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Socialization and Psychological Determinants of Financial Confidence Among Jakarta Stock Investors

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ABSTRACT

Financial confidence represents a critical determinant in investment decision-making among stock market participants. This study examines the influence of financial socialization and psychological characteristics on financial confidence among stock investors in Jakarta, mediated by digital financial literacy and financial behavior. A quantitative research approach was employed, utilizing SmartPLS 3 software for data analysis through Partial Least Squares Structural Equation Modeling. The sample comprised 50 active stock investors residing in Jakarta, with data collected through structured questionnaires using five-point Likert scales. The analysis revealed four principal findings. First, financial socialization does not significantly influence digital financial literacy ($p = 0.200$), contradicting conventional socialization theory expectations. Second, psychological characteristics exert a strong positive influence on digital financial literacy ($\beta = 0.902$, $p < 0.001$). Third, digital financial literacy significantly affects financial behavior ($\beta = 0.732$, $p < 0.001$). Fourth, financial behavior strongly influences financial confidence ($\beta = 0.799$, $p < 0.001$). These findings suggest that intrinsic psychological factors serve as more powerful drivers of financial confidence development than external social learning processes among equity investors. The research contributes theoretical insights regarding financial confidence formation in emerging markets and provides practical implications for financial institutions, regulators, and investors. The study recommends that investor education programs prioritize psychological skill development and experiential learning rather than conventional information dissemination approaches.

Keywords: *Digital Financial Literacy, Financial Behavior, Financial Confidence, Psychological Characteristics, Stock Investors*

INTRODUCTION

The contemporary digital era has transformed the stock market into an increasingly attractive investment instrument for the general public (Pant & Pant, 2025). Investment decision-making among investors is influenced not only by economic factors and market information but also by social and psychological factors that shape their financial confidence (Sachdeva & Lehal, 2023). According to the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan, OJK*) and the Association of Mutual Funds and Investment Managers of Indonesia (Asosiasi Pelaku Reksa Dana dan Investasi Indonesia, APRDI), investment interest among younger generations has reached notably high levels in 2024 (Putri, 2025). This phenomenon is evidenced by research conducted on university students and demographic analysis of the Indonesian capital market, which reveals that investors aged 30 years and below comprise 53 percent of total market participants, while this proportion increases to 80 percent when including investors up to 40 years of age (Putri, 2025).

Financial confidence represents a fundamental psychological construct that significantly influences investment behavior and decision-making processes. The role of financial literacy in shaping economic behavior has been increasingly recognized in entrepreneurial contexts, with research demonstrating that enhanced financial knowledge directly influences performance outcomes and decision-making quality (Setiawati et al., 2025). In the context of stock market participation, financial confidence reflects an investor's belief in their ability to manage financial resources effectively and make sound investment decisions (Pant & Pant, 2025; Rehman et al., 2025). This confidence is not formed in isolation but develops through complex interactions between social learning processes and individual psychological characteristics (Sawitri & Candraningrat, 2025). Understanding the mechanisms through which these factors influence financial confidence has become increasingly important as financial markets grow more accessible to retail investors, particularly in emerging economies such as Indonesia where market participation has expanded rapidly in recent years.

The formation of financial confidence among investors occurs through various channels, with financial socialization serving as a primary mechanism. Legenzova and Lecké (2025) believe that financial socialization encompasses the processes through which individuals acquire knowledge, skills, attitudes, and behaviors related to financial management and investment activities. This socialization occurs through multiple agents, including family members, educational institutions, peer groups, media exposure, and professional financial advisors. In the digital age, these traditional socialization channels have been supplemented by online communities, social media platforms, and digital financial education resources, creating a more complex socialization environment that shapes investor attitudes and confidence (Awad et al., 2025). Recent studies have

highlighted the importance of digital adoption in financial decision-making, showing that technology acceptance significantly influences user behavior and confidence in utilizing modern financial tools (Firdausi & Antonio, 2025). Psychological characteristics constitute another critical dimension that influences financial confidence among stock market investors. Individual differences in personality traits, risk tolerance, cognitive biases, emotional regulation, and self-efficacy significantly affect how investors perceive financial risks, process market information, and ultimately develop confidence in their investment capabilities. Research in consumer behavior has established that psychological factors such as brand trust and perceived value serve as critical mediators between information exposure and behavioral intentions, suggesting similar mechanisms may operate in investment contexts (Aribtha & Salim, 2025). The interplay between these psychological factors and external socialization influences creates unique patterns of financial confidence that vary substantially across individual investors, even when exposed to similar market conditions and information environments.

