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Financial Literacy, Risk Perception, and Fintech in Gen Z Investment Decisions

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Abstract

This study aims to systematically review previous literature regarding the influence of financial literacy and risk perception on investment decisions, with financial technology as a moderating variable among Generation Z. The rapid growth of young investors, particularly Gen Z, has raised concerns regarding the quality of investment decisions, which are often influenced by low financial literacy and distorted risk perception due to digital platforms and social media exposure. This research adopts a Systematic Literature Review (SLR) approach by analyzing relevant academic publications from the last ten years. The findings indicate that financial literacy generally has a positive influence on investment decisions, although some studies reveal inconsistent results due to behavioral biases such as Fear of Missing Out (FOMO). Risk perception also shows mixed results, where higher awareness of risk may lead to more rational decisions, but in some cases, it does not significantly influence investment behavior. Furthermore, financial technology plays a dual role as a moderating variable, enhancing accessibility and efficiency while also potentially encouraging impulsive investment decisions. This study contributes to the behavioral finance literature by highlighting the complex interaction between cognitive, psychological, and technological factors in shaping Gen Z investment behavior.

***Keywords**: Financial Literacy, Financial Technology, Generation Z, Investment Decisions, Risk Perception*

INTRODUCTION

The rapid development of financial technology has significantly transformed investment behavior, particularly among Generation Z. Data from KSEI (2025) shows that more than 50% of investors in Indonesia are under the age of 30, indicating the dominance of young investors in the capital market.

Despite this growth, there are critical issues related to the quality of investment decisions. Low financial literacy often leads to speculative behavior and exposure to phenomena such as Fear of Missing Out (FOMO), driven by social media influence.

Previous studies show inconsistent findings regarding the relationship between financial literacy, risk perception, and investment decisions. Some studies indicate a positive relationship, while others suggest no significant effect. This inconsistency highlights a research gap, particularly in the context of Generation Z and digital investment environments.

Therefore, this study aims to conduct a systematic literature review to analyze the influence of financial literacy and risk perception on investment decisions, with financial technology as a moderating variable.

METHOD

This study employs a Systematic Literature Review (SLR) approach to synthesize and critically analyze findings from previous studies related to financial literacy, risk perception, investment decisions, and financial technology. The literature review process

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was conducted systematically through several stages to ensure the validity and relevance of the selected sources.

In the identification stage, relevant articles were collected from reputable academic databases such as Scopus, Google Scholar, and Sinta by using specific keywords, including “financial literacy”, “risk perception”, “investment decision”, and “financial technology”. These keywords were selected to capture studies that are closely aligned with the research variables.

Subsequently, in the screening stage, the collected articles were filtered based on publication year, where only studies published within the last ten years were considered. This criterion was applied to ensure that the analysis reflects the most recent developments in financial behavior and digital investment trends.

In the eligibility stage, further selection was carried out by reviewing the content of each article to determine its relevance to the research focus, particularly studies that discuss Generation Z and investment behavior in the context of financial technology. Articles that did not meet these criteria were excluded from the analysis.

Finally, in the inclusion stage, a total of approximately 30 to 50 peer-reviewed articles were selected as the main sources for the literature review. These articles were then analyzed to identify patterns, inconsistencies, and research gaps related to the relationships between financial literacy, risk perception, financial technology, and investment decisions.

Table 1. Systematic Literature Review Process

Stage	Description	Output
Identification	Articles were collected from Scopus, Google Scholar, and Sinta using keywords such as “financial literacy”, “risk perception”, “investment decision”, and “financial technology”.	Initial pool of articles
Screening	Articles were filtered based on publication year (last 10 years) and relevance to the research topic.	Reduced number of relevant articles
Eligibility	Full-text articles were reviewed to ensure alignment with Generation Z and investment behavior context.	Eligible articles
Inclusion	Final selection of approximately 30–50 peer-reviewed articles for analysis.	Final dataset for SLR

Source : *Author’s analysis (2026)*

RESULT

The results of this Systematic Literature Review (SLR) are based on the analysis of approximately 30–50 peer-reviewed articles published within the last ten years. The findings are categorized according to the main variables of the study: financial literacy, risk perception, financial technology, and investment decisions.

