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Investor Behaviour Analysis: The Impact Financial Performance, FOMO and Financial Literacy on Generation Z Investment Decisions

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ABSTRACT

Investing is important for long-term financial planning for Gen Z, who have quick access to investment instruments such as stocks, bonds, and cryptocurrencies, yet many do not fully understand its role in building wealth. This study aims to examine the effect of company financial performance and the FOMO (Fear of Missing Out) phenomenon on Gen Z's investment decisions, as well as the role of financial literacy in moderating these two factors. Questionnaires were sent in order to gather research data, and a purposive sampling strategy was used to choose the sample. To investigate the moderating impact inside the model, the data were subjected to Moderated Regression Analysis (MRA) using EViews 13. The results showed that the company's financial performance did not have a significant effect on Gen Z's investment decisions. In contrast, FOMO shows a significant influence on Gen-Z investment decisions. In addition, this study also tested the moderating effect of financial literacy. The results show that financial literacy does not moderate the effect of corporate financial performance or FOMO on Gen Z investment decisions.

Keywords: Financial Performance, FOMO, Gen-Z, Investment, Investment Decisions.

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INTRODUCTION

Generation Z or Gen-Z is a generation born in the era between the mid-1990s to the early 2010s. Gen-Z is also known as the digital native generation, this is because they are closely related to technology. In other words, technology is an inseparable thing in the daily life of this generation. As they grew up in the digital era, they are more open to financial technology (fintech) and more modern ways of investing. Recent data as shown in Figure 1 shows that Gen-Z dominates the proportion of investors in the capital market with 56.38%. So based on this phenomenon, it is interesting to know the factors that drive Gen-Z investment decisions in the capital market.

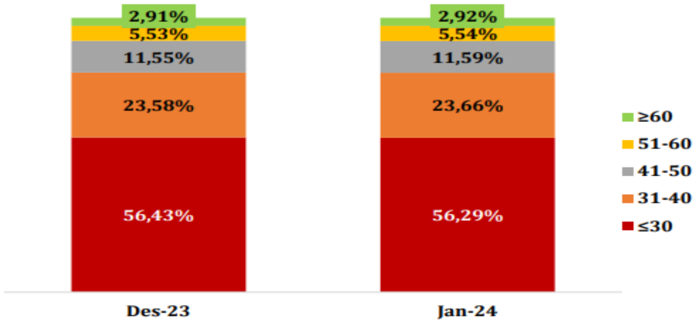

Figure 1. Individual Investor Demographics byAge (KSEI Statistics January 2024)

Theory of Planned Behavior states that a person's behaviour tends to be influenced by several things, namely attitude, intention and perception (Ajzen, 1991). Based on this theory, it can be concluded that attitudes or investment decisions are taken when Gen-Z reads signals about the company's financial performance from the information presented, besides that the FOMO factor also encourages their intention to make investment decisions because of the perception of being afraid of missing out and or following along.

Gen-Z tends to be more willing to take high risks in investing compared to previous generations. Some of them prefer to invest in instruments with high risk in the hope that it will bring greater profit potential or in other words high risk high return. Research related to Gen-Z behaviour in terms of investment has been widely carried out in the empirical field. The main factor that is often associated with investment decisions is financial performance. Financial performance is used as a tool to measure the company's current development and measure the company's future growth potential (Kim et al., 2021). Financial performance refers to a measure used to assess the effectiveness and efficiency of a company in managing its financial resources to achieve company goals or in other words to assess the financial performance that the company has achieved. Financial performance is generally evaluated from financial statements. The results of Edori & Egileoniso, (2024) with the object of investors and brokers in Nigeria show that financial performance proxied by ROI, ROA, ROE and NPM has a significant effect on investment decisions. Investors use information related to financial performance to determine the right investment decision (Fitriyanti, 2024). This description allows for the formulation of the following hypothesis:
H1 : The company's financial performance has a significant influence on investment decisions made by Gen-Z

