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FINANCIAL LITERACY, FINANCIAL RISK TOLERANCE, AND INVESTMENT AMONG POSTGRADUATE STUDENTS : THE MEDIATING ROLE OF FINANCIAL SELF-EFFICACY

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Abstract

This research was conducted to determine whether financial literacy and risk tolerance influence postgraduate students' investment decisions and to evaluate whether financial self-efficacy can be a bridge between these relationships. The study used a quantitative approach, involving 253 postgraduate students at Jakarta State University who had previously invested or were interested in investing. Information was gathered through surveys and checked with the SEM-PLS method. The results showed how students with better financial understanding tended to be more confident in handling their finances and made better investment decisions. Financial self-efficacy was also shown to play a role in driving investment decisions and acting as a bridge for financial literacy and investment decisions. Meanwhile, risk acceptance didn't give a big impact upon either financial self-eficacy nor investment decisions. In conclusion, the results of this research show that when making investment decisions, financial understanding and trust in their own skills are more influential than mere readiness to face risks. This study indicates that people who are confident in managing their finances are more likely to apply what they know about finance when making investment decisions.

1. INTRODUCTION

Advances in digital technology have brought about substantial shifts in everyday life, like the way people organize and manage their finances. Today, an extensive range of investment alternatives, from shares, bonds, investment funds, to digital assets, can be accessed simply through a mobile phone. This means that investing is no longer limited to a select few but increasingly accessible to all levels of society, including students. While previously synonymous with a complicated and difficult process, now anyone has the opportunity to start investing more easily. However, this convenience needs to be balanced with a sufficient knowledge about financial products, the risks involved, and how to make informed investment decisions.

Postgraduate students are an interesting group to study in this context. They generally have better analytical skills, more diverse financial needs, and broader access to information and technology than undergraduates. However, higher education levels do not necessarily make someone more competent in making investment decisions. Many individuals with higher education still lack a thorough understanding of investing, feel less confident when faced with making choices, or prefer to avoid certain risks. This shows that investment decisions are determined not just by, but similarly by someone's assurance in how they manage individual finances s well as how they perceive any risks involved.

A similar phenomenon is also evident in Indonesia. According to the State Check on financial literacy plus Inclusion conducted by the Financial Services Regulator (OJK), the financial inclusion rate has touched 85.10%, while the financial understanding rate remains at 49.68%. This split shows that getting into money services is not consistently coupled with the public's ability to utilize them appropriately. As a finding, investment decisions are

often based more on emerging trends, the advice of others, or simply following what's popular, rather than on truly informed considerations. Elbanna et al. (2025) explain that this condition not only occurs in Indonesia but is also found in various other countries. Furthermore, Challa et al. (2024) state that the increasingly rapid evolution of fintech has actually made the capacity to manage and understand finances increasingly important.

Several previous studies have attempted to explain the factors influencing investment decisions. Abdullah et al. (2025), for example, studied millennial investors from ten capital market comunities in Indonesia with 228 respondents aged 21–35. The empirical findings indicate that financial literacy and lifestyle positively affect investment decisions. Meanwhile, investor psychology acts as a mediating variable, while consumer behaviour has not been shown to have a direct influence. These findings suggest that investment decisions are driven not solely by a person's understanding but also by psychological factors as well as experience.

This research employs Bandura's Social Cognitive Framework to explain the connection among the variables studied. This model demonstrates that an individual's actions are influenced not exclusively by their knowledge but also by their confidence in their own abilities. In the financial context, confidence in one's abilities is called financial self-efficacy. This concept describes how much a person feels capable of managing their money and making the right financial choices. Therefore, understanding finance alone is not necessarily sufficient if someone is still hesitant to apply it in real-life situations. Ahzab et al. (2023) revealed how financial self-efficacy links financial literacy and students' economic behaviour. Meanwhile, Hussain and Rasheed (2022) explained that risk tolerance is likewise a element affecting investment decisions, especially when market conditions are fluctuating or uncertain. However, most previous research has examined these two factors separately, so the relationship between them has not been widely discussed.

