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The Influence of Financial Literacy and Fintech Usage on Investment Interest Among Generation Z in Jakarta: The Mediating Role of Financial Self-Efficacy

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ABSTRACT
This study aims to analyze the influence of financial literacy and fintech usage on investment interest among Generation Z in Jakarta, with financial self-efficacy as a mediating variable. Using a quantitative explanatory research design, data were collected from 100 respondents aged 18–27 through purposive sampling. Structural Equation Modeling using SmartPLS was employed to test direct and indirect relationships among variables. The results reveal that both financial literacy and fintech usage significantly influence investment interest, with fintech usage showing the strongest effect. Financial self-efficacy also plays a significant mediating role, bridging the gap between knowledge, technology access, and investment behavior. These findings highlight the importance of combining financial education, digital access, and psychological empowerment to enhance investment participation among youth. The study contributes to behavioral finance literature and provides insights for policymakers and fintech developers in designing inclusive and confidence-building financial programs for young investors.

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INTRODUCTION

In the era of digital transformation, investment has evolved beyond being an exclusive activity for financial experts or older generations. Generation Z, defined as individuals born between 1997 and 2012, is increasingly exposed to investment opportunities, supported by widespread access to digital technologies and financial applications. However, despite this exposure, actual participation in investment activities among Gen Z remains relatively low (OJK, 2022).

This gap highlights a paradox in Indonesia's financial ecosystem. While the financial inclusion index has exceeded 80%, the financial literacy index is still below 40% (OJK, 2022), indicating that although many young people use financial products, they lack sufficient

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understanding of how these instruments work. This is a critical issue, as access alone does not guarantee meaningful financial participation. Previous studies have shown that lack of knowledge, combined with low confidence, often leads to poor financial decisions, including impulsive investment behaviors triggered by easy access to fintech platforms (Serido et al., 2010; Lusardi & Mitchell, n.d.).

The emergence of financial technology (fintech) has indeed facilitated a more accessible and user-friendly investment landscape. Platforms like Bibit, Ajaib, and Bareksa offer low entry thresholds and intuitive interfaces. Nevertheless, the convenience of digital finance does not automatically translate into quality decision-making. According to Arner et al. (2015), fintech helps democratize financial services, but its effectiveness depends on the user's financial capability and psychological readiness.

In this context, financial self-efficacy, an individual's belief in their ability to manage financial decisions, becomes a key psychological construct. Drawing from Bandura's (1997) self-efficacy theory, financial self-efficacy can be understood as a moderating factor between financial knowledge and actual financial behavior. Without confidence, even individuals with high financial literacy and access to technology may not take meaningful investment actions (Perry & Morris, 2005).

Furthermore, data from Kustodian Sentral Efek Indonesia (2025) shows a promising increase in the number of capital market investors in recent years. As of April 2025, more than half of registered investors were under the age of 30. However, this still only represents a small fraction, approximately 5.7%, of Indonesia's total population, underscoring the untapped potential of the younger demographic, especially in urban centers like Jakarta.

Despite being digitally savvy, many Gen Z individuals still lack the confidence and skills to engage in long-term financial planning. A survey by Tokopedia and Katadata Insight Center (2023) reported that only 28% of Gen Z in Jakarta actively allocate funds for investment. The primary reasons cited include lack of knowledge and low confidence in selecting appropriate investment instruments.

To address these gaps, this study employs the Theory of Planned Behavior (Ajzen, 1991), which posits that behavior is driven by attitude, subjective norms, and perceived behavioral control. In this framework, financial literacy and fintech usage influence attitudes, while financial self-efficacy represents perceived behavioral control. These elements together shape investment intentions and behaviors.

Therefore, this research seeks to explore how financial literacy and fintech usage affect the investment interest of Generation Z in Jakarta, with a particular focus on the mediating role of financial self-efficacy. The findings aim to inform both academic discourse and practical policy in promoting inclusive and empowered financial behavior among Indonesian youth.

