

ABSTRACT

Generation Y and Z possess unique characteristics as they have grown up in a rapidly changing digital era, making investment-related information more accessible than ever. However, investment behavior among investors is often influenced by psychological factors such as trait anger, trait anxiety, overconfidence, herding effect, and self-monitoring, which can positively or negatively affect decision-making. This has led to many Generation Y and Z investors experiencing Fear of Missing Out (FOMO), resulting in them falling victim to fraudulent investments or facing failures in their investment endeavors.

The purpose of this study is to identify the impact of each behavioral factor on the investment decisions of the younger generation. Additionally, the study aims to analyze the combined influence of these five factors to provide deeper insights into the investment decision-making patterns of Generation Y and Z.

The research adopts a quantitative approach, utilizing questionnaires as the primary data collection instrument. The study employs purposive sampling methods, and the data will be analyzed using multiple regression techniques to measure the effect of each independent variable on the dependent variable. The research involves respondents who belong to Generation Y and Z in Central Java Province.

This study found that herding behavior, overconfidence, and self-monitoring significantly influence the investment decisions of Generations Y and Z. Conversely, trait anger and trait anxiety did not show a significant influence. These findings underscore the crucial role of certain psychological factors in the investment decision-making process. This research enriches the financial management literature and provides practical implications for financial institutions and governments in developing more relevant and effective financial literacy programs for young people.

Keyword: *Investment Decision, Behavioral Factors, Behavioral Biases*