Exploring the Influence of Parental Financial Behavior, Financial Literacy, and Herding Behavior on Investment Behavior Among Generation Z Investors

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Abstrak

Penelitian ini bertujuan untuk menentukan pengaruh perilaku keuangan orang tua, literasi keuangan, dan perilaku ikutan terhadap perilaku investasi investor Generasi Z. Populasi penelitian ini adalah mahasiswa manajemen Universitas Ciputra Surabaya dengan total responden sebanyak 364 orang. Metode pemilihan sampel menggunakan teknik pengambilan sampel *purposive sampling*. Penelitian ini dilakukan dengan menggunakan kuesioner dan menerapkan *Structural Equation Model-Partial Least Square* (SEM-PLS).. Hasil penelitian ini menunjukkan bahwa perilaku keuangan orang tua memiliki efek positif terhadap finansial literasi dan tidak langsung mempengaruhi perilaku investasi investor Generasi Z di kalangan mahasiswa manajemen Universitas Ciputra Surabaya, melainkan memiliki efek tidak langsung melalui Literasi Keuangan mahasiswa. Penelitian ini juga menunjukkan bahwa Perilaku Herding memiliki efek positif terhadap Perilaku Investasi mahasiswa program sarjana manajemen Universitas Ciputra Surabaya.

Kata Kunci: Perilaku Keuangan Orang Tua, Literasi Keuangan, Perilaku Herding, Perilaku Investasi
JEL Code: G40, G53, I31

Abstract

This study aims to determine the influence of parents' financial behavior, financial literacy, and herding behavior on the investment behavior of Generation Z Investors. The population of this study is management students of Universitas Ciputra Surabaya, with a total of 364 respondents. The sample selection method utilized a purposive sampling technique. The study was conducted by questionnaires and using the Structural Equation Model - Partial Least Square (SEM-PLS). This study showed that Parent Financial Behavior has positive effects on Financial Literacy and does not directly affect the Investment Behavior of Generation Z investors in management students of Universitas Ciputra Surabaya but instead has indirect effects on the students' Financial Literacy. This study also shows that Herding Behavior positively affects the Investment Behavior of undergraduate management students of Ciputra University Surabaya.

Keywords: Parents Financial Behavior, Financial Literacy, Herding Behavior, Investment Behavior
JEL Code: G40, G53, I31

INTRODUCTION

In 2022, the global population reached an astounding 7.95 billion, with females comprising 49.7% (3.95 billion) and males 50% (4 billion) of the total (World Bank, 2023). In the contemporary world, fulfilling human needs, from the most necessities to higher aspirations, necessitates money. As (Mankiw, 2021) aptly defines, money is not only a store of value but also an immediate medium for transactions. It encompasses anything employed or accepted as payment for goods, services, or debts, which is pivotal in economic systems. Money is the linchpin that facilitates the exchange of goods and services while drastically reducing the time and effort involved in trade.

The annual growth in the global population underscores an incessant surge in the demands that society must accommodate. This surge and finite land and resource constraints engender an imbalance between supply and demand, propelling market prices skyward. Over the period from 2000 to 2022, the world witnessed an average inflation rate of 3.71%. However, 2022 is a noteworthy exception, recording the highest inflation rate since 2008 at a staggering 8.3%. Meanwhile, Indonesia experienced an annual general inflation rate of 4.2% in 2022 (Worldbank, 2023).

The implications of these inflation trends are unequivocal: to sustain their cost of living, individuals must allocate ever-increasing nominal sums of money each year. In response to this economic reality, contemporary society must cultivate sound financial strategies to endure and diversify income sources. One increasingly favored income source among the public is stock market investment. Data from the Indonesia Central Securities Depository (KSEI) reveals that in 2022, the number of stock market investors surged to 4 million entities, with local individual investors comprising an overwhelming 99.79%. Notably, this figure marked a remarkable 15.96% increase from 2021, with 81.64% of these investors falling under the age of 40, representing a blend of millennials and Generation Z. This surge in interest can be attributed, in part, to the strides in technology and the ubiquitous availability of internet access, both of which have collectively contributed to the burgeoning population of local investors in Indonesia (KSEI, 2022).