To date, research that discusses financial literacy, risk tolerance, and financial self-efficacy simultaneously is still rare, especially among postgraduate students in Indonesia. Most existing studies have focused on undergraduate students or investors in general. However, postgraduate students have distinct characteristics, requiring a specific study of their investment behaviour. Therefore, this investigation seeks to look at the impact from financial literacy and risk tolerance upon postgraduate students' investment decisions, with financial self-efficacy serving to bridge the variables. In addition towards contributing to the growth of academic literature, this investigation is also anticipated to offer input toward educational institutions and regulators in improving the quality of financial and investment behaviour among the younger generation.

2. LITERATURE REVIEW

2.1 Theoretical Foundation: Social Cognitive Theory (SCT)

Social Cognitive Theory (SCT), introduced by Bandura, explains that human behavior is not shaped solely by internal or environmental factors, but rather by the interaction between these two factors, as well as the individual's own behaviour. Khan et al. (2020) highlight two important concepts within this theory relevant to the research: self-regulation and self-efficacy. Persons with high assurance in their financial capabilities are inclined to be more cautious in making financial decisions, better able to assess risks, and make more informed and planned decisions.

Furthermore, social factors also play a significant role. Yudhistira and Dalimunthe (2025) explain that the development of digital investment platforms and online investor communities has created a new social space, particularly for the younger generation, in shaping investment attitudes and behaviors. Understanding investment isn't solely acquired through lectures or books. In practice, many people learn from everyday experiences, such as exchanging ideas with fellow investors, joining investment communities, or observing others' investment experiences. These processes gradually shape their perspectives and beliefs about investment activities. This view corresponds with Social Cognitive Theory, which explains how the educational process isn't limited to formal educational settings but also develops through social interactions and experiences gained in everyday life. Grounded in this framework, this research utilizes the theory to explain how financial self-efficacy works as an essential link connecting financial literacy plus risk tolerance upon influencing investment decisions among postgraduate students.

2.2 Investment Decisions

Investment decisions are essentially a person's choice in determining the placement of their funds. However, the process is not as simple as selecting the desired investment instrument. Before making a decision, a person generally considers various aspects, from the potential profit potential, the potential risks, to financial information that is sometimes incomplete or difficult to understand (Karumuri et al., 2025). In behavioral finance studies, investment decisions are also not always based on a completely rational thought process. Factors such as overconfidence, environmental influences, and various forms of bias in thinking can influence the final choice (Shunmugasundaram & Sinha, 2024). Therefore, investment decisions are not solely determined by logical analysis.

In this process, financial literacy is a crucial factor because it helps an individual understand the relationship between risk and potential returns, set investment goals, and evaluate various available investment alternatives (Adil & Ansari, 2022). Then again, risk tolerance indicates how much someone wants to take the likelihood on loss when investing. This difference in risk tolerance levels then influences a person's tendency to choose investment instruments, both high-risk and more conservative ones (Hussain & Rasheed, 2022).

Then again, financial self-confidence relates to someone's assurance in how they capacity to handle and execute financial choices. A person may understand the concept of investment diversification well, but may not be bold enough to implement it if they lack suficient confidence in making such decisions (Ahzab et al., 2023). Therefore, investment decisions can be understood as the finding from the interaction among financial understanding, risk tolerance, and financial self-confidence, which collectively influence an individual's investment behavior.

2.3 Financial Self-efficacy

Financial self-confidence shows a person's conviction in how they manage their finances. This confidence extends beyond simple matters like budgeting or managing expenses, but also encompasses the ability to evaluate various investment decisions, understand market information, and make financial decisions when there are no definitive or easy answers (Napu & Syaifuddin, 2025). Hou and Kankham (2025) explain that financial self-efficacy will be understood as a person's trust in how they capacity to evaluate various monetary options and face financial challenges while remaining focused on long-term goals.

This concept stems from the self-efficacy theory proposed by Bandura (1991). According to this theory, self-confidence is someone's conviction in how they manage to do the required moves for attain their goals. In the monetary framework, people with superior financial self-confidence not only understand what needs to be done but also believe they can do it. They are typically more consistent in financial planning, more disciplined in managing expenses, and better able to cope with financial stress or problems that arise.