METHODS

This research adopts a quantitative explanatory approach, aiming to examine the causal relationships between the variables of financial literacy, fintech usage, financial self-efficacy, and investment interest. An explanatory research design was chosen because it is suitable

for testing both direct and indirect effects among variables and exploring the mediating role of psychological constructs such as self-efficacy (Hair et al., 2019).

The target population in this study comprises members of Generation Z residing in the Special Capital Region (DKI) of Jakarta, specifically individuals born between 1997 and 2012. This cohort was selected because they are considered digital natives, highly familiar with digital tools including financial technologies, and are entering an important phase of developing financial independence.

The sampling method employed is purposive sampling, a non-probability technique based on specific criteria. The inclusion criteria for respondents are: (1) aged between 18 and 27 years, (2) domiciled in Jakarta, (3) have used or are familiar with fintech services such as digital wallets, investment apps, or mobile banking, and (4) have interest or prior experience in investment activities. A total of 100 valid responses were collected, which is deemed sufficient for Partial Least Squares Structural Equation Modeling (PLS-SEM) analysis, as supported by Hair et al. (2019).

Primary data were gathered through a structured online questionnaire using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire items were developed based on well-established instruments and adapted from prior literature relevant to each variable under investigation. Before main data collection, a pilot test was conducted to assess the validity and reliability of the instrument.

The data were analyzed using Structural Equation Modeling based on Partial Least Squares (PLS-SEM), utilizing the SmartPLS software (latest version). This technique is suitable for exploratory research with complex models and relatively small sample sizes (Hair, Risher, Sarstedt, & Ringle, 2019). The SEM-PLS analysis was conducted in two stages: (1) the evaluation of the measurement model (outer model) and (2) the evaluation of the structural model (inner model).

The outer model analysis tested convergent and discriminant validity as well as construct reliability. Convergent validity was assessed through outer loadings (> 0.70) and Average Variance Extracted (AVE > 0.50), while construct reliability was measured using Cronbach's Alpha and Composite Reliability, with ideal values above 0.70. Discriminant validity was examined using the Fornell-Larcker criterion and cross-loadings (Fornell & Larcker, 1981).

The inner model analysis evaluated the model's explanatory power using R-Square (R^2) values for the endogenous variables. Path coefficients, t-statistics, and p-values derived from bootstrapping procedures were used to test hypotheses. A hypothesis is considered significant when the t-value exceeds 1.96 and the p-value is less than 0.05 (Hair et al., 2019). Moreover, to assess the mediating role of financial self-efficacy, indirect effect testing was conducted using the VAF (Variance Accounted For) method.

Through this methodology, the study aims to offer a comprehensive understanding of how financial literacy and fintech usage shape investment interest among Generation Z, and the extent to which financial self-efficacy mediates these relationships.

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RESULTS AND DISCUSSION

The analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS software. The findings are presented in two primary stages: (1) assessment of the measurement model (outer model) and (2) evaluation of the structural model (inner model), including hypothesis testing and mediation analysis.

Measurement Model Results

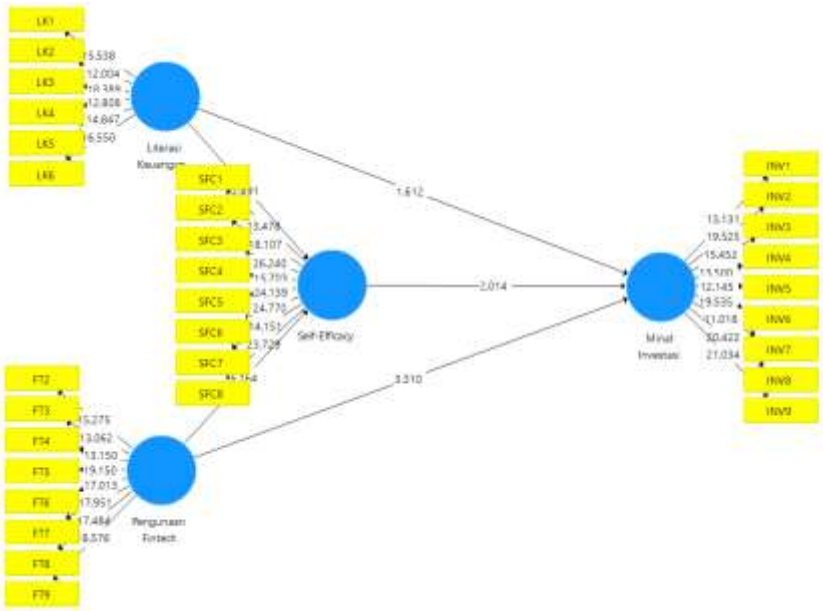

Figure 1. Outer Model Test

The outer loading values for all indicators in each construct exceeded the threshold of 0.70, indicating strong convergent validity (Hair et al., 2019).

