

The Influence of Over Confidence and Loss Aversion on Investment Decision of Gen Z Fintech Users

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ABSTRACT

This study aims to analyze the effect of Over Confidence (OC) and Loss Aversion (LA) on the Investment Decision (ID) of Generation Z Fintech users in Garut Regency in 2026. The study employed a quantitative method with descriptive and associative (causal) approaches. The population comprised all Generation Z individuals (born 1997–2012) domiciled in Garut Regency who actively invest through Fintech platforms, whose exact number is unknown. A sample of 336 respondents was selected using a purposive sampling technique. Primary data were collected through an online questionnaire measured on a five-point Likert scale and analyzed using validity and reliability tests, classical assumption tests, and multiple linear regression analysis with IBM SPSS. The results show that Over Confidence has a positive and significant effect on Investment Decision ($t = 3.930$; Sig. $0.000 < 0.05$), and Loss Aversion also has a positive and significant effect on Investment Decision ($t = 3.033$; Sig. $0.003 < 0.05$). Simultaneously, both variables significantly affect Investment Decision ($F = 12.989$; Sig. $0.000 < 0.05$) with an R Square of 0.072 (7.2%). These findings indicate that psychological biases need to be considered by Fintech platform developers in designing investment education to encourage more rational decision-making among Generation Z investors.

Keywords : Fintech; Generation Z; Investment Decision; Loss Aversion; Over Confidence.

INTRODUCTION

The growth of Fintech in Indonesia, particularly in Garut Regency, has been very rapid in recent years. Fintech is a new breakthrough that offers ease, speed, and efficiency in accessing financial services without relying on conventional financial institutions [1]. Various Fintech investment vehicles such as online mutual funds, stocks, and crypto assets are increasingly popular among young people, especially Generation Z, who are closely associated with the digital era.

Discussions regarding investor behavior are becoming increasingly crucial to observe along with the high level of adoption of Fintech. Investors' psychological factors often influence investment decisions, so they are not based purely on rational calculations. This condition aligns with behavioral finance which explains the role of emotions and cognitive biases in influencing individual financial decisions [2]. Among the range of behavioral biases, Over Confidence as well as

Loss Aversion are the two forms of bias most often encountered when making investment decisions.

Over Confidence refers to a person's tendency to overestimate their own expertise and insight when making investment decisions. Underestimating risk and overestimating predictive power are often demonstrated by investors with Over Confidence bias, so that the investment steps taken are at risk of being less than optimal [3]. As explained by Wufron [4], the decision-making patterns of young investors in the digital era are specifically influenced by Over Confidence bias, including Generation Z who have a high self-confidence character even though they have limited investment insight.

Meanwhile, Loss Aversion is a psychological bias in the form of excessive anxiety about losses compared to the enthusiasm for obtaining gains of the same nominal value. This idea was first proposed by Kahneman and Tversky in Prospect Theory, whose significant influence on investment decisions has been widely proven [5], [6]. Investors with a high level of Loss Aversion commonly avoid risk excessively and hold losing assets for too long.

Generation Z, born between 1997 and 2012, grew up as a digital-native group. However, abundant access to financial information through digital platforms has not completely freed them from vulnerability to psychological biases that may reduce the quality of their investment decisions. Muharam [7] stated that although Generation Z is active in utilizing Fintech to invest, the gap in financial literacy makes this group susceptible to behavioral biases such as Over Confidence and Loss Aversion.

The urgency of this research is reinforced by the empirical conditions found among Generation Z Fintech users in Garut Regency. A recapitulation of the responses of 336 Generation Z Fintech users shows that the mean score of Over Confidence reached 3.41 (high category) and Loss Aversion reached 3.30 (moderate category), whereas Investment Decision obtained the lowest mean score of 3.25 (moderate category). In addition, 36.0% of respondents were in the high Over Confidence category and 30.7% were in the high Loss Aversion category, while only 28.0% of respondents were in the high Investment Decision category, 65.5% were in the moderate category, and 6.5% were in the low category. This gap indicates that the high tendency of psychological bias has not been matched by an equivalent quality of investment decisions, so that most Generation Z investors in Garut Regency still make investment decisions that are not fully based on rational considerations.

This condition needs to be studied immediately because the ease of access, real-time portfolio updates, and instant notifications offered by Fintech platforms have the potential to strengthen these biases among young investors, while Loss Aversion has been proven to shape individuals' risky investment intentions [8]. If left unaddressed, these biases may lead to suboptimal investment decisions and financial losses that threaten the long-term financial well-being of Generation Z. Although studies on investor behavioral biases in Indonesia have been widely conducted [6], [9], studies that specifically link Over Confidence and Loss Aversion with the Investment Decision of Generation Z Fintech users in Garut Regency are still limited. Therefore, the empirical evidence from this research is urgently

needed, both by Fintech platform developers in designing appropriate investment education features and by regulators such as the Financial Services Authority (OJK) in formulating policies to improve financial literacy and protect young investors [1].