The rise of Generation Z (Gen Z), typically born from the mid-1990s to the early 2010s, marks the advent of a new generation of investors. Possessing distinctive attributes, technological acumen, and a solid digital orientation, Gen Z investors are poised to reshape the investment landscape. Financial institutions, policymakers, and educators must understand the complex factors influencing investment choices. This research endeavors to illuminate the intricate connections between parental financial behavior, financial literacy, herding behavior, and the investment behavior made by Gen Z investors.

LITERATURE REVIEW

1. Investment Behavior

Investment behavior, a multifaceted concept in finance, has garnered significant scholarly attention. Montier (2007) defines it as the choices and actions undertaken by individuals and institutional investors in response to market opportunities and risks, encompassing the allocation of financial resources. Thaler (2005) underscores the intricate interplay between psychological and economic factors that shape investment behavior, including behavioral biases, emotions, and cognitive processes. Furthermore, herding behavior, characterized by the inclination to emulate the crowd's investment decisions, has been investigated (Devenow & Welch, 1996). This phenomenon has the potential to result in collective market movements, bubbles, and crashes, offering valuable insights into the impact of social dynamics on investment choices. Comprehending investment behavior is imperative for a deeper understanding of the intricacies of financial decision-making and its ramifications for financial markets.

In essence, investment behavior is a complex phenomenon involving many factors and perspectives, making it a prominent subject of study in finance and behavioral economics. Understanding these various dimensions of investment behavior is crucial for individual investors and financial professionals seeking to navigate the intricate landscape of investment decision-making.

2. Parents' Financial Behavior

Parents influence their children's investment attitudes and behaviors, serving as primary financial role models and educators. Before receiving formal financial education, parents influence their children's financial behavior, as demonstrated by the findings (Batty et al., 2015). Parents' financial role modeling is foundational in molding their children's financial attitudes and behaviors, extending to investment choices (Gudmunson et al., 2010; Jorgensen & Savla, 2010). Effective communication about investments within the family context directly affects children's Financial literacy (Bhatia et al., 2021). parents' financial behavior becomes a precursor to the financial literacy levels of their children.

Parents who engage in open and informative discussions about investments are likely to raise children to be knowledgeable about investment options and risk assessment (Hira & Mugenda, 2000; Hastings & Mitchell, 2011). Walstad and Rebeck (2008) emphasize the importance of parents' engagement in financial discussions with their children, noting that conversations about money management, savings, and investment decisions significantly enhance children's financial literacy. Shim et al. (2010) provide evidence that children gain more financial knowledge as young adults if their parents discuss money matters with them. Additionally, parents' investment choices significantly influence their children's investment behavior. Experiences, both positive and negative, in the realm of investments can serve as valuable lessons for children and influence their investment decisions and risk management strategies (Lusardi & Mitchell, 2007).

Over the long term, the investment behavior of parents during their children's upbringing can have enduring consequences on their children's investment choices in adulthood. Responsible investment role modeling can contribute to financial security and prudent investment decisions across generations. Consequently, recognizing the profound influence of parents' financial behavior is essential for developing effective financial education programs and interventions that consider the intergenerational transmission of investment behaviors. Understanding these dynamics provides valuable insights into promoting responsible investment habits and improving financial well-being across generations (Hira & Mugenda, 2000; Hastings & Mitchell, 2011).

H1: Parents' Financial Behavior has a direct effect on Investment Behavior.

H2: Parents' Financial Behavior has a direct effect on Financial Literacy.

3. Financial Literacy

Financial literacy, which refers to the ability to make informed financial choices, is intricately connected to investment behavior. Research conducted by Hung et al. (2009) demonstrates that individuals possessing higher levels of financial literacy tend to participate more actively in investment activities and make well-informed, diversified decisions. Furthermore, financial literacy influences perceived investment risks (Van Rooij et al., 2011). Gender disparities can result in variations in investment behavior, with women often displaying lower levels of financial literacy (Lusardi & Mitchell, 2008). Education plays a pivotal role, with individuals attaining higher levels of education generally exhibiting greater financial literacy, subsequently leading to more effective