Research by Ahzab et al. (2023) shows how financial self-efficacy serves to link connecting financial literacy plus financial administration practices for college students. In other words, having good financial literacy doesn't necessarily mean someone can manage their finances well if it isn't accompanied by the confidence to apply that knowledge in their daily lives.

Furthermore, Ramadianto and Vivi (2025) indicated that persons with elevated financial self-confidence are inclined to be more capable of managing bias in financial decision-making. They don't panic easily when faced with changing market conditions, are less easily influenced by the decisions of others, and are typically more rational in establishing their financial choices.

2.4 Financial Risk Tolerance

Financial risk tolerance describes the degree to which someone remains willing to endure uncertainties when investing. In other words, risk preference indicates the degree to which an individual is prepared to face the possibility that investment returns may not meet expectations, and may even finding in losses (Karumuri et al., 2025). The level of risk tolerance varies from individual to individual. According to Kwak and Grable (2024), some people remain comfortable despite fluctuations in investment value, while others prefer to avoid risky situations. Based on these differences, investors are generally grouped into three groups: cautious investors, neutral investors, and risk-seeking traders (Hou & Kankham, 2025).

A person's risk tolerance is shaped by various factors, not simply by an event. Owusu and Addo Yobo (2020) explain that age, income level, investment experience, educational background, and confidence in an individual's capacity to handle finances are some of key factors which can influence an individual risk tolerance. In practice, people with an elevated risk tolerance are typically strongly attracted toward investment instruments with the potential for greater returns, such as stocks or other growth assets. Conversely, those with a low risk tolerance tend to choose instruments perceived as safer, such as deposits, bonds, or more conservative investment products (Hussain & Rasheed, 2022).

Furthermore, risk tolerance is also related to how a person handles volatile market conditions. Investors who are more comfortable with risk are generally less likely to panic when the market experiences a downturn. They tend to be calmer and able to consider investment decisions more rationaly even during volatile market conditions (Ramadianto et al., 2025).

2.5 Financial Literacy

Financial understanding is a person's capacity for comprehend various elements of finance and apply them to daily decision-making. Financial literacy is not limited to knowing financial terms or theories, but also includes the ability to understand risks, choose investment instruments that suit your neds, and make financial decisions that are beneficial in the long term (Karumuri et al., 2025). Napu and Syaifuddin (2025) explain how financial understanding also encompasses a person's capacity to comprehend, evaluate, as well as communicate their own economic situation. This ability serves a vital role in fostering self-assurance in managing finances and maintaining a healthy financial situation.

According to Ingale and Paluri (2022), financial literacy will be understood like the capacity for apply money understanding to handle one's assets more efficiently. In today's digital era, this capability is becoming increasingly important as individuals are required to understand various technology-based monetary services and products, such such as investment applications, digital wallets, along with online securities trading platforms (Kumar et al., 2023).

Various research shows that people with better financial literacy usually better understand investment risks, interpret market information more accurately, and be wiser in constructing and managing their investment portfolios (Saleem et al., 2020). Furthermore, financial literacy is also known for be closely related to financial self-efficacy.

People with a good financial understanding look generally surer in making financial decisions because they feel they have sufficient knowledge to handle various financial situations. This condition can ultimately encourage better and more planned investment behavior (Kartawinata et al., 2021).

2.6 Hypothesis Development

H1: Financial literacy positively affects investment decisions.
H2: Financial risk tolerance positively affects investment decisions.
H3: Financial self-efficacy positively affects investment decisions.
H4: Financial literacy positively affects financial self-efficacy.
H5: Financial risk tolerance positively affects financial self-efficacy.
H6: Financial self-efficacy mediates the relationship between financial literacy and investment decisions.
H7: Financial self-efficacy mediates the relationship between financial risk tolerance and investment decisions.

