, and avoiding investment decisions based solely on viral trends. For young investors, the findings highlight the need to pause and evaluate investment decisions carefully before following popular investment narratives or peer behavior.

Overall, this study indicates that improving investment decision quality among Generation Z requires a holistic approach. Financial literacy remains essential, but it must be supported by behavioral awareness and emotional self-control. Without the ability to manage fear of missing out, young investors may fail to apply their financial knowledge effectively, especially in digital environments where investment information spreads quickly, and social comparison is highly visible.

CONCLUSION

This study examined the effect of financial literacy on investment decisions among Generation Z in Cirebon and analyzed the moderating role of fear of missing out. The findings show that financial literacy has a positive and significant effect on investment decisions, indicating that young investors with better financial understanding are more capable of evaluating risk, return, and investment alternatives. Fear of missing out also has a positive and significant effect on investment decisions, showing that investment behavior among Generation Z is influenced not only by rational considerations but also by psychological and social pressure.

The moderating test shows that fear of missing out weakens the positive effect of financial literacy on investment decisions. This finding indicates that financial knowledge may become less effective when young investors experience strong pressure to follow investment trends or avoid being left behind. Therefore, investment decisions among Generation Z should be understood as the result of interaction between cognitive capability and psychological vulnerability.

Theoretically, this study contributes to behavioral finance literature by integrating financial literacy as a rational factor and fear of missing out as a psychological factor in a single investment decision-making model. Practically, the findings suggest that financial education programs should not only improve technical knowledge about investment products, risks, and returns, but also strengthen behavioral awareness, emotional control, and critical evaluation of investment information on social media.

This study is limited to Generation Z respondents in Cirebon and uses a quantitative survey approach, so the findings may not fully represent young investors in other regions. Future studies may expand the research context, apply mixed-method approaches, and include other behavioral variables such as overconfidence, herd behavior, risk perception, or financial self-efficacy to provide a more comprehensive explanation of investment decision-making in the digital era.

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