investment practices (Behrman et al., 2012). The relationship between financial literacy and investment behavior can be moderated by age and experience, with older and more experienced individuals often making more informed investment decisions (Hastings et al., 2013). Access to financial advice can amplify the impact of financial literacy on investment behavior (Robb & Woodyard, 2011). Promisingly, interventions designed to enhance financial literacy can potentially improve investment behavior, particularly among individuals with initially limited financial knowledge (Fernandes et al., 2014). Moreover, financial literacy may empower individuals to recognize and mitigate behavioral biases in their investment decisions (Calvet et al., 2009). However, it is essential to acknowledge that economic conditions can complicate this relationship, particularly during economic downturns (Guiso & Jappelli, 2013). A comprehensive understanding of these dynamics is pivotal for fostering improved financial outcomes.

H3: Financial Literacy has a direct effect on Investment Behavior.

H4: Financial Literacy mediates the relationship between Parents' Financial Behavior and Investment Behavior

4. Herding Behavior

Herding behavior, the phenomenon where individuals imitate the actions of others in their investment choices, has been extensively studied in finance literature (Devenow & Welch, 1996). It is characterized by a tendency to follow prevailing trends and is often associated with collective market movements. This psychological behavior, driven by the fear of regret, compels investors to conform to the actions of their peers (Lakonishok et al., 1992). Herding behavior carries significant implications, including its contribution to forming market bubbles (Bikhchandani et al., 1992) and its heightened presence in emerging markets (Chang et al., 2000). Additionally, it is closely linked to perceptions of risk (Chiang et al., 2006) and investor sentiment (Baker & Wurgler, 2007), influencing information cascades within financial markets (Bikhchandani et al., 1998). While herding can sometimes be rational in response to information asymmetry (Feng et al., 2009), it may also undermine the benefits of diversification (Hwang & Salmon, 2004). Addressing herding behavior necessitates regulatory interventions, enhancements in market transparency, and investor education (Zhang et al., 2005; Cipriani et al., 2014). Given its impact on market stability, asset pricing, and investment decisions, comprehending these dynamics is imperative for investors, policymakers, and market participants

H5: Herding Behavior has a direct effect on Investment Behavior.

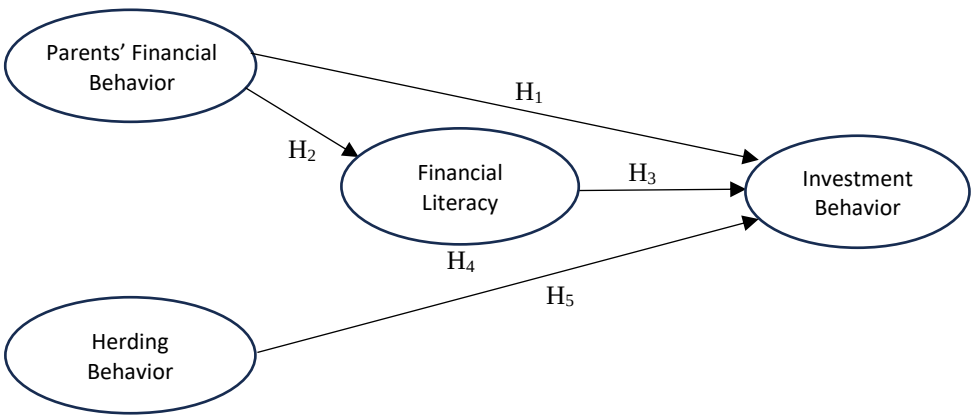

Figure 1. Research Model

RESEARCH METHOD

This research type is quantitative research. This research was conducted at Universitas Ciputra Surabaya and involved active management faculty students. The criteria of the student that was selected in this research is an active investor at the Indonesian Stock Exchange. The research was conducted in April-July 2023.

The population chosen by the researcher for this study comprises Generation Z investors conducting transactions in the Indonesian stock market. Management students from the Universitas Ciputra Surabaya are expected to represent an appropriate subset of Generation Z stock investors for this research. In this study, the researcher employs a purposive sampling technique. Sample determination for this research utilizes the Slovin formula. According to the Slovin formula calculation with a population size of 2,129, the total sample to be used is 336 respondents. The characteristics of the respondents predetermined for this research are as follows:

1. Have previously and are currently investing in the Indonesian stock market.
2. Fall within the age range of 18-24 years, belonging to Generation Z.
3. Hold Indonesian citizenship.
4. Maintain active status as a management student at the Universitas Ciputra Surabaya.