3. RESEARCH METHODOLOGY

3.1 Research Design

This research goes with a quantitative approach and an explanatory design. The quantitative approach was picked since this project wants to analyze any causal links between money understanding, risk tolerance, personal self-efficacy, and investment decisions. Therefore, measurable data that can be analyzed statistically is required. Meanwhile, an explanatory design is meant to show how the variables link up directly or indirectly studied, thus allowing for hypothesis testing from the info gathered from people.

3.2 Population and Sample

The population in this project looked at postgraduate learners at Jakarta State University who had investment experience or at least an interest in investment activities. The respondent criteria included students who were still actively studying, at least 21 years old, had a basic understanding of investment products, and were willing to participate in the research voluntarily.

We used purposive sampling here, which basically picks samples using a few set rules that fit what the study needs (Sugiyono, 2022). This technique was chosen because not all postgraduate students have experience or an interest in investment. Based on the sampling process, 253 respondents fit the rules and joined this project.

3.3 Data Sources and Data Collection Techniques

Our study used primary and secondary data. Primary data was gathered from a questionnaire that used a Likert scale. This project used a survey for the primary tool for data collection. This questionnaire contained several statements related to financial literacy, financial risk tolerance, financial self-efficacy, and investment decisions. Each respondent was then asked for provide an assessment of each statement. In addition to utilizing primary data obtained from the questionnaire, this project also utilized various extra data sources to help out, including scientific articles, reference books, financial institution reports, and various official publications relevant to the research topic (Ghozali, 2020).

The info gathering process for this project took place between January and March 2026. To obtain people who fit what we need, a survey was distributed online through various digital platforms. The study tools were built from specific markers used in previous research, providing a clear theoretical basis. In addition to relying on data obtained from the questionnaire, this research was also strengthened by documentation studies and a review of various relevant literature as supporting research.

3.4 Research Procedure

This research was conducted in stages through a series of interrelated processes. The initial stage began with developing a research design, which included identifying the problem to be studied, developing a conceptual framework, reviewing relevant references, and formulating research hypotheses. The researcher then prepared a study tools using a basic survey structured on specific markers for every single variable. The survey was then sent out to respondents who met the established criteria to obtain research data. The info we got was then sorted out to match what the study wants. The findings of this analysis were then used to test the hypotheses and provide answers to the research questions formulated initially.

3.5 Data Analysis Technique

Data analysis for this project was done with the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method. The total respondents involved, 253 people, was deemed sufficient for the analysis process because it met the minimum sample size rules generally used in the application of SEM-PLS and various other multivariate analysis techniques. Using SEM-PLS was chosen since it lets us quickly test relationships among variables, both directly plus indirectly through mediating variables. Therefore, this method is considered apropriate for analyzing the links between financial literacy, financial risk tolerance, financial self-efficacy, and investment decisions.

Our analysis process went carried out in stages. The first stage meant validity and reliability checks to make sure each indicator accurately and consistently measured the research factors. This was followed by an outer model evaluation to assess the quality of the measurement model used. Next, an inner model check looks done for determine how the variables connect here. The last part was testing hypotheses to check the influence from financial literacy

plus financial risk tolerance upon investment decisions, both directly and via financial self-efficacy to bridge the variables. The findings of all these tests are used to answer the research objectives and to determine whether the research model that has been prepared is in accordance with the data obtained.

4. FINDING AND DISCUSSION

4.1 Finding

This part shows the findings from the data check obtained in the project. The talk starts with the respondent profile, followed by the findings of the basic model testing plus structural analysis for examine any relationships between these variables studied.

Respondent Profile

The people's profile in this project is shown from three characteristics: gender, age, and investment experience. The presentation of the respondent profile aims to give a quick look at the characteristics on the participants joining the project.

Table 1. Respondent Characteristics

Characteristics	Dominant	Percentage (%)
Gender	Female	58,5
Age	30–39 years old	37,9
Investment Experience	1–3 years	39,9

Source : Data Processed by Researchers (2026)

From Table 1, most of the people in this study were female, at 58.5%. Looking at age group, the biggest share of the people stayed within the 30–39 age bracket, at 37.9%. This finding is quite reasonable considering this study was conducted on postgraduate students, who are generally in this age group. Meanwhile, speaking of investment experience, most of the respondents had 1–3 years in investment experience, at 39.9%. This indicates that most of the respondents are still in the early stages of their investment activities, but have sufficient experience to provide relevant information and assessments on the research topic.

