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THE INFLUENCE OF RISK PERCEPTION, FINANCIAL LITERACY, AND OVERCONFIDENCE ON CAPITAL MARKET INVESTMENT INTEREST: EVIDENCE FROM STUDENTS OF ITEBIS PGRI DEWANTARA JOMBANG

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ABSTRACT

This study aims to analyze the influence of risk perception, financial literacy, and overconfidence on investment interest in the capital market. The subjects of this study were students of ITEBIS PGRI Dewantara Jombang, who are prospective young investors. The research method used was quantitative with an associative approach using a sample of 93 respondents. Data were collected by distributing questionnaires to the selected student sample using a purposive sampling technique. The collected data were then analyzed descriptively using multiple linear regression analysis, and classical assumption tests were also conducted consisting of normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. In addition, to test partial relationships, hypothesis testing was conducted consisting of partial t-tests and determinant tests (R²). The results showed that partially, financial literacy and overconfidence have a positive and significant influence on students' investment interest. Conversely, risk perception has a positive but significant influence, where excessively high levels of risk perception tend to reduce students' interest in starting to invest. Together, these three independent variables have a significant influence on students' investment interest in the capital market. These findings underscore the importance of enhancing balanced financial education on campuses, not only to increase literacy and confidence, but also to provide a rational understanding of investment risk management. For the capital markets industry, these results can serve as a reference in developing more effective educational strategies for young academics.

INTRODUCTION

The Indonesian capital market has seen significant growth in recent years, driven by the penetration of digital platforms and advances in information technology that facilitate access to online investment services [9];[5]. This ease of access has lowered barriers to entry for retail investors, resulting in a rapid increase in the number of domestic investors, allowing transactions to be conducted anytime through mobile trading applications. Educational initiatives and public campaigns, such as the "Aku Investor Saham" program launched by the Indonesia Stock Exchange in 2023, have also strengthened the retail investment ecosystem in Indonesia. Investor demographic changes also highlight the dominance of Generation Z as a major contributor to the rise in the number of retail investors in Indonesia. IDX data as of August 2025 indicates that more than half of investors are under 30, while other data indicate a similar percentage of Gen Z dominance

in new SID ownership throughout the year. This condition places students and young age groups as a strategic segment in investment interest studies because they have a long investment horizon and different risk characteristics compared to previous generations.

Investment interest is defined as an individual's tendency or desire to allocate funds to specific financial instruments with the aim of achieving future profits [13]. In the context of students, this interest is reflected in information-seeking activities, readiness to make investment decisions, and intensity of participation in the capital market[19]. Basic knowledge of financial instruments and risk management, which is included in financial literacy, is often a key determinant of whether this interest will translate into rational investment actions[29];[18].

Risk perception plays an important role in shaping investment interest because it reflects how individuals assess potential losses and uncertainty associated with investment instruments, thereby influencing their readiness to take positions in the capital market[7]. A number of studies report that risk perception has a positive effect on investment interest or intentions when investors have adequate financial literacy skills; investors who are able to understand and manage risk tend to be more motivated to invest because they see risk as a controllable part of their investment strategy[13];[29];[18]. These findings indicate that risk perception is not always a barrier, but can be a driver of investment interest if accompanied by risk management knowledge and skills.

The phenomenon of overconfidence as a cognitive bias is of particular concern when examining the investment behavior of Gen Z, particularly students who have extensive access to digital information and theoretical knowledge from lectures. Overconfidence tends to overestimate their analytical and predictive abilities, thus fostering greater confidence in making independent investment decisions. Recent research shows that overconfidence significantly influences investment decisions among Gen Z investors in Indonesia, and financial literacy can strengthen this relationship[15]. Other findings also indicate that overconfidence has a significant positive effect on investment decisions among Generation Z retail investors, indicating that this bias still strongly influences the investment behavior of this younger group[20]. In the context of college students, a recent study on campus also confirmed that overconfidence, along with other behavioral factors, remains associated with investment decisions, although the magnitude of the influence may vary across samples [8].

The impact of overconfidence on students' investment decision-making process is multidimensional. First, overconfidence can reduce the tendency to conduct adequate due diligence; students tend to rely on intuitive judgment or signals from social media without checking sources or conducting systematic fundamental and technical analysis. Second, overconfidence increases tolerance for short-term risk, thus encouraging a preference for high-risk instruments with high-return expectations, especially among young investors just starting out in the capital market. Third, overconfidence has the potential to exacerbate emotional responses to market volatility, as investors may delay strategic corrections during market downturns and remain confident in their personal predictions. This pattern aligns with recent research findings that identify overconfidence as a key psychological factor in the investment decisions of young people [15];[20].

The context of ITEBIS PGRI Dewantara Jombang illustrates a dilemma where academic literacy and easy access to technology can actually strengthen student overconfidence. On campus, many students are becoming interested in investing through fintech applications and information from social media, but this interest is not always accompanied by an adequate understanding of risk. Some students feel they can read market direction solely based on social media trends or stock influencer recommendations, leading to hasty investment decisions without careful consideration. This phenomenon demonstrates that financial literacy, risk perception, and overconfidence interact in shaping students' investment interests.

Based on the gaps in previous research that tend to focus on the general public or the millennial generation, and have not yet examined the simultaneous influence of risk perception, financial literacy, and overconfidence on college students, this study was conducted to fill this gap. Therefore, the research questions are: does risk perception influence student investment interest, does financial literacy influence student investment interest, and does overconfidence influence student investment interest. The purpose of this study is to analyze and prove the influence of risk perception, financial literacy, and overconfidence on student investment interest.

This study contributes to the Behavioral Finance literature by integrating cognitive factors (financial literacy), psychological biases (overconfidence), and risk perception into a single model among college students, providing empirical evidence on how these dimensions simultaneously influence investment intentions in the Generation Z campus context [4];[