Previous empirical research has examined various aspects of financial confidence and its determinants, though findings remain somewhat fragmented across different contexts. Chen et al (2020) investigated the relationship between financial socialization and financial capability among young adults, finding that parental financial socialization significantly predicted financial knowledge and confidence in financial decision-making. Their study highlighted the importance of early financial education in shaping long-term financial attitudes and behaviors. Similarly, Serido et al (2010) examined the role of parental financial socialization in the development of financial behaviors and confidence among college students, demonstrating that both direct parental teaching and observational learning contributed to financial self-efficacy and confidence. These studies underscore the foundational role of socialization processes in developing financial confidence, though most research has focused on general populations rather than specifically examining stock market investors.

Research specifically addressing psychological characteristics and investment confidence has revealed important insights into individual differences among market participants. Hoffmann and Post (2017) explored how personality traits and emotional biases affect investor confidence and trading behavior, finding that overconfidence and dispositional optimism significantly influenced investment decisions and portfolio performance. Their findings suggest that psychological characteristics not only shape confidence levels but also moderate the relationship between confidence and investment outcomes. Furthermore, Aren and Zengin (2016) investigated the influence of financial literacy and risk perception on investment choices in the Turkish stock market, demonstrating that psychological factors such as risk tolerance and financial self-efficacy mediated the relationship between financial knowledge and investment confidence. However, these studies have predominantly been conducted in developed market contexts, leaving

questions about how these relationships manifest in emerging markets with different institutional environments and investor demographics.

Despite the growing body of literature on financial confidence and its determinants, several research gaps remain unaddressed. First, most existing studies have examined financial socialization and psychological characteristics as separate predictors of financial outcomes, with limited research investigating their interactive or combined effects on financial confidence specifically among active stock market investors. Second, the majority of empirical evidence originates from developed market contexts in North America and Europe, with relatively limited research conducted in Southeast Asian emerging markets where investor demographics, market structures, and socialization patterns may differ substantially. Third, while previous research has identified various predictors of general financial confidence, fewer studies have specifically examined confidence among equity investors, who face distinct challenges related to market volatility, information asymmetry, and complex decision-making environments. This study addresses these gaps by examining the simultaneous influence of financial socialization and psychological characteristics on financial confidence among stock investors in Jakarta, representing one of Southeast Asia's most rapidly growing capital markets.

The primary objective of this research is to analyze the influence of financial socialization and psychological characteristics on financial confidence among stock investors in Jakarta. Specifically, this study seeks to determine the extent to which financial socialization practices and individual psychological characteristics independently and jointly predict financial confidence levels among active equity investors. The research contributes to existing literature by providing empirical evidence from an emerging market context, offering insights into how socialization and psychological factors operate in a rapidly developing financial market characterized by increasing retail investor participation. Furthermore, this study holds practical significance for financial institutions, securities firms, capital market regulators, and individual investors by identifying specific factors that could be targeted through financial education programs and investor development initiatives to enhance financial confidence and potentially improve investment outcomes. The findings may inform the design of more effective financial literacy programs tailored to the psychological profiles and socialization experiences of emerging market investors, ultimately contributing to more sustainable capital market development.

LITERATURE REVIEW

Financial Socialization and Digital Financial Literacy

Financial socialization refers to the conscious or unconscious learning process through which individuals acquire knowledge, skills, attitudes, and

behaviors related to financial matters. This learning occurs through observation, practice, and direct instruction from primary socialization agents such as parents, educational institutions, and the broader social environment as individuals mature into adulthood (Goyal et al., 2023). The socialization process plays a fundamental role in shaping financial understanding and capabilities across the lifespan. Previous empirical research has established that financial socialization exerts a positive influence on the formation of financial literacy, as exposure to financial concepts and discussions encourages the development of knowledge, comprehension, experience, and interest in financial domains (Goyal et al., 2023). Through repeated exposure to financial information and practices within their social environment, individuals gradually internalize financial norms and develop competencies that enable them to navigate increasingly complex financial landscapes.