Measurement Model Evaluation

The basic model check looks done to see the extent to which each construct represents the concept being measured validly and consistently. Convergentvalidity tests were done with the AVE score, plus internal consistency check was conducted with the composite reliability score.

Table 2. Reliability and Convergent Validity

Variable	Cronbach's Alpha	Composite Reliability	AVE	Description
Financial Literacy	0.91	0.93	0.73	Valid and Reliable
Financial Self-Efficacy	0.91	0.93	0.73	Valid and Reliable
Financial Risk Tolerance	0.92	0.94	0.75	Valid and Reliable
Investment Decisions	0.91	0.93	0.73	Valid and Reliable

Source : Data Processed by Researchers (2026)

Looking at the results in Table 2, all indicators have outer loading scores past 0.70. These findings indicate that each indicator clearly shows the construct being measured. Furthermore, the internal scores for every single variable look also above 0.70, thus showing that the research instrument shows solid consistency overall.

The AVE values for all constructs also hit the needed mark, namely above 0.50. Thus, convergent validity here is solid. All in all, the scores from other measurement model testing show that all constructs have adequate validity and reliability, so they're good to go into the next part of structural checks.

Heterotrait Monotrait Ratio (HTMT)

Discriminant validity testing was done via the Heterotrait-Monotrait Ratio (HTMT) method. This test is to make sure every factor within the study model shows unique traits plus can be clearly separated from other factors here. According to Hair et al. (2021), an HTMT value below 0.90 indicates that validity is checked out. The findings of the HTMT test here look shown from Table 3.

Table 3. Discriminant Validity Test

Variables	Financial Literacy	Financial Risk Tolerance	Financial Self-Efficacy	Investment Decisions
Financial Literacy	-			
Financial Risk Tolerance	0.76	-		
Financial Self-Efficacy	0.96	0.75	-	
Investment Decisions	0.95	0.76	0.97	-

Source : Data Processed by Researchers (2026)

Looking at the findings from Table 3, three construct pairs got HTMT values above the recommended limit of 0.90: the relationship for financial literacy plus financial self-efficacy (0.96), financial literacy and investment

decisions (0.95), and financial self-efficacy and investment decisions (0.97). These relatively high values indicate a fairly strong relationship between the constructs. However, this is understandable, given that the three concepts are theoretically closely related. Meanwhile, all relationships involving the financial risk tolerance variable remained within the acceptable range. Besides the HTMT test, validity was also evaluated with the Fornell-Larcker criteria. Our test findings indicated that all constructs hit the needed mark. Considering the HTMT and Fornell-Larcker findings together, this research model is deemed good to go into the next part of checks.

Fornell Larcker

As a complement to the HTMT test, this study also took the Fornell-Larcker rules to check the validity from the research model. According to Hair et al. (2021), a construct counts as hitting the Fornell-Larcker mark when its square root of Average Variance Extracted (AVE) is greater than its correlation with other constructs in the model. The findings of the Fornell-Larcker check here looks clear in Table 4.

Table 4. Fornell-Larcker

Konstruk	Financial Risk Tolerance	Financial Self-Efficacy	Investment Decisions	Financial Literacy
Financial Risk Tolerance	0.87			
Financial Self-Efficacy	-0.69	0.86		
Investment Decisions	-0.70	0.88	0.85	
Financial Literacy	-0.70	0.88	0.87	0.86

Source : Data Processed by Researchers (2026)

Looking at Table 4, the square root of the AVE value for every factor indicates adequate findings. The financial risk tolerance variable has a value of 0.87, financial self-efficacy 0.86, investment decisions 0.85, and financial literacy 0.86. In general, these values beat the link numbers between the rest of the setup, so meeting the required Fornell-Larcker criteria. Although there are several relatively high correlations between constructs, the overall findings still indicate that each variable has an acceptable level of discriminant validity. Thus, each construct in this study can be adequately distinguished from the others.