Table 2. Reliability Test

	Cronbach's Alpha
Literasi Keuangan	0,855
Minat Investasi	0,919
Pengunaan Fintech	0,910
Self-Efficacy	0,922

Furthermore, the constructs demonstrated high internal consistency reliability, with Cronbach's Alpha and Composite Reliability values above 0.70, which confirms the reliability of the measurement instruments.

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Table 3. Average Variance Extracted

	Average Variance Extracted (AVE)
Literasi Keuangan	0,580
Minat Investasi	0,608
Pengunaan Fintech	0,614
Self-Efficacy	0,650

The Average Variance Extracted (AVE) values for all constructs were above the recommended minimum of 0.50 (Fornell & Larcker, 1981), indicating that more than half of the variance in the indicators is explained by the latent constructs. These results confirm that the measurement model is both valid and reliable.

Structural Model and Hypothesis Testing

Table 4. R-Square

	R Square	R Square Adjusted
Minat Investasi	0,889	0,885
Self-Efficacy	0,896	0,893

The R-Square value for the dependent variable Investment Interest was 0.889, suggesting that 88.9% of the variance in investment interest can be explained by the independent variables: financial literacy, fintech usage, and financial self-efficacy. Similarly, the R-Square for Financial Self-Efficacy was 0.896, indicating a strong explanatory power of the model. Adjusted R-Square values (0.885 for investment interest and 0.893 for self-efficacy) also confirmed the model's robustness and minimized concerns about overfitting.

Table 5. f² effect size

F Square

	Literasi Keu	Minat Investasi	Pengunaa	Self-Efficacy
Literasi Keuangan		0,041		0,155
Minat Investasi				
Pengunaan Fintech		0,259		0,811
Self-Efficacy		0,068		

The f² effect size analysis revealed that fintech usage had the most substantial influence on financial self-efficacy (f^2 = 0.811), indicating a strong impact. Financial literacy also contributed moderately to self-efficacy (f^2 = 0.155). In contrast, fintech usage showed a moderate effect on investment interest (f^2 = 0.259), while the effects of financial literacy (f^2 = 0.041) and self-efficacy (f^2 = 0.068) on investment interest were smaller.

Direct Effects

Table 6. Direct Effects

	Original Sample (O)	Sample Mean	Standard Deviation (STDEV)	T Statistics (|	P Values
Literasi Keuangan -> Minat Investasi	0,248	0,248	0,118	2,098	0,036
Literasi Keuangan -> Self-Efficacy	0,294	0,311	0,109	2,691	0,007
Pengunaan Fintech -> Minat Investasi	0,709	0,707	0,116	6,122	0,000
Pengunaan Fintech -> Self-Efficacy	0,673	0,656	0,109	6,164	0,000
Self-Efficacy -> Minat Investasi	0,269	0,263	0,133	2,014	0,045

All direct hypotheses were statistically significant:

a. Financial literacy positively affects investment interest (β = 0.248, p = 0.036) and financial self-efficacy (β = 0.294, p = 0.007).

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b. Fintech usage has the strongest effect on both investment interest (β = 0.709, p = 0.000) and financial self-efficacy (β = 0.673, p = 0.000).
c. Financial self-efficacy also significantly influences investment interest (β = 0.269, p = 0.045).

These results suggest that Generation Z's investment interest is driven not only by knowledge and access to financial services but also by their belief in their ability to manage investment-related decisions.