H1: Financial socialization has a positive influence on digital financial literacy.

Psychological Characteristics and Digital Financial Literacy

Prior research has demonstrated that information obtained and cognitive processes triggered by parental financial guidance can significantly affect an individual's psychological state. Specifically, such information and experiences facilitate the development of positive attitudes toward financial literacy as well as foster financially responsible behaviors and self-confidence (Nurkholik, 2025). Psychological characteristics encompass various dimensions including behavioral and cognitive patterns, self-control capabilities, influences from family and peer groups, as well as economic, community, and institutional factors that collectively shape financial habits and overall financial well-being (Tomar et al., 2021). Psychological characteristics represent psychological attributes that motivate individuals to cultivate curiosity and engage in learning activities. Empirical evidence from previous studies has confirmed that psychological characteristics exert a positive and significant influence on the formation of financial literacy (Goyal et al., 2023). When individuals possess favorable psychological attributes, they are better positioned to develop positive attitudes throughout the financial literacy development process and demonstrate greater financial responsibility and confidence (Nurkholik, 2025).

H2: Psychological characteristics have a positive influence on digital financial literacy.

Digital Financial Literacy and Financial Behavior

Financial literacy constitutes a form of education concerning knowledge and understanding within the financial domain, aimed at enabling individuals to develop appropriate perspectives, knowledge, and comprehension regarding financial matters (Chiapa et al., 2015). Digital financial literacy specifically seeks to

empower individuals, communities, and organizations by providing them with the understanding, knowledge, and skills necessary to conduct financial activities within digital contexts (Abdallah et al., 2025). The emergence of digital technologies has fundamentally transformed how individuals access financial services, process financial information, and execute financial transactions, necessitating an expanded conception of financial literacy that encompasses digital competencies. Previous research findings have identified a correlation between digital financial literacy and financial behavior, suggesting that enhanced digital financial capabilities translate into improved financial decision-making and management practices in digitally mediated environments.

H3: Digital financial literacy has a positive influence on financial behavior.

Financial Behavior and Financial Confidence

Financial behavior encompasses actions related to financial decision-making processes and the assumption of responsibilities in financial activities and contexts (Hidayat & Paramita, 2022). Theoretical perspectives in this domain posit that possessing appropriate attitudes and understanding regarding financial matters represents a critical determinant of financial behavioral outcomes, which can lead individuals toward either success or failure in their financial endeavors (Huyasin & Waskito, 2025; Rahayu et al., 2022). Previous research has characterized financial behavior as any human conduct associated with financial management activities, typically encompassing money management practices, saving behaviors, and borrowing decisions (Abdallah et al., 2025). The quality of financial behaviors directly influences the accumulation of financial resources, the management of financial risks, and ultimately the achievement of financial objectives.

Financial confidence refers to financial self-efficacy or perceived financial capability (Chen et al., 2020). Self-efficacy represents an individual's belief or confidence in their ability to successfully accomplish tasks within specific situations. Consequently, financial confidence in this research context denotes an individual's belief regarding their financial condition and capabilities. Empirical research has demonstrated that financial confidence can motivate the desire to engage in financial negotiations and undertake financial commitments (Ran et al., 2021). As individuals develop stronger financial behaviors through consistent financial management practices, they accumulate positive experiences and feedback that reinforce their belief in their financial capabilities, thereby strengthening their overall financial confidence.

H4: Financial behavior has a positive influence on financial confidence.

RESEARCH METHODOLOGY

This study examines how financial socialization and psychological characteristics serve as determinants of digital financial literacy, the influence of digital financial literacy on financial behavior formation, and the relationship between financial behavior and financial confidence among stock investors in Jakarta. The research focuses on investors who reside in Jakarta to understand the formation processes underlying their financial behavior and financial confidence. The target population for questionnaire distribution comprises individuals residing in Jakarta who currently invest, own, or have previously owned shares in companies listed on the stock exchange.

This research employs a quantitative descriptive design (Boudah, 2011; Creswell & Creswell, 2023). Descriptive research represents a research type aimed at describing the function or meaning of the object under investigation. This study conducts a quantitative survey that collects numerical data obtained from responses using Likert scales or multiple-choice questions regarding indicators that define constructs or variables included in the research model. Data obtained from the survey were subsequently processed and analyzed using SmartPLS 3 software.