Based on this description, this study aims to examine the effect of Over Confidence and Loss Aversion on the Investment Decision of Generation Z Fintech users in Garut Regency in 2026, both partially and simultaneously.

METHOD

This study used a quantitative method with descriptive and associative (causal) approaches. The quantitative method describes objective conditions through numerical data and uses statistical tools as the basis for analysis, while the associative approach is used to test the cause-and-effect relationship between variables [10]. The variables in this study consist of two independent variables, namely Over Confidence (X_1) and Loss Aversion (X_2), and one dependent variable, namely the Investment Decision (Y) of Generation Z Fintech users.

The population of this study was all Generation Z individuals domiciled in Garut Regency, West Java, who actively invest through Fintech platforms in 2026. Since no official data on the number of Generation Z Fintech investors at the regency level are available, the population size is unknown (infinite population). The sample was selected using a non-probability sampling technique, namely purposive sampling, with the following criteria: (1) Generation Z born between 1997 and 2012 and domiciled in Garut Regency; (2) actively using Fintech investment platforms (online mutual funds, stocks, and/or crypto) for at least the last six months; (3) having made at least one investment transaction through a Fintech platform in the last year; and (4) willing to complete the questionnaire in full. Referring to Ghozali [11], an adequate sample size is 5 to 10 times the number of indicators; with 12 indicators, the minimum sample ranged from 60 to 120 respondents, and 336 respondents were finally obtained to improve representativeness. Primary data were collected through an online questionnaire distributed via Google Forms using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree), consisting of four statement items for each variable.

This series of research data analysis includes: (1) instrument testing which includes validity via Pearson Correlation and reliability via Cronbach's Alpha; (2) classical assumption testing which includes instrumented normality evaluation Kolmogorov-Smirnov, evaluation of multicollinearity through VIF, along with evaluation of heteroscedasticity through Scatterplot; and (3) multiple linear regression analysis to prove each hypothesis, simultaneously, along with the R^2 value [12].

RESULTS AND DISCUSSION

Validity Testing

Measuring the accuracy of indicator items in representing the study construct is done through validity testing. The validity of an indicator is fulfilled if the results obtained Pearson Correlation exceeds the r_{table} value with a significance

level of <0.05. A summary of the validity test results for each study variable is shown in the following table.

Table 1. Validity Test of X_1

		Correlations				
		Indikator 1	Indikator 2	Indikator 3	Indikator 4	Skor
Indikator 1	Pearson Correlation	1	.536**	.556**	.540**	.824**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	336	336	336	336	336
Indikator 2	Pearson Correlation	.536**	1	.505**	.507**	.799**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	336	336	336	336	336
Indikator 3	Pearson Correlation	.556**	.505**	1	.451**	.784**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	336	336	336	336	336
Indikator 4	Pearson Correlation	.540**	.507**	.451**	1	.785**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	336	336	336	336	336
Skor	Pearson Correlation	.824**	.799**	.784**	.785**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	336	336	336	336	336

** . Correlation is significant at the 0.01 level (2-tailed).

Table 2. Validity Test X_2

		Correlations				
		Indikator 1	Indikator 2	Indikator 3	Indikator 4	Skor
Indikator 1	Pearson Correlation	1	.635**	.612**	.626**	.856**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	336	336	336	336	336
Indikator 2	Pearson Correlation	.635**	1	.599**	.572**	.839**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	336	336	336	336	336
Indikator 3	Pearson Correlation	.612**	.599**	1	.574**	.830**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	336	336	336	336	336
Indikator 4	Pearson Correlation	.626**	.572**	.574**	1	.826**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	336	336	336	336	336
Skor	Pearson Correlation	.856**	.839**	.830**	.826**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	336	336	336	336	336

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3. Validity Test Y
Correlations

		Indikator 1	Indikator 2	Indikator 3	Indikator 4	Skor
Indikator 1	Pearson Correlation	1	.429**	.477**	.428**	.760**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	336	336	336	336	336
Indikator 2	Pearson Correlation	.429**	1	.439**	.465**	.763**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	336	336	336	336	336
Indikator 3	Pearson Correlation	.477**	.439**	1	.466**	.773**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	336	336	336	336	336
Indikator 4	Pearson Correlation	.428**	.465**	.466**	1	.773**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	336	336	336	336	336
Skor	Pearson Correlation	.760**	.763**	.773**	.773**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	336	336	336	336	336

** . Correlation is significant at the 0.01 level (2-tailed).

Based on the validity test exposure in Tables 1, 2, and 3, the Pearson Correlation results for all indicators of the three variables, it was proven to be significant at the 0.01 level (2-tailed) with a sig. $0.000 < 0.05$. These findings confirm the validity of all indicator items in this research, making them suitable for use as measuring instruments for each variable.