F-square

The F-square (f^2) test is conducted to measure the extent how much outside variables change inside variables here. The f^2 score provides information regarding the share of each part in showing the final result under study. Referring to the criteria given by Hair et al. (2021), an f^2 value of 0.02 indicates some small effect, a value of 0.15 indicates a moderate effect, and a value of 0.35 indicates a large efect. Our results from the F-square (f^2) test here is shown in Table 5.

Table 5. F-Square

Konstruk	Financial Risk Tolerance	Financial Self-Efficacy	Investment Decisions	Financial Literacy
Financial Risk Tolerance	-	0.05	0.03	-
Financial Self-Efficacy	-	-	0.31	-
Investment Decisions	-	-	-	-
Financial Literacy	-	1.36	0.16	-

Source : Data Processed by Researchers (2026)

From the results in Table 5, money risk tolerance has a relatively small f^2 value on both financial self-efficacy and investment decisions. The f^2 value for financial self-efficacy is 0.05, while the f^2 score for investment decisions is 0.03. Both values stay within the small influence bracket. Conversely, financial self-efficacy shows a moderate influence on investment decisions, with an f^2 value at 0.31. Financial literacy also has a moderate influence on investment decisions, with an f^2 value of 0.16. However, the effect of finacial literacy on financial self-efficacy is much greater, with an f^2 value of 1.36. This score beats the limit for the large influence category, indicating how financial literacy plays a very strong part in building financial self-efficacy among the respondents in this study.

Path Coefficient

Analisis path coefficient dilakukan untuk melihat hubungan langsung antarvariabel dalam model penelitian. Signifikansi hubungan tersebut dinilai berdasarkan tiga indikator yang diperoleh dari proses bootstrapping, yaitu nilai path coefficient, t-statistic, dan p-value. A relationship is considered significant if it has a p-value less than 0.05 and a t-statistic greater than 1.96. The findings from the path coefficient check here look shown on the next chart.

Table 6. Path Coefficient

Hypothesis	Relationship	Original Sample (β)	T Statistics	P Values	Finding
H1	Financial Literacy → Investment Decisions	0.36	2.97	0.00	Supported
H2	Financial Risk Tolerance → Investment Decisions	-0.10	1.86	0.06	Rejected

H3	Financial Self-Efficacy → Investment Decisions	0.50	4.10	0.00	Supported
H4	Financial Literacy → Financial Self-Efficacy	0.77	10.00	0.00	Supported
H5	Financial Risk Tolerance → Financial Self-Efficacy	-0.15	1.91	0.06	Rejected

Source : Data Processed by Researchers (2026)

Looking at the hypothesis testing findings from Table 6, financial literacy was shown to bring a good and significant effect on investment decisions ($\beta = 0.36$; $p < 0.05$) and financial self-efficacy ($\beta = 0.77$; $p < 0.05$). Therefore, hypotheses H1 plus H4 were accepted. Financial self-efficacy also showed a good and significant effect on investment decisions ($\beta = 0.50$; $p < 0.05$), so hypothesis H3 was accepted. Conversely, financial risk tolerance did not show a significant effect on investment decisions ($\beta = -0.10$; $p > 0.05$) or financial self-efficacy ($\beta = -0.15$; $p > 0.05$). Therefore, hypotheses H2 and H5 were rejected. These findings indicate that financial literacy and financial self-efficacy plays a more dominant part in changing investment decisions. Meanwhile, financial risk tolerance did not show a big impact in this research model.

Structural Model Evaluation

Coefficient of Determination (R^2)

The strength of the structural model to show endogenous factors is checked using the coefficient of determination (R^2). According to Hair et al. (2021), the higher the R^2 score, the more the outside factors can show the shifts in the endogenous factors. The findings of the R^2 test looks presented in the following box.

