

ABSTRACT

There is one of the pillars to encourage the flow of the economy in addition to organizing all existing finances, namely by investing. There are investor demographics categorized into ages. Ages 41-50 years and 31-40 years categorized into generation Y produce an investor value of 35.95%. For ages under 30 years old who are categorized as generation Z, the investor value is 55.38%. After seeing some of the number of investments in Indonesia, investors must still see events or phenomena circulating in the midst of investment topics. In 2022, it was recorded that illegal investment losses reached Rp. 120.79 trillion and this lift was included in the category of numbers that had soared from the previous years (2012-2021 period) reaching Rp. 32.08 Trillion. The figures recorded in 2022 include the highest loss figures over the past decade. The cause of the increase in the number of losses is none other than the emergence of herding factors followed by overconfidence, then ignoring the existing risks and the lack of strengthening financial literacy.

The method used in this research is quantitative with causal aims and has a research strategy using a survey system with a questionnaire using google form software with the results of 435 respondents as a research sample. The results of the research conducted resulted in the following conclusions: (1) financial literacy has a positive and significant effect on risk tolerance. (2) herding behavior has a positive and significant effect on risk tolerance. (3) overconfidence has a positive and significant effect on risk tolerance. (4) financial literacy has a positive and significant effect on investment decisions. (5) herding behavior has a positive and significant effect on investment decisions. (6) overconfidence has a positive and significant effect on investment decisions. (7) risk tolerance has a positive and significant effect on investment decisions. (8) financial literacy has a significant effect on investment decisions through risk tolerance. (9) herding behavior has a positive and significant effect on investment decisions through risk tolerance. (10) overconfidence has a positive and significant effect on investment decisions through risk tolerance.

Keywords: Investment, Generation Y, Generation Z, Financial Literacy, Herding Behavior, Overconfidence, Risk Tolerance