Reliability Test

Measuring the level of reliability and consistency of research measuring instruments is the focus of reliability testing. The benchmark for the reliability of a measuring instrument is indicated by a Cronbach's Alpha value ≥ 0.60 . A summary of the reliability test results for each study variable is shown in the following table.

Table 4. Reliability Testing of X_1
Reliability Statistics

Cronbach's Alpha	N of Items
.810	4

Table 5. Reliability Testing of X_2
Reliability Statistics

Cronbach's Alpha	N of Items
.859	4

Table 6. Y Reliability Test**Reliability Statistics**

Cronbach's Alpha	N of Items
.766	4

Looking at tabulations 4, 5, and 6, the Cronbach's Alpha values for the three research variables are above the threshold of 0.60. The magnitude of the value recorded in X_1 was 0.810, X_2 reached 0.859, and Y was at 0.766. Based on this, the reliability of all research measuring instruments has been met.

Normality Test

The Kolmogorov-Smirnov procedure was used in normality testing. Data distribution is classified as normal if the results Asympt. Sig. (2-tailed) > 0.05 [11].

Table 7. Normality Test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		336
Normal Parameters ^{a, b}	Mean	0E-7
	Std. Deviation	2.34854527
Most Extreme Differences	Absolute	.038
	Positive	.038
	Negative	-.033
Kolmogorov-Smirnov Z		.688
Asymp. Sig. (2-tailed)		.731

a. Test distribution is Normal.

b. Calculated from data.

Referring to Table 7, the numbers Asympt. Sig. (2-tailed) was recorded at $0.731 > 0.05$. Therefore, the feasibility of the residual data being fairly distributed has been met, and then the multiple linear regression processing can be continued.

Multicollinearity Test

Detecting the presence of excessively strong correlations between independent variables is done through a multicollinearity test. The decision reference is the criterion Tolerance > 0.10 and VIF < 10.00.

Table 8. Multicollinearity Test**Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	8.410	.915		9.189	.000		
1 Over Confidance	.199	.051	.208	3.930	.000	.997	1.003
Loss Aversion	.143	.047	.160	3.033	.003	.997	1.003

a. Dependent Variable: Investment Decision Gen Z

Based on Table 8, the value of Tolerance for X_1 as well as X_2 were sequentially valued at $0.997 > 0.10$, while the VIF was at $1.003 < 10.00$. This finding confirms the absence of indications of multicollinearity disturbances in this study model.

Heteroscedasticity Test

Method Scatterplot applied to detect symptoms of heteroscedasticity. The results of the observation Scatterplot shows the distribution of data points randomly without a regular pattern in the area above or below the magnitude of 0 on the Y axis. Therefore, this research model is declared free from heteroscedasticity constraints [13].

Multiple Linear Regression

The multiple linear regression function is used to test the relationship between X_1 with X_2 on Y.

Table 9. Multiple Linear Regression Findings
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	8.410	.915		9.189	.000
1 Over Confidance	.199	.051	.208	3.930	.000
Loss Aversion	.143	.047	.160	3.033	.003

a. Dependent Variable: Investment Decision Gen Z

Referring to Table 9, the results of the multiple linear regression equation are recorded as follows:

$$Y = 8.410 + 0.199X_1 + 0.143X_2$$

The magnitude of Y is estimated to be 8.410 when X_1 and X_2 are assumed to be zero, as indicated by the constant value of 8.410. The quantity Y will increase by 0.199 for each additional unit of X_1 , referring to the coefficient of X_1 of 0.199. In addition, an increase of 0.143 in Y is triggered by an increase of one unit of X_2 , as indicated by the value of the coefficient X_2 of 0.143.

Coefficient of Determination (R^2)

The results of the determination coefficient (R^2) test to see how well the model can explain the dependent variable are shown in the following table.

Table 10. Model Summary
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.269 ^a	.072	.067	2.356

a. Predictors: (Constant), Loss Aversion, Over Confidance

Through the display of Table 10, the proportion of variance in Y that can be collectively explained by X_1 and X_2 is at 7.2%, in line with the R Square value of 0.072. The remaining 92.8% was contributed by factors outside the scope of this study, such as financial literacy levels, social media exposure, and investment track record.