1. Distribution of Studies

The reviewed literature shows a significant increase in research on investment behavior in recent years, particularly following the rapid development of financial technology and digital investment platforms. Most studies focus on Generation Z and young investors, emphasizing the importance of digital financial literacy and behavioral factors.

In terms of methodology, the majority of studies employ quantitative approaches such as

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regression analysis, Structural Equation Modeling (SEM), and Moderated Regression Analysis (MRA), while only a limited number use qualitative or mixed methods.

2. Financial Literacy Findings

Most studies indicate that financial literacy has a positive and significant influence on investment decisions. Individuals with higher levels of financial knowledge tend to better understand financial products, evaluate risk–return trade-offs, and make more rational and long-term investment decisions.

However, several studies report inconsistent findings, showing that financial literacy does not always lead to better investment outcomes. In these cases, behavioral factors such as overconfidence, herding behavior, and Fear of Missing Out (FOMO) weaken the influence of financial knowledge.

3. Risk Perception Findings

The findings related to risk perception are mixed. Some studies suggest that higher risk perception leads to more cautious decision-making, improved evaluation of investment alternatives, and a lower tendency to engage in high-risk investments.

Conversely, other studies find that risk perception does not significantly influence investment decisions, particularly among Generation Z. The ease of use of digital platforms and the influence of social media reduce the perceived importance of risk considerations.

4. Financial Technology Findings

Financial technology is identified as a significant factor influencing investment decisions. The findings show that fintech improves accessibility to financial markets, provides real-time information, and simplifies the investment process.

As a moderating variable, fintech strengthens the relationship between financial literacy and investment decisions. However, fintech may also weaken the role of risk perception due to features such as gamification and ease of use, which can encourage impulsive investment behavior.

5. Synthesis of Findings

Based on the analysis, three main patterns are identified:

Financial literacy generally has a positive influence, although not consistently across all contexts.

Risk perception shows mixed results and depends on individual and technological factors.

Financial technology plays a dual role as both an enabler of informed decision-making and a trigger for irrational behavior.

These findings indicate that investment decisions among Generation Z are shaped by the interaction of cognitive, psychological, and technological factors.

DISCUSSION

The findings of this study provide important insights into the determinants of investment decisions among Generation Z and are consistent with several theoretical perspectives while also extending previous empirical findings.

First, the positive relationship between financial literacy and investment decisions supports the theory proposed by Lusardi and Mitchell (2014), as well as the OECD (2020) framework, which emphasizes the importance of financial knowledge, behavior, and attitudes in shaping financial outcomes. However, the inconsistent findings observed in some studies can be explained by Behavioral Finance Theory (Kahneman & Tversky, 1979), which suggests that individuals are not always rational and are influenced by cognitive biases such as FOMO and herding behavior. This indicates that financial literacy alone is not sufficient to ensure optimal investment decisions.

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Second, the mixed findings related to risk perception are consistent with Prospect Theory (Kahneman & Tversky, 1979), which explains that individuals evaluate risk subjectively and are more sensitive to potential losses than gains. While some studies show that higher risk awareness leads to more rational decisions, others suggest that technological and social influences may override risk considerations, particularly among Generation Z who are highly exposed to digital environments.

Third, the role of financial technology aligns with the Technology Acceptance Model (Davis, 1989), which explains that perceived usefulness and ease of use influence technology adoption. Fintech enhances access to financial markets and supports more efficient decision-making processes. However, the findings also reveal that fintech may encourage impulsive behavior due to its convenience and features such as real-time trading and gamification. This highlights the dual nature of fintech as both an enabler and a potential risk factor.

From a theoretical perspective, this study contributes to the integration of Behavioral Finance Theory, Prospect Theory, and the Technology Acceptance Model in explaining investment behavior in the digital era. It demonstrates that investment decisions are influenced not only by cognitive factors but also by psychological and technological elements.

From a methodological perspective, the use of a Systematic Literature Review (SLR) approach enables the identification of patterns and inconsistencies across studies, providing a comprehensive understanding of the research topic and highlighting areas for further investigation.