An interesting fact that recently happened is that as many as 40% of investors from Gen-Z are trapped in fraudulent investments (Rossa & Ramadhan, 2024). One of the main reasons they fall into fraudulent investments is due to fear of missing out (FOMO). FOMO is defined as an attitude of concern that arises in a person when he feels left behind by certain information or trends that most people do (Gupta & Sharma, 2021). The emergence of FOMO is thought to be due to social media trends, making information accessible easily and quickly. FOMO can have a positive impact if utilised to boost motivation and broaden horizons. However, if not managed well, FOMO can lead to stress, anxiety, and uncontrolled spending. Managing FOMO wisely is essential to maintain mental and emotional balance. The FOMO phenomenon can be interpreted as follow-the-follow behaviour or fear of missing out. This phenomenon is reinforced by the presence of social media which is very close to their lives. Goeyana & Marlina, (2024) state that FOMO affects Gen-Z

investment decisions, the greater the level of FOMO, the greater the desire to make investment decisions quickly. This description allows for the formulation of the following hypothesis:
H2 : FOMO has a significant influence on investment decisions made by Gen-Z.

The FOMO phenomenon can be viewed from two sides, firstly, this phenomenon has a positive effect if it is accompanied by an understanding of financial literacy so that it makes investment decisions more appropriate. Second, FOMO has a negative impact if investment decisions are made without strong financial literacy so that they are very vulnerable to falling into very risky investments that promise huge profits in a short time such as money games, cryptocurrency and so on. Financial literacy is the ability to use basic economic and financial concepts, as well as the knowledge and skills to manage financial resources including money management, budget planning, investment, and financial planning for the purpose of financial well-being both short and long term (Kocoglu, 2021). Financial literacy is essential for building financial stability and freedom. With a good understanding of money management, one can avoid financial problems and achieve life goals more easily. With good financial literacy, one can manage their money more effectively, avoid financial risks, and plan for a more stable and secure future. In addition, improved financial literacy can help Generation Z make more informed and effective investment decisions, especially in assessing a company's financial performance. The results of Saputri et al., (2023) state that FOMO has a significant effect on investment decisions, while financial literacy can weaken the influence of FOMO on investment decisions. So it can be concluded that the better the level of financial literacy of investors, the more appropriate the investment decisions taken. This description allows for the formulation of the following hypothesis:
H3: Better financial literacy will increase the effectiveness of Gen-Z's investment decisions based on the company's financial performance.
H4 : Better financial literacy can reduce the negative impact of FOMO on Gen-Z's investment decisions

Based on the description above, this study aims to examine financial factors, namely financial performance and non-financial factors, namely FOMO on Gen-Z investment decisions. In addition, this study also uses financial literacy as a moderating variable.

METHODS

This research adopts an explanatory quantitative design using a survey method. The research was conducted by distributing questionnaires to gather data from 75 student participants who have experience in investing. The sampling method used in this study is purposive sampling, which means that participants are selected based on specific characteristics or criteria relevant to the research. In this case, the criterion is that the participants must be students who have experience in investing. The study likely uses a Likert scale (such as 1-5) for measuring variables related to financial literacy and investment decision-making, where respondents rate their agreement or frequency of specific behaviors, perceptions, or knowledge levels. Regression analysis to Explore the Relationship Between Financial Literacy and Investment Decisions and analysis technique using MRA with eviews 13.

RESULTS AND DISCUSSION

Characteristics of Respondents

Based on the results of 75 questionnaires that have been distributed, it is known based on gender that 35% of the total respondents are male and 65% are female with an age range of 19-21 years. Respondents were dominated by students of the Faculty of Economics and Business as many as 68 people and the remaining 7 respondents came from other faculties.

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Testing Results

The findings of the validity test of the questionnaire questions used in this investigation are explained in Table 1. If each item has a correlation > 0.3, then the item has construct validity.