F Test

The F test is conducted to determine the significance of the simultaneous influence of independent variables on the dependent variable. The results of the F test in this study can be seen in the following table.

**Table 11. F- Test
ANOVA^a**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	144.145	2	72.073	12.989	.000 ^b
Residual	1847.748	333	5.549		
Total	1991.893	335			

a. Dependent Variable: Invesment Decision Gen Z

b. Predictors: (Constant), Loss Aversion, Over Confidance

The achievement of the F count value as high as 12.989 with a Sig. figure of $0.000 < 0.05$ is presented in Table 11. A significant simultaneous relationship is also proven between X_1 and X_2 on Y.

The Effect of X_1 on Y

Research findings confirm the magnitude of the calculated t value of variable X_1 of 3.930 alongside a Sig. figure of $0.000 < 0.05$. This situation proves the positive and significant impact of X_1 on Y. In other words, the intensity gain of X_1 is directly proportional to the displacement of Y.

This assessment is in line with Wufon's observations [4] which show the role of the OC cognitive bias in triggering financial decision-making behavior, namely the urge to actively invest, it is often demonstrated by individuals with high confidence, even with minimal experience. The Behavioral Finance Theory framework is able to explain this phenomenon theoretically, where rational calculations do not always underlie investment decisions due to the intervention of psychological aspects such as excessive self-confidence [14]. The ease of collecting financial data instantly in the digital era also underlies the escalation of Generation Z's overconfidence when investing.

The correlation of these results also strengthens previous studies that confirm the positive impact of OC on investment determination among digital platform consumers [15]. The practicality of the access offered by Fintech triggers the illusion of stronger control for young investors, making this phenomenon increasingly inevitable.

The Effect of X_2 on Y

Based on the research findings, the t-value of X_2 was 3.033 with a Sig. of 0.003 < 0.05. Therefore, X_2 has a positive and significant effect on Y. This finding indicates that the higher the level of X_2 , the higher Y.

Muharam [7] emphasizes that the motivation to prevent losses is a crucial determinant in forming investment patterns, especially for novice investors who utilize digital platforms. The characteristics of stock and crypto instruments have high fluctuation values in Fintech services, triggering the emergence of substantial risk sensitivity among Generation Z [16].

The suitability of these findings is also seen in Prospect Theory Kahneman and Tversky's work, which states that the pain of capital loss is felt by humans about twice as much as the satisfaction of a gain of equal value. Availability of transparent portfolio updates and real-time notifications on Fintech applications are allegedly capable of strengthening the impact of LA on Generation Z investors, so that shifts in asset values are responded to more quickly [17].

Simultaneous Effect of X_1 and X_2 on Y

Significant impacts are simultaneously contributed by X_1 and X_2 on Y, as evidenced by the F count of 12.989 and Sig. 0.000 < 0.05. The magnitude of the contribution of the two independent variables in explaining variations in investment determination is represented by the R value Square 0.072 or equivalent to 7.2%.

Even though the percentage of R Square is relatively limited, statistically significant evidence confirms that psychological components such as OC and LA play a crucial role in analyzing Generation Z's transaction behavior. The combination of excessive optimism and concerns over potential losses creates a characteristic financial decision-making characteristic for Generation Z Fintech consumers [18]. The results of this research have strategic implications for Fintech platform developers to formulate investment education modules to encourage more rational decision-making.

CONCLUSION

A series of research findings confirm that a positive and significant influence is partially generated by the variable Over Confidence to Investment Decision of Generation Z Fintech consumers in Garut Regency, based on a t-value of 3.930 and a Sig. 0.000 < 0.05. This condition clarifies that the tendency towards high confidence held by Generation Z investors is directly proportional to their courage in executing investment steps on Fintech applications.

Proof of a positive and significant impact was also partially experienced by the variable Loss Aversion to Investment Decision of Generation Z Fintech users, with a t-statistic of 3.033 and a Sig. 0.003 < 0.05. In other words, Generation Z's perceived sensitivity to the threat of loss significantly leads to a more responsive investment decision-making style when operating Fintech platforms.

Simultaneously, the combination Over Confidence as well as Loss Aversion have a significant impact on Investment Decision of Generation Z Fintech users in Garut Regency, referring to the F score of 12.989 with a Sig. 0.000 < 0.05. Through

the R Square value of 7.2%, empirical evidence is supplied by this study that the psychological aspect is an important determinant in observing the financial behavior of Generation Z in the Fintech era. For future researchers, it is recommended to expand the scope of variables by including financial literacy, social media exposure, and investment experience as control variables.

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