The research utilizes cross-sectional data collected directly by researchers through surveys, constituting primary data obtained directly from sources, specifically stock investors residing in Jakarta. The survey was conducted using Google Forms to facilitate the data collection process. Respondent criteria for this study include males and females who have previously engaged or are currently engaged in stock investment activities and reside in the Jakarta area. The target sample collected through this survey comprised 40 respondents.

This research employs five variables consisting of two independent variables, namely financial socialization and psychological characteristics, and three dependent variables including digital financial literacy, financial behavior, and financial confidence. Each variable comprises several indicator questions completed by respondents using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). For quantitative research utilizing SmartPLS 3 as the data analysis tool, the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach was employed to test relationships among variables. According to (Hair et al., 2022) this technique is appropriate for research with exploratory models. The data analysis method involves collecting samples using the Hair formula and processing them using SmartPLS 3, after which data are presented and analyzed in combination with theory and field observations. A sample is defined as elements or individuals from a population, and selected individuals must adequately represent the entire population. The operational variables utilized in this research are presented in Table 1.

Table 1 Operational Variables

Construct	Indicators	Scale
Financial Socialization (FS)	FS1: My parents taught me about the importance of saving and investing. FS2: My parents showed me the risks of debt and how to make appropriate and wise decisions in using money. FS3: I learn and receive information related to finance and investment from friends or colleagues. FS4: I learn and receive information related to finance and investment from my residential environment. FS5: I obtain financial and investment insights from books, seminars, and educational institutions.	Likert scale 1 (strongly disagree) to 5 (strongly agree)
Psychological Characteristics (PC)	<i>Attitude Towards Money</i> PC1: In my opinion, wealth symbolizes success. PC2: In my opinion, money enables us to gain respect in social activities. <i>Financial Self-Efficacy</i> PC3: I know how to achieve my financial goals. PC4: I am confident in my financial management abilities for the future. <i>Financial Risk Tolerance</i> PC5: I understand how to invest. PC6: In my opinion, regarding investment, security is more important than profit. <i>Internal Locus of Control</i> PC7: I feel capable of solving many problems effectively. PC8: In my opinion, my future is determined by my own actions. <i>Procrastination</i> PC9: I do not postpone tasks that can impact my well-being and productivity. PC10: In my opinion, my life would be better if everything were completed on time.	Likert scale 1 (strongly disagree) to 5 (strongly agree)
Digital Financial Literacy (DFL)	<i>Financial Knowledge</i> DFL1: In my opinion, in investment, higher risk yields higher returns. DFL2: In my opinion, if inflation increases, the cost of living will also increase. <i>Digital Knowledge</i> DFL3: I know about mobile banking. DFL4: I know that bank accounts and investment accounts can be created digitally. <i>Practical Know-How</i> DFL5: I understand how to create accounts on digital financial service platforms.	Likert scale 1 (strongly disagree) to 5 (strongly agree)

Construct	Indicators	Scale
	DFL6: I understand how to conduct transactions using digital payment applications. Awareness DFL7: I know where to seek financial information and guidance when facing problems. DFL8: I am aware of the risks of legal and illegal online loans. Decision-Making DFL9: I manage my funds well for daily expenses. DFL10: I am capable of determining appropriate and effective investment choices. Self-Protection DFL11: I can understand the terms and conditions of digital financial services. DFL12: I can detect fraud and deception related to digital financial services.	
Financial Behavior (FB)	Saving Behavior FB1: I prefer to invest money rather than purchase items for pleasure. FB2: I prepare savings for the future. FB3: I am skilled at managing spending budgets. Short-Term Behavior FB4: I compare assets being traded. FB5: When I intend to invest, I will purchase in large quantities. FB6: When investment asset prices decline, I will prioritize immediate purchase. Long-Term Planning FB7: I have established a financial plan for 1-2 years ahead. FB8: I actively ensure that expenses do not exceed the budget for 1-2 years ahead. FB9: Preparing funds for 1-2 years ahead makes me feel more secure.	Likert scale 1 (strongly disagree) to 5 (strongly agree)
Financial Confidence (FC)	FC1: I am very confident in my financial planning for the future. FC2: I am confident that I will lead a prosperous life in the future. FC3: I am confident that my current actions will shape and transform my future.	Likert scale 1 (strongly disagree) to 5 (strongly agree)