The data on this research are primary data obtained directly from the research subjects through questionnaires. This study uses closed questionnaires with a Likert scale of 1-5, so respondents only answer based on the provided alternative option. The data analysis technique this research applies is Structural Equation Modeling with Partial Least Squares (SEM-PLS). Variables and indicators used in this research are shown in Table 1.

Table 1. Variables and Indicators

Variable	Indicator	Source
Parents' Financial Behavior	My parents keep track of the family's monthly expenses.	Chawla et al. (2022)
	My parents spend money according to the monthly budget.	
	My parents pay the credit card in full and on time every month.	
	My parents save money every month for future needs.	
	My parents regularly invest for long-term financial goals.	
Financial Literacy	I create a daily income and expense budget.	Dewi & Wiagustini (2022)
	I will deposit money in the bank if the interest rate is high.	
	Insurance can be used as savings and investment.	
	I plan to save/invest regularly every month to achieve specific goals.	
	I am interested in investing if it has a high return rate.	
Herding Behavior	The investment decisions of other investors in buying and selling stocks significantly influence my investment behavior.	Dewi & Wiagustini (2022)
	My investment behavior is influenced by the number of stocks other investors buy.	
	The decisions of other investors in observing the trading volume of stocks affect my investment behavior.	
Investment Behavior	I invest most of my savings in the stock market.	Chawla et al. (2022)
	I like to invest my money in various businesses or investments.	
	I regularly invest my savings to obtain additional returns."	

RESULTS

Respondents' Demographic

In this research study, the participants were drawn from the Generation Z cohort of investors. These participants were Indonesian citizens currently enrolled as active students pursuing a degree in management at Universitas Ciputra Surabaya. The total number of respondents involved in this research amounted to 364 Generation Z investors, comprising 36% males and 64% females. The age range of the respondents spanned from 18 to 24 years, with 19 years being the predominant age, accounting for 27.5% of the total. Most respondents were in their sixth semester of academic studies, constituting 35.7% of the sample.

Table 2. Respondent Demographic

Characteristic	*Information*	*Quantity*	*Percentage (%)*
Gender	Male	131	36
	Female	233	64
Age	18	38	10,4
	19	100	27,5
	20	91	25
	21	88	24,2
	22	29	8
	23	16	4,4
	24	2	0,5
Semester	2	94	25,8
	4	206	29,1
	6	230	35,7
	8	34	9,3

Validity Test

Validity evaluation involves two essential aspects: convergent validity and discriminant validity. To gauge convergent validity, we examine factor loading coefficients for each indicator within reflective variables and consider the Average Variance Extracted (AVE) values. An indicator is considered valid when its factor loading surpasses 0.7 and its AVE value exceeds 0.5. Table 3 shows that all variables exhibit factor loading values greater than 0.7, affirming their validity and capacity to capture their respective variables' measurements effectively.

Table 3. Convergent Validity Test Result

Variable	Measurement Item	*Factor Loading*	*AVE*
Parents' Financial Behavior	PFB1	0,774	0,572
	PFB2	0,791	
	PFB3	0,711	
	PFB4	0,733	
	PFB5	0,771	
Financial Literacy	FL1	0,739	0,547
	FL2	0,710	
	FL3	0,717	
	FL4	0,744	
	FL5	0,784	
Herding Behavior	HB1	0.782	0,639
	HB2	0,829	
	HB3	0,786	
Investment Behavior	IB1	0,845	0,654
	IB2	0,831	
	IB3	0,746	

The discriminant validity assessment can be conducted through various methods, including cross-loading and Fornell-Larcker. A latent variable is considered an appropriate reference for the model when its discriminant validity values are higher than those of the variables it is compared to or when its discriminant validity exceeds 0.5. Table 4 illustrates that all latent variables exhibit values surpassing their counterparts or possessing discriminant validity values exceeding 0.5. This affirms the validity of the data in this research.