Mediation Analysis

Table 6. Mediation Analysis

	Original Sample (O)	Sample Mean	Standard Deviation (STDEV)	T Statistics (|	P Values
Literasi Keuangan -> Self-Efficacy -> Minat Investasi	0,079	0,087	0,061	2,300	0,022
Pengunaan Fintech -> Self-Efficacy -> Minat Investasi	0,181	0,167	0,084	2,143	0,033

The indirect effect analysis showed that financial self-efficacy mediates the relationship between financial literacy and fintech usage toward investment interest.

a. Financial literacy indirectly affects investment interest through self-efficacy (β = 0.079, t = 2.300, p = 0.022).
b. Fintech usage also exerts a significant indirect effect on investment interest via self-efficacy (β = 0.181, t = 2.143, p = 0.033).

These findings align with Bandura's (1997) theory, which emphasizes the role of self-efficacy in shaping behavioral outcomes, and Ajzen's Theory of Planned Behavior (1991), where perceived behavioral control (in this case, financial self-efficacy) is critical in determining intentions and actions.

Theoretical and Practical Implications

Theoretically, this study reinforces the growing consensus that financial behavior is shaped not solely by financial knowledge or access to financial services, but also by psychological factors, particularly self-belief. While financial literacy provides the necessary foundation to understand investment options and associated risks, it is the confidence in one's ability to apply this knowledge effectively that drives actual behavioral outcomes. This aligns with the Theory of Planned Behavior (Ajzen, 1991), which identifies perceived behavioral control, reflected here as financial self-efficacy, as a key determinant of intention and action.

Furthermore, the study confirms and extends prior findings by Serido et al. (2010) and Perry and Morris (2005), who emphasized that financial self-efficacy acts as a mediating variable between knowledge and behavior. In this study, self-efficacy not only bridges the gap between financial literacy and investment interest but also amplifies the impact of fintech usage. Individuals who feel competent in managing their finances are more likely to explore and utilize digital financial tools, thereby enhancing their participation in the investment landscape.

From a practical standpoint, the findings suggest that interventions targeting young investors should move beyond conventional financial education. While increasing awareness of financial products and services remains important, it is equally critical to instill confidence and a sense of personal agency in financial decision-making. This is particularly relevant for

Generation Z, whose digital nativity offers advantages in access, but whose psychological readiness to engage in responsible investing may still require support and cultivation.

To address this gap, financial literacy programs should be integrated with digital skill-building and behavioral training modules. Such modules could include interactive simulations, gamified investment platforms, or case-based learning that mimics real-world financial challenges. These approaches not only reinforce technical knowledge but also develop adaptive financial behavior and resilience in facing risk and uncertainty, critical competencies in today's dynamic financial environment.

In parallel, fintech platforms can play an essential role by embedding educational features, step-by-step investment guidance, and real-time feedback mechanisms within their applications. These enhancements can serve to demystify investment processes, promote responsible behavior, and gradually increase users' self-efficacy. By aligning technological innovation with behavioral support, fintech providers and educators can help bridge the intention-action gap and empower Generation Z to become confident, capable investors.

CONCLUSION

This study investigates the influence of financial literacy and fintech usage on the investment interest of Generation Z in Jakarta, with financial self-efficacy as a mediating variable. The findings demonstrate that both financial literacy and fintech usage significantly affect investment interest, either directly or indirectly through self-efficacy. Among these variables, fintech usage exerts the strongest influence, highlighting the crucial role of digital financial tools in shaping investment behaviors among digital natives. Moreover, financial literacy contributes meaningfully to enhancing individuals' confidence in managing their finances, which in turn fosters greater willingness to invest. The mediating role of financial self-efficacy is also confirmed, indicating that knowledge and access alone are insufficient to encourage investment behavior without psychological readiness and confidence. These findings carry important implications for academics, policymakers, and fintech developers. Efforts to increase youth investment participation should emphasize not only financial education and technological accessibility but also strategies to build financial self-confidence. Integrating behavioral training and digital literacy into financial education can strengthen this foundation. In sum, this study contributes to the growing literature on behavioral finance by emphasizing the interplay between cognitive and psychological factors, and offers actionable insights for promoting inclusive and empowered investment behavior among Indonesian youth.

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