Table 7. Coefficient of Determination (R^2)

Endogenous Variables	R-Square
Financial Self-Efficacy	0.78
Investment Decisions	0.82

Source : Data Processed by Researchers (2026)

Based on the findings in Table 7, the R^2 score obtained indicates good explanatory power of the model. The financial self-efficacy variable has an R^2 score of 0.78, meaning how 78% of the shifts in money self-efficacy can come from the factors contained in the research model. Previous findings indicated that financial literacy is the factor with the largest contribution to this variable. Meanwhile, investment decisions have an R^2 value of 0.82. These findings indicate that 82% of the shifts in investment decisions can come from the variables of financial literacy, financial risk tolerance, and financial self-efficacy. Overall, the R^2 value obtained shows how the study setup shows solid power to show the links among the studied variables.

Mediation Analysis

Mediation check was done to see how financial self-efficacy in mediating the links among the independent variables and investment decisions. This test was conducted by examining the indirect impacts of financial literacy plus financial risk tolerance upon investment decisions through financial self-efficacy. The indirect influence value came obtained through SEM-PLS analysis and used to determine whether or not there was a mediation effect in the research model.

Table 8. Mediation Analysis

Mediation Relationship	T-Statistic	P-Value	Description
Financial Risk Tolerance → Financial Self-Efficacy → Investment Decisions	1.60	0.11	Rejected
Financial Literacy → Financial Self-Efficacy → Investment Decisions	4.36	0.00	Accepted

Source : Data Processed by Researchers (2026)

Looking at the findings from Table 8, two indirect pathways were tested in this study. The pathway of impact between financial risk tolerance plus investment decisions through financial self-efficacy did not show significant findings, as indicated by a t-statistic less than 1.96 and a p-value greater than 0.05. This finding indicates how financial self-efficacy didn't mediate the links among financial risk tolerance plus investment decisions. Conversely, this influence from financial literacy upon investment decisions through financial self-efficacy showed significant results. The findings are evident from the t-statistic score score past 1.96 and the p-value under 0.05. This shows that financial self-efficacy acts as a link between financial literacy plus investment decisions. Thus, financial literacy not only directly influences investment decisions, but also increases a person's confidence in handling their finances, that ultimately contributes to better investment decisions.

4.2 Discussion

The Influence of Financial Literacy on Investment Decisions

Looking at study findings, financial literacy has proven to bring a good and big impact upon investment decisions. Students with more financial literacy are usually more capable of reading investment-related information, weigh potential profits and potential risks, and then make more informed investment decisions. These results match

up with the work from Abdullah et al. (2025), Adil and Ansari (2022), and Swiecka et al. (2020), who also reported a similar relationship. These findings indicate that financial literacy is an important skill for postgraduate students, especially amidst growing public interest in investment activities.

The Influence of Financial Risk Tolerance on Investment Decisions

On the other hand, our results show how financial risk tolerance didn't have a significant influence on investment decisions. This shows that a person's willingness to face risks isn't a primary factor in detemining investment decisions, especially among all respondents in this study. This shows how students' investment decisions are more influenced by their knowledge about money things plus trust in handling their money than by their willingness to take risks. Furthermore, the negative coefficient value further demonstrates that risk tolerance is not the most important factor in this research model. These findings differ from those of Hussain and Rasheed (2022) and Mardikaningsih and Darmawan (2023), which reported a significant influence. This difference in findings is is probably linked to the different traits of the respondents, thus how risk tolerance works in influencing investment decisions may also differ across groups.

The Effect of Financial Self-Efficacy on Investment Decisions

The results of this project indicate how financial self-efficacy has a positive and significant effect upon investment decisions. In other words, the greater someone's trust in how they handle their finances, the better their investment decisions will be. These findings align with Bandura's (1991) perspective, which explains that individuals who are sure of themselves usually look better prepared to face various challenges, are less easily swayed in uncertain situations, and are more confident in making choices. In investment activities, this confidence helps individuals develop strategies, adapt to changing market conditions, and stick to their investment plans. These findings also support the research of Ramadianto and Vivi (2025) and Lutfi (2024), which showed a similar links.