Table 4. Cross Loading Test Result

Measurement Item	FL	HB	IB	PFB
FL1	0,739	0,228	0,252	0,200
FL2	0,710	0,242	0,204	0,187
FL3	0,717	0,294	0,267	0,231
FL4	0,744	0,291	0,293	0,197
FL5	0,784	0,298	0,296	0,214
HB1	0,317	0,782	0,437	0,372
HB2	0,273	0,829	0,486	0,319
HB3	0,297	0,786	0,464	0,356
IB1	0,305	0,485	0,845	0,240
IB2	0,302	0,526	0,831	0,310
IB4	0,260	0,374	0,746	0,228
PFB1	0,203	0,372	0,277	0,774
PFB2	0,193	0,353	0,274	0,791
PFB3	0,201	0,310	0,196	0,711
PFB4	0,221	0,305	0,198	0,733
PFB5	0,239	0,304	0,267	0,771

Another approach to assess discriminant validity is the Fornell-Larcker method. According to this method, if the square root of the Average Variance Extracted (AVE) for each construct exceeds the correlations between that construct and other constructs in the model, it is considered to exhibit robust discriminant validity or, in other words, is deemed valid. In Table 5, it is apparent that the square root of the AVE for each variable surpasses the correlations with other constructs, unequivocally confirming the achievement of discriminant validity and affirming the data's validity.

Table 5. Fornell Larcker Test Result

Variable	FL	HB	IB	PFB
Financial Literacy	0,739			
Herding Behavior	0,368	0,800		
Investment Behavior	0,359	0,578	0,809	
Parents' Financial Behavior	0,279	0,435	0,324	0,757

Reliability Test

Reliability assessment can be performed through Cronbach's alpha and composite reliability measures. When Cronbach's alpha value surpasses 0.70, it confirms the validity of the research variables. Alternatively, if the composite reliability value exceeds 0.70, it also signifies the validity of the research variables. As presented in Table 6, both Cronbach's alpha and composite reliability values exceed 0.70, establishing the reliability of all variables in this study and rendering them suitable for analysis.

Table 6. Reliability Test Result

Variable	*Cronbach Alpha*	*Composite Reliability*
Parents' Financial Behavior	0,813	0,870
Financial Literacy	0,793	0,858
Herding Behavior	0,718	0,842
Investment Behavior	0,737	0,850

Goodness of Fit Test

The goodness-of-fit test verifies the magnitude of influence exerted by independent variables on the dependent variable. This assessment entails using R-Square for the dependent variable and Q-Square to evaluate the degree of alignment between the model's generated observations and actual data. R-Square values offer insights into the potency of variable influence, with low impact at R-Square 0.19, moderate at 0.33, and high at 0.66, as established by (Chin, 1998). Meanwhile, Q-Square values indicate the model's predictive relevance, exceeding zero (0) to confirm such relevance and falling below zero (0) to suggest otherwise. (Hair et al., 2019), Q-Square values can be categorized as low, nearing 0; moderate, at 0.25; or high, at 0.50.

Table 7 presents the financial literacy and investment behavior variables as dependent variables. The R-Square for the financial literacy variable is 0.078 or 7.8%, signifying a relatively modest impact of parents' financial behavior on financial literacy. In contrast, the R-Square for the investment behavior variable stands at 0.363 or 36.3%, implying a moderate level of influence from parents' financial behavior, financial literacy, and herding behavior. Additionally, the Q-Square value for the financial literacy variable is 0.063 or 6.3%, indicating that parents' financial behavior explains 6.3% of the variability in financial literacy, albeit at a relatively low level. In contrast, the Q-Square value for the investment behavior variable reaches 0.322 or 32.2%, signifying that a substantial portion, precisely 32.2%, of the variation in investment behavior can be elucidated by parents' financial behavior, financial literacy, and herding behavior, a level classified as moderate.

Table 7. R Square & Q Square Result

Variable	R-Square	Q-Square
Financial Literacy	0,089	0,063
Investment Behavior	0,363	0,322

Multicollinearity Test

Table 8 displays the results, revealing that all variables in this study exhibit VIF values exceeding 5. This signifies that all variables in this research are devoid of multicollinearity, ensuring the robustness and unbiased nature of the parameter estimations in the SEM PLS analysis.