Source: Researcher's Database (2025)

RESULT AND DISCUSSION

This section presents the characteristics of respondents based on several aspects including gender, age, educational attainment, domicile, income, and stock investment experience. A total of 50 respondents who are stock investors residing

in Jakarta participated in this study. The distribution and collection of questionnaire data were conducted in February 2025. Data analysis in this research utilized SmartPLS 3 software, followed by evaluation of both the measurement model and structural model. The purpose of evaluating the measurement model is to assess the validity and reliability of the question indicators in the research, while the structural model evaluation aims to analyze relationships occurring among variables in the study. The following presents the results of validity and reliability tests on the 50 collected respondents, processed using SmartPLS 3 software. The subsequent table displays the initial loading factors, representing results before dropping indicators marked in red (less than 0.700), and the final loading factors after performing the dropping (elimination) of red-marked indicators.

Table 2. Validity and Reliability Test Results

Construct	Indicator	Indicator Status	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)	Construct Reliability
Financial Socialization (FS)	FS1	Valid	0.835	0.879	0.592	Reliable
	FS2	Valid				
	FS3	Valid				
	FS4	Valid				
	FS5	Valid				
Psychological Characteristic (PC)	PC1	Invalid	0.899	0.922	0.664	Reliable
	PC2	Invalid				
	PC3	Valid				
	PC4	Valid				
	PC5	Valid				
	PC6	Invalid				
	PC7	Valid				
	PC8	Valid				
	PC9	Valid				
	PC10	Invalid				
Digital Financial Literacy (DFL)	DFL1	Invalid	0.940	0.950	0.680	Reliable
	DFL2	Valid				
	DFL3	Invalid				
	DFL4	Valid				
	DFL5	Valid				
	DFL6	Invalid				
	DFL7	Valid				
	DFL8	Valid				
	DFL9	Valid				
	DFL10	Valid				
	DFL11	Valid				
	DFL12	Valid				

Construct	Indicator	Indicator Status	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)	Construct Reliability
Financial Behavior (FB)	FB1	Valid	0.961	0.950	0.680	Reliable
	FB2	Valid				
	FB3	Valid				
	FB4	Valid				
	FB5	Valid				
	FB6	Valid				
	FB7	Valid				
	FB8	Valid				
	FB9	Valid				
Financial Confidence (FC)	FC1	Valid	0.869	0.919	0.794	Reliable
	FC2	Valid				
	FC3	Valid				

Source: Researcher's Analysis (2025)

Based on the data presented above, the financial socialization variable demonstrates good reliability with a Cronbach's Alpha of 0.835 and Composite Reliability of 0.879. The Average Variance Extracted value of 0.592 indicates that this construct possesses adequate convergent validity. All indicators were retained with final loading factor values ranging from 0.707 to 0.802. The psychological characteristics variable exhibits high reliability with a Cronbach's Alpha of 0.899 and Composite Reliability of 0.922. However, several indicators (PC1, PC2, PC6, and PC10) were eliminated due to low initial loading factor values. Following the elimination of these indicators, the AVE value reached 0.664, demonstrating adequate convergent validity. The digital financial literacy variable demonstrates very high reliability with a Cronbach's Alpha of 0.940 and Composite Reliability of 0.950. Several indicators (DFL1, DFL3, and DFL6) were eliminated due to low loading factor values. After elimination, the AVE value of 0.680 indicates good convergent validity.

Based on Table 2, the financial behavior variable exhibits very strong reliability with a Cronbach's Alpha of 0.961 and Composite Reliability of 0.950. All indicators possess loading factors above 0.800, indicating that this construct contributes strongly to its variable. The AVE value of 0.680 demonstrates good convergent validity. Subsequently, the financial confidence variable demonstrates high reliability with a Cronbach's Alpha of 0.869 and Composite Reliability of 0.919. All indicators were retained in the final analysis with loading factors above 0.870, and an AVE value of 0.794 indicating very good convergent validity. Overall, the analysis results demonstrate that all constructs possess high reliability, with Composite Reliability values exceeding 0.800. Although several indicators

exhibited low loading factors, they were eliminated to enhance construct validity. Consequently, this model possesses good measurement quality for further analysis.