Table 1. Validity Test Result

Variabel	Correlation	Description
Financial Performance (X1)		
FP1 : Financial statements can provide information about a company's performance in the future.	0.499307	Valid
FP2 : I often encounter financial statements of companies listed on the Indonesia Stock Exchange (BEI) that are not the latest financial statements	0.842867	Valid
FP3 : The financial information analysis I use leads to the same conclusion as the analysis of others.	0.675664	Valid
FP4 : I feel that the financial information I have is better than that of others.	0.569495	Valid
FP5 : All the financial statements from various companies I have read have the same format and methods.	0.842867	Valid
FP6 : The financial statements of a company always follow the same presentation method for each period.	0.842867	Valid
FP7 : I find it difficult to read and analyze financial statements.	0.499307	Valid
FP8 : Financial statements are a useful and easily understandable medium as a tool for determining investment decisions.	0.569495	Valid
FOMO (X2)		
FM1: I feel anxious when I miss the opportunity to invest.	0.755929	Valid
FM2 : I feel left behind if I don't invest.	0.944911	Valid
FM3 : I feel anxious because I know I will not gain profits if I don't invest.	0.755929	Valid
FM4 : I feel sad if I don't invest due to obstacles.	0.889982	Valid
FM5 : I feel regretful for not investing.	0.944911	Valid
Finansial Literacy (Z)		
FL1 : Financial statements can provide information about a company's future performance.	0.579365	Valid
FL2 : I know how to manage my finances.	0.564076	Valid
FL3: I know the purpose of investing.	0.431027	Valid
FL4: I always set aside my income for investing.	0.556711	Valid
Investment Decisions (Y)		
ID1 : You are satisfied with your investment decisions in the capital market.	0.759257	Valid
ID2 : Your investment has met your expected return.	0.948683	Valid
ID3 : Understanding risk profile is an important factor in investment decisions.	0.759257	Valid
ID4 : Investments with high risk will also yield high returns.	0.621930	Valid
ID5 : Diversifying a portfolio can reduce risk.	0.470588	Valid

Source: Primary Data Processed

The reliability test findings of the questionnaire questions used in this study are explained in Table 2. The reliability of the statements in this questionnaire may be inferred if the Cronbach's Alpha calculation score is greater than 0.7.

Table 2. Reliability Test Result

Variabel	Cronbach's Alpha	Description
Financial Performance (X1)	0,9829	Reliable
FOMO (X2)	0,9027	Reliable

Finansial Literacy (Z)	0,7599	Reliable
Investment Decisions (Y)	0,8980	Reliable

Source: Primary Data Processed

Table 3 shows the results of testing model 1, namely the financial literacy and FOMO variables on investment decisions. The results of testing the financial performance variable on investment decisions show a prob value of 0.5847 or> 0.5, while the results of testing the FOMO variable on investment decisions show a prob value of 0.0000 <0.5.

Table 3. Financial Performace, FOMO and Investment Decisions

Variabel	**Coefficient**	**t-Statistic**	**Prob**
Intercept	3.031114	0.379202	0.7057
FP	0.049805	0.549050	0.5847
FOMO	0.380247	5.494504	0.0000
Observation	75	75	75
Adj R-Square	0.320127		
F-Statistik	0.000004		

Source: Primary Data Processed

Table 4 shows the results of testing model 2, namely the moderating effect of financial literacy variables on financial performance and investment decisions. The results of testing the moderating effect of financial literacy show a prob value of 0.6895> 0.5.

Table 4. Financial performance, Financial literacy and Investment Decisions

Variabel	**Coefficient**	**t-Statistic**	**Prob**
Intercept	67.67382	0.443055	0.6591
FL*FP	0.097066	5.401211	0.6895
Observation	75	75	75
Adj R-Square	0.333233		
F-Statistik	0.000000		

Source: Primary Data Processed

Table 5 shows the results of testing model 3, namely the moderating effect of financial literacy variables on FOMO and investment decisions. The test results of the moderating effect of financial literacy show a prob value of 0.3448> 0.5.