Table 8. Multicollinearity Test Result

Variable	*VIF Value*
PFB1	1,675
PFB2	1,782
PFB3	1,526
PFB4	1,567
PFB5	1,583
FL1	1,523
FL2	1,502
FL3	1,397

Variable	*VIF Value*
FL4	1,495
FL5	1,623
HB1	1,400
HB2	1,493
HB3	1,357
IB1	1,612
IB2	1,453
IB3	1,393

Hypothesis Test

The outcomes of hypothesis testing are presented in Table 9, where indicators are assessed using P-Values, Path Coefficients, and F-Square values. A P-value exceeding 0.05 signifies a significant influence of the independent variable on the dependent variable. At the same time, path coefficients more significant than 0 indicate a positive relationship between variables, and values below 0 denote a negative relationship. F-Square values indicate the significance level, with direct relationships categorized as low at 0.02, moderate at 0.075, and high at 0.175. For mediating relationships, they are classified as low at 0.02, moderate at 0.15, and high at 0.35 (Hair et al., 2021; Lachowicz et al., 2018). The following section provides a detailed exposition of the hypothesis testing results:

Table 9. Hypothesis Test Result

Hypothesis	Path Coefficients	P-Value	f Square
PFB → IB	0,066	0,246	0,005
PFB → FL	0,279	0.000	0,085
FL → IB	0,159	0,000	0,034
PFB → FL → IB	0,045	0,006	0,034
HB → IB	0,491	0,000	0,282

The P-value associated with the relationship between parents' financial and investment behavior is 0.246, which exceeds the conventional significance threshold of 0.05. Additionally, there is a positive path coefficient of 0.066. These findings lead to the rejection of the first hypothesis, indicating that parents' financial behavior does not directly influence investment behavior. In essence, this suggests that the investment decisions of Generation Z students at the University of Ciputra Surabaya are not influenced by the financial behavior of their parents. Put differently, the financial conduct of parents, whether good or bad, does not determine the investment behavior or, consequently, the level of investment success among Generation Z investors at this institution. These research findings diverge from a study by Chawla et al. (2022). Several factors could contribute to this disparity, including demographic distinctions between the current and previous studies. These distinctions encompass variations in culture and societal behaviors. Moreover, differences in the investment instruments employed by parents play a role. KSEI (2022) data indicates that Generation Z dominates among Indonesia's 4 million stock investors, with 81.64% of the total investors. This implies differences in investment instruments between Generation Z and their parents, potentially explaining why parental financial behavior lacks influence over Generation Z investor's investment behavior. Furthermore, disparities in parent-child interaction patterns may also be a contributing factor. According to research by Kurniasari et al. (2023), parents should

exhibit positive financial behaviors and engage in open financial discussions with their children to foster their financial skills. The likelihood of less transparent financial discussions between parents and the subjects in this study may elucidate why parental financial behavior does not impact the investment behavior of Generation Z investors.

The P-value associated with parents' financial behavior concerning financial literacy is 0.000, smaller than the significance threshold of 0.05. Additionally, it exhibits a positive path coefficient of 0.279. These results confirm the acceptance of the second hypothesis, indicating a direct and significant impact of parents' financial behavior on financial literacy. This influence is of moderate significance, as evidenced by the F-Square value 0.085. These findings underscore the pivotal role of parents' financial behavior in shaping the financial literacy of Generation Z investors pursuing management studies at Ciputra University in Surabaya. This highlights the importance of cultivating sound financial habits among Generation Z investors to equip the next generation with essential financial knowledge, especially in light of the ongoing inflation trends. Such financial knowledge is critical for improving the quality of life for future generations. Importantly, these research outcomes align with prior studies conducted by Chawla et al. (2022), Shim et al. (2010), Bhatia et al. (2021), Soroukou & Weissbrod (2005), Webley and Nyhus (2006), Danes and Haberman (2007), and Kimiyaghalam & Yap (2017).