The analysis revealed that the relationship between financial socialization and digital financial literacy is not significant. This finding indicates that the influence of social environments such as family or friends in enhancing digital financial literacy among stock investors in Jakarta is not particularly strong or sufficiently convincing in this research. Moreover, the Original Sample coefficient shows a negative value (-0.165), suggesting that increases in financial socialization are actually correlated with decreases in digital financial literacy, and the p-value exceeds 0.05, rendering this relationship statistically insignificant. This research result differs from previous research by (Goyal et al., 2023), which revealed a positive influence between social environment and digital financial literacy. The researchers' analysis of these data processing results suggests that digital financial literacy requires understanding of financial concepts, technology, and personal risk management. Each individual possesses different levels of understanding and skills, which are more influenced by personal interest and experience rather than social environment, as social environment does not guarantee deep understanding.

The Original Sample coefficient for the relationship between psychological characteristics and digital financial literacy is positive (0.902) with a p-value of 0.000, indicating that psychological characteristics exert a positive and highly significant influence on digital financial literacy. The coefficient value of 0.902 demonstrates a strong positive relationship, meaning that better psychological characteristics of an individual (such as self-confidence, motivation, or financial mindset) correspond to higher digital financial literacy. Consequently, this indicates that stock investors who possess better psychological characteristics tend to have superior digital financial understanding. These data processing results align with previous research by (Goyal et al., 2023).

The analysis revealed that digital financial literacy exerts a positive and significant influence on financial behavior, with an Original Sample coefficient of 0.732 and a p-value of 0.000. The positive coefficient value of 0.732 indicates that higher levels of digital financial literacy correspond to better financial behavior, such as improved methods and actions in managing stock investments, savings, and expenditures. These data processing results align with previous research by Abdallah et al (2024), which stated that digital financial literacy correlates positively with financial behavior. Based on the data processing results, the relationship between these variables demonstrates an Original Sample coefficient of 0.799 and a p-value of 0.000. The coefficient value of 0.799 indicates a very strong positive relationship between these two variables. Therefore, it can be stated that better financial behavior corresponds to higher levels of confidence in financial decision-making, including in the context of investing in the stock market. The data processing results in this research align with previous research by (Chen et al.,

2020) which stated that financial behavior is positively related to financial confidence.

The findings of this study present both confirmatory and contradictory evidence relative to the existing body of literature on financial confidence determinants. The significant positive relationship between psychological characteristics and digital financial literacy (coefficient = 0.902, $p < 0.001$) strongly corroborates the theoretical framework proposed by Nurkholik (2025) and empirical findings from Goyal et al (2023), who emphasized the foundational role of psychological attributes in shaping financial understanding and capabilities. This robust relationship suggests that among Jakarta's stock investors, intrinsic psychological factors such as financial self-efficacy, internal locus of control, and disciplined behavior patterns serve as more powerful drivers of digital financial literacy than previously recognized in emerging market contexts. The strength of this relationship potentially reflects the unique characteristics of active equity investors, who self-select into stock market participation partly based on their psychological predisposition toward financial engagement and learning. Furthermore, the findings extend existing research by demonstrating that the psychological pathway to financial literacy operates effectively even in rapidly digitizing financial environments, where traditional financial knowledge must be integrated with technological competencies.

However, the unexpected insignificant and negative relationship between financial socialization and digital financial literacy (coefficient = -0.165, $p > 0.05$) presents a notable departure from established findings in the financial socialization literature. This result contradicts the work of (Chen et al., 2020; Xiao & O'Neill, 2016) who documented significant positive effects of parental and peer financial socialization on financial knowledge and confidence among young adults. Several contextual factors may explain this divergence. First, the specific population of active stock investors in Jakarta may represent a self-selected group whose financial learning has been driven primarily by intrinsic motivation and individual initiative rather than passive socialization from family or social networks. The negative coefficient suggests a potential suppressor effect, wherein investors who rely heavily on social learning may develop less critical, independent financial thinking necessary for navigating complex digital financial platforms and volatile equity markets. Second, the rapid evolution of digital financial technologies in Indonesia may have created a generational knowledge gap, where traditional financial socialization from parents and older family members fails to address the specific competencies required for digital financial literacy. This finding aligns with observations that digital native investors often develop financial capabilities through self-directed online learning, social media communities, and direct market experience rather than through conventional socialization channels.