The Effect of Financial Literacy on Financial Self-Efficacy

The results from this project also show how financial literacy has a very strong good influence upon financial self-efficacy. The strength from the relationship looks clear from the path coefficient score of 0.77 with an f^2 value of 1.36. These findings indicate how the more a person knows about money and different financial instruments, the more they trust themselves for managing their finances and making decisions related to financial aspects. In other words, when someone understands how financial products work, recognizes investment risks, and has a good knowledge of financial management, they will feel more confident when having to make financial decisions. Knowledge about investments, risk diversification, and the ability to understand financial information can help individuals feel more prepared to face various financial decisions. This finding aligns with research by Kartawinata et al. (2021) and Ahzab et al. (2023), which demonstrated that financial literacy plays a big part in shaping financial self-efficacy. Our findings further strengthen the relationship between these two variables, particularly among postgraduate students.

The Influence of Financial Risk Tolerance on Financial Self-Efficacy

Based on the research results, financial risk tolerance was not proven to influence financial self-efficacy. These results also support previous research findings showing that a person's comfort with risk does not always influence their investment decisions. This means that even if someone feels comfortable facing financial risk, this does not necessarily make them more confident in managing their finances. For postgraduate students, financial self-confidence actually develops more from their understanding and experience in managing their daily finances, rather than from their willingness to take risks. Thus, a person's willingness to face risks and trust in how they handle their money are two different things. The scores from our project show how financial self-efficacy is more changed by financial literacy and understanding than by risk tolerance.

The Mediating Effect of Financial Self-Efficacy

The analysis shows that financial self-efficacy acts as a mediating variable in the relationship between financial literacy and investment decisions. This finding suggests that financial literacy not only directly influences investment decisions but also exerts an indirect influence through increased financial self-efficacy. In other words, the better students' financial literacy, the greater their trust in handling their money. This increased assurance then leads to better investment decisions. These findings indicate that financial education not only plays a role in increasing knowledge but also helps build individuals' confidence in facing various financial decisions. Therefore, financial self-efficacy is a crucial part bridging the relationship between financial literacy and investment decisions. This result is backed by our findings from the mediation test, which showed a significant indirect effect in the research model.

5. CONCLUSION

Our project aimed for examine the influence of financial literacy and financial risk tolerance on investment decisions among postgraduate learners, as well as how financial self-efficacy as a mediating variable in this links. The findings showed that not all variables had the same influence on investment decisions.

Financial literacy was shown to bring a good and big impact on both investment decisions and financial self-efficacy. Learners with more levels for financial literacy tended to have higher confidence for handling their finances, and this confidence contributed to better investment decisions. Furthermore, financial self-efficacy was also shown

to have a positive and significant impact on investment decisions. These findings suggest that the influence of financial literacy on investment decisions occurs not only directly but also through increased financial self-efficacy.

Conversely, financial risk tolerance did not show a big impact upon investment decisions or financial self-efficacy. These findings indicate that among postgraduate students, financial understanding and trust in how they handle their money play a greater role than their willingness to face financial risks. This condition may be influenced by the characteristics of respondents who already have investment experience and sufficient access to financial information, thus tending to rely on more rational considerations when making investment decisions.

From a theoretical perspective, our project adds to the development of Social Cognitive Theory, particularly in explaining how financial self-efficacy. The findings indicate how financial self-efficacy is a link between financial literacy and investment decisions. In other words, a person's financial literacy can be more easily applied in investment decisions when supported by confidence for handling their finances. In real-world terms, the results from this project suggest how financial literacy improvement programs for students should not only focus on providing material or knowledge. Financial literacy is best developed not only through classroom learning but also through real-life practice. When students have the chance to apply what they have learned, they become more confident in managing their finances. This confidence can make it easier for them to make well-informed financial and investment decisions.

Several limitations should be considered when interpreting the findings of this study. Because the participants came from only one university, the results may not reflect the experiences of students in other institutions or broader populations. Another limitation is the use of a cross-sectional design, which provides only a snapshot of the variables at one point in time. This means that changes in financial self-efficacy and risk tolerance could not be tracked over time. Future studies could strengthen the evidence by involving participants from different universities and regions, as well as using a longitudinal approach to better understand how these variables influence one another over an extended period.

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