The P-value concerning the relationship between financial literacy and investment behavior is 0.000, below the conventional significance threshold of 0.05. Additionally, there is a positive path coefficient of 0.159. These findings confirm the acceptance of the third hypothesis, indicating that financial literacy directly and significantly impacts investment behavior, albeit at a relatively low significance level, as indicated by the F-Square value of 0.034. These results suggest that a high level of financial literacy among Generation Z investors is associated with improved investment behavior and an increased likelihood of achieving favorable investment outcomes. It underscores Generation Z investors' importance in continuously fostering and enhancing their financial literacy through diverse learning methods, courses, and firsthand experiences. The development of financial literacy yields a range of positive effects, including cultivating better financial behaviors and investment practices, ultimately leading to more consistent and robust investment returns. Moreover, a high level of financial literacy is linked to other favorable outcomes, which will be elaborated upon in subsequent hypotheses. Notably, these research findings align with prior studies conducted by Chawla et al. (2022), Hung et al. (2017), Van Rooij et al. (2011), and Al-Tamimi & Kalli (2009).

The P-value for the impact of parents' financial behavior on financial literacy is 0.006, below the standard significance threshold of 0.05. Additionally, there is a positive path coefficient of 0.045. These results affirm the acceptance of the fourth hypothesis, indicating that financial literacy is a mediator in the relationship between parents' financial behavior and investment behavior. However, the significance level for this mediation is relatively low, as evidenced by the F-Square value of 0.034. This mediation effect among the three variables can be described as complete mediation. In specific terms, financial literacy emerges as the variable with a direct and significant relationship with investment behavior. In contrast, parents' financial behavior does not directly influence investment behavior. From these findings, it can be deduced that parents indirectly impact the investment success of Generation Z investors. This underscores the importance of using these findings as a learning opportunity for Generation Z investors to enhance their financial behaviors. This enhancement equips them with a competitive edge in the success of investments for future generations. Moreover, these results underscore the crucial role played by parents as financial role models and educators for their children. Notably, these research findings align with studies conducted by Chawla et al. (2022) and Widyawati (2012).

The P-value associated with the relationship between herding and investment behavior is 0.000, indicating statistical significance as it falls below the conventional threshold of 0.05. Additionally, there is a positive path coefficient of 0.491. These results strongly support the acceptance of the fifth hypothesis, suggesting that herding behavior has a significant and direct impact on investment behavior. Importantly, this relationship exhibits a high level of statistical

significance, as evidenced by the substantial F-Square value of 0.282. These findings indicate that Generation Z investors' degree of herding behavior significantly influences their investment behavior. In this context, herding behavior positively affects Generation Z investors. It aids them in stock selection and analysis and expedites decision-making in stock market transactions. Notably, these research findings are consistent with studies conducted by Tamara et al. (2022) and Yuanzhi (2021).

CONCLUSIONS

Based on the findings of this research, several key conclusions can be drawn as parents' financial behavior does not directly impact the investment behavior of Generation Z investors. In simpler terms, parents' financial habits, whether positive or negative, do not directly affect the investment success of Generation Z investors. However, parents' financial behavior significantly and directly influences the financial literacy of Generation Z investors. This implies that the quality of parents' financial practices positively correlates with Generation Z investors' financial knowledge and literacy levels, and vice versa. Financial literacy, in turn, plays a crucial role in shaping the investment behavior of Generation Z investors. Higher levels of financial literacy are associated with more prudent and informed investment choices, leading to a greater likelihood of successful investments, and conversely. Financial literacy acts as a mediator in the relationship between parents' financial behavior and investment behavior. This suggests that parents' financial conduct indirectly affects investment behavior through its impact on financial literacy. Improvements in parents' financial behavior positively correlate with an increase in the financial literacy of Generation Z investors, subsequently influencing their investment choices. Herding behavior directly and significantly impacts the investment behavior of Generation Z investors. This indicates that the actions of their peers influence the investment decisions of Generation Z investors, and such influence can positively affect the success of their investments.

Based on these research findings, several recommendations can be offered to Generation Z investors, such as enhancing their financial literacy to cultivate more effective investment behaviors and increasing their prospects for successful investments. The research underscores the significance of Generation Z investors adopting sound financial practices. This benefits their financial well-being and equips future generations with improved financial knowledge, setting the stage for better financial futures. It is essential to acknowledge that this research has its limitations. Future studies should contemplate broader research scopes and integrate additional variables not examined in this study, such as economic status, parental income, socio-cultural factors, and the impact of parents' financial behavior on their children's financial behavior.

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