Table 5. FOMO, Financial literacy and Investment Decisions

Variabel	**Coefficient**	**t-Statistic**	**Prob**
Intercept	43.87523	1.049583	0.2975
FL*FOMO	0.139226	0.950986	0.3448
Observation	75	75	75
Adj R-Square	0.325828		
F-Statistik	0.000003		

Source: Primary Data Processed

Discussion

Financial Performance and Investment Decision

Information related to financial performance is reflected in the financial statements. Financial statements are a source used as a reference by parties such as investors to assess the performance of a company before making investment decisions. Financial ratios are generally used to compare company performance over time (Setianingrum & Prastuti, 2019). From the test results it can be concluded that financial performance does not have a significant effect on Gen_Z investment decisions (prob>0.5), so hypothesis 1 is rejected. The results of this study are in line with the results of research by Rara et al., (2023) and (Said, 2020) which state that financial performance has no significant effect on investor investment decisions. So it can be concluded that investors, in this case Gen-Z, do not fully use financial ratios in assessing company performance in determining investment decisions.

FOMO and Investment Decision

In addition to the financial factors that form the basis of investment decision-making, there has recently been a widespread phenomenon of FOMO among Gen-Z that has also been linked to their behaviour, especially regarding decision-making. FOMO is a syndrome that can be experienced by anyone regardless of age, characterised by unwanted feelings of anxiety. These feelings are triggered by the perception that others have more satisfying experiences, often exacerbated by the intensity of social media use (Nuzula, 2024). Excessive use of social media can cause FOMO and influence Gen Z's actions and behaviours. Social media provides an unlimited flow of information, which can cause anxiety about missing out on the latest information or trends (Ilahi & Tungga, 2024). Based on the test results, it can be concluded that FOMO has a significant effect on Gen-Z investment decisions (prob<0.5), so hypothesis 1 is accepted. The results of this study are in line with the results of research by Goeyana & Marlina, (2024) and Saputri et al., (2023) which state that FOMO has a significant effect on Gen-Z investment decision making. So it can be concluded that Gen Z often invests for fear of missing trends without considering risk and fundamental analysis. In addition, this decision can cause them to buy overvalued or high-risk assets. FOMO encourages Gen Z to invest in an impulsive manner, often neglecting fundamental analysis and portfolio diversification.

Financial Performance, FOMO, Financial Literacy and Investment Decision

In this case, the role of financial literacy is very important, because although technology and access to information accelerate their participation in financial and capital markets, it is important for Gen-Z to manage emotions, improve financial literacy, and make rational decisions to avoid large losses in the future. Financial literacy is the knowledge, skills and attitudes required to make informed financial decisions. This definition emphasises the importance of cognitive and behavioural aspects in financial decision making (OECD, 2020). Based on the test results, it can be concluded that financial literacy does not moderate the influence of financial performance and FOMO on Gen-Z investment decisions. So it can be concluded hypothesis 3 and 4 are rejected. The results of this study are not in line with the results of research by of Saputri et al., (2023) state that FOMO has a significant effect on investment decisions, while financial literacy can weaken the influence of FOMO on investment decisions. Gen-Z has no interest in financial literacy before making investment decisions. This can be caused by external factors such as the influence of social media, as well as internal factors such as the desire for quick results and limitations in the financial education they receive.

CONCLUSION

This study shows that the company's financial performance factors, which are reflected in financial statements and financial ratios, do not have a significant effect on Gen Z's investment decisions. This indicates that although financial ratios can be used to assess company performance, Gen Z investors tend not to take them seriously in making investment decisions. Instead, the FOMO (Fear of Missing Out) phenomenon plays a bigger role in their investment decision-making. FOMO, fuelled by the anxiety of missing out on trends and exacerbated by the influence of social media, encourages Gen Z to invest impulsively without considering fundamental analysis or the risks involved. In addition, financial literacy does not moderate the influence of company financial performance or FOMO on Gen Z's investment decisions. This suggests that although technology and quick access to information allow Gen Z to participate in the financial market, they are not yet interested enough to learn about financial literacy before making investment decisions. External factors such as the influence of social media and the desire for quick returns, as well as limited financial education, are major barriers to more rational and informed decision-making. Overall, it is important for Gen Z to improve their financial literacy to be able to manage emotions, avoid costly impulsive decisions, and make smarter investment decisions based on solid analysis. This study has limitations, including a very small sample size, therefore the results may not be entirely accurate in capturing the population as a whole. Subsequent research is advised to use larger and more diverse sample sizes so that the results can more thoroughly examine the population and increase validity and reliability.

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