The strong positive relationships observed between digital financial literacy and financial behavior (coefficient = 0.732, $p < 0.001$), and between financial

behavior and financial confidence (coefficient = 0.799, $p < 0.001$), provide important extensions to previous research. These findings support and extend the work of Abdallah et al (2024) by confirming that digital financial literacy translates effectively into improved financial behaviors specifically within the context of equity investment, not merely general financial management. The magnitude of the relationship between financial behavior and financial confidence exceeds that reported in previous studies (Chen et al., 2020), suggesting that among active stock investors, the feedback loop between behavioral competence and psychological confidence operates with particular intensity. This may reflect the immediate and transparent nature of stock market outcomes, where investment decisions produce clear, measurable results that directly inform investors' confidence assessments. Additionally, these findings contribute to behavioral finance literature by demonstrating that the psychological construct of financial confidence among equity investors is substantially grounded in actual behavioral patterns rather than being merely a reflection of overconfidence or dispositional optimism, as suggested by (Hoffmann & Post, 2017). The research thereby provides evidence for a rational foundation of financial confidence in emerging market contexts, where confidence develops through demonstrated behavioral competence rather than cognitive biases alone.

Collectively, these findings advance understanding of financial confidence formation in several important ways. First, they highlight the primacy of individual psychological characteristics over social learning in developing digital financial capabilities among self-directed investors in emerging markets. Second, they reveal potential limitations of traditional financial socialization approaches in rapidly digitalizing financial environments, suggesting that financial education initiatives should focus on fostering intrinsic motivation and independent learning skills rather than relying solely on conventional knowledge transmission through social networks. Third, they establish a behavioral pathway through which psychological attributes translate into financial confidence, mediated by digital literacy and actualized through concrete financial behaviors. This multi-stage developmental process provides a more nuanced understanding than previous research that examined direct relationships between single predictors and financial confidence outcomes. For practitioners and policymakers, these findings suggest that interventions aimed at enhancing investor confidence should prioritize psychological skill development and experiential learning opportunities over passive information dissemination through social channels.

CONCLUSION

Based on data analysis from 50 stock investor respondents in Jakarta using SmartPLS 3 software, this research reveals principal findings regarding the influence of financial socialization and psychological characteristics on financial confidence. The analysis demonstrates that financial socialization does not significantly influence digital financial literacy, while psychological characteristics exert a strong positive influence. These findings suggest that intrinsic psychological factors such as self-confidence, financial self-efficacy, risk tolerance, and internal locus of control serve as more powerful drivers of digital financial literacy development than external social learning processes among equity market participants.

The research establishes sequential relationships among variables, demonstrating that digital financial literacy positively influences financial behavior, which subsequently affects financial confidence formation. These relationships reveal a developmental pathway through which psychological characteristics translate into financial confidence via digital literacy acquisition and behavioral competence demonstration. The strong coefficients observed indicate that investors with superior digital financial understanding exhibit improved investment management practices, and those with disciplined financial behaviors demonstrate greater confidence in their financial capabilities.

This study acknowledges limitations that circumscribe the scope of findings. The sample comprises only 50 respondents from Jakarta, limiting generalizability to broader populations. The research examines specific variables while excluding potentially influential factors such as investment experience duration, regulatory frameworks, and market conditions. Future research should address these limitations through expanded samples, comprehensive variable inclusion, longitudinal designs, and mixed-methods approaches to uncover developmental processes not captured in quantitative surveys.

RECOMMENDATIONS

Based on the research findings, several recommendations are proposed. Individual investors should prioritize developing psychological characteristics and digital financial literacy through self-directed learning rather than relying on passive social learning. Financial institutions should redesign investor programs to emphasize psychological skill building and experiential learning through technology-enabled platforms with simulated environments. Capital market regulators should develop frameworks incorporating psychological dimensions and digital competencies as foundations for sustainable investor confidence, moving beyond traditional information provision approaches.

Future research should expand sample sizes across diverse Indonesian regions and emerging markets for enhanced generalizability. Studies should incorporate additional variables including investment experience, market volatility, and social media influence, preferably through longitudinal designs. The unexpected finding regarding financial socialization warrants qualitative investigation through mixed-methods approaches. Researchers should examine moderating variables such as age cohorts, educational background, and technology adoption patterns to provide refined theoretical models and differentiated intervention strategies.

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