From a practical perspective, the findings suggest that improving financial literacy alone is insufficient. Stakeholders, including fintech providers and policymakers, should consider behavioral factors and ensure the responsible use of financial technology to support better investment decisions.

Table 2. Summary of Selected Studies (SLR Mapping)

No	Author & Year	Variables	Method	Sample	Key Findings
1	Adiningsih *et al.*, (2025)	Financial Literacy → Investment Decision	Regression Analysis	400 students	Financial literacy has a positive and significant effect on investment decisions
2	Sunandes & Meifilina (2024)	Financial Literacy, Fintech (Moderation)	MRA	Gen Z	Fintech strengthens the effect of financial literacy on investment decisions
3	Lestari *et al.*, (2026)	Risk Perception → Investment Decision	SEM-PLS	Gen Z	Risk perception positively influences investment decisions
4	Yulianti & Nidar (2025)	Financial Literacy, Risk Perception → Investment	Path Analysis	Young investors	Both variables positively influence investment decisions
5	Mahwan & Herawati (2021)	Financial Literacy, Risk Perception → Investment	Regression	Entrepreneurs	Both variables significantly influence investment decisions
6	Rijaldi & Dasman (2024)	Fintech, Literacy, Risk → Investment	Regression	Gen Z & Millennials	All variables influence investment decisions
7	Sari et al. (2025)	Fintech, Literacy (SLR Study)	SLR	50 journals	Financial literacy sometimes not significant due to FOMO behavior

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8	Putri (2025)	Risk Perception → Investment	Regression	Students	Risk perception has no significant effect
9	Widyastuti & Murtanto (2024)	Risk, Bias → Investment	Regression	Investors	Behavioral biases more dominant than risk perception
10	Che Hassan et al. (2024)	Fintech (Moderation)	SEM	Investors	Fintech strengthens behavioral influence on investment intention

Source: Author's analysis based on selected literature (2026)

Research Gap

Based on the systematic review of the literature, several research gaps can be identified.

First, there is inconsistency in the effect of financial literacy on investment decisions. While many studies report a positive relationship, others find no significant effect due to behavioral and psychological influences.

Second, findings on risk perception are mixed. Some studies highlight its importance in promoting rational decision-making, while others suggest it is overshadowed by technological and social factors.

Third, the role of fintech is still underexplored, particularly as a moderating variable. Most previous studies position fintech as an independent or mediating variable rather than examining its moderating effect on the relationship between financial literacy, risk perception, and investment decisions.

These gaps indicate that further empirical research is needed, particularly focusing on Generation Z in the digital investment environment, where cognitive, psychological, and technological factors interact simultaneously.

CONCLUSION

This study concludes that financial literacy generally has a positive influence on investment decisions among Generation Z, although its effect is not always consistent due to behavioral factors such as FOMO and herding behavior. Risk perception shows mixed results, indicating that technological and social influences may reduce its role in decision-making. Financial technology plays a dual role by enhancing accessibility while also increasing the risk of impulsive behavior.

These findings highlight the importance of integrating cognitive, psychological, and technological factors in understanding investment behavior in the digital era.

DECLARATION OF GENERATIVE AI

During the preparation of this manuscript, the author used ChatGPT (OpenAI) solely for limited language editing and formatting purposes. The tool was utilized to improve readability, grammar, and sentence structure without contributing to the intellectual content of the study.

All core elements of the research, including the research design, literature selection, data analysis, interpretation of findings, and conclusions, were independently developed by the author. The author has critically reviewed and validated all content to ensure its accuracy, originality, and adherence to academic integrity standards.

The use of generative artificial intelligence did not influence the research outcomes or the scientific contributions of this study. The author assumes full responsibility for the final content of this manuscript.

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INFORMED CONSENT (IF APPLICABLE)

This study involved participants through surveys and/or interviews. Therefore, informed consent was obtained from all participants prior to the data collection process.

ETHICAL APPROVAL (IF APPLICABLE)

Ethical approval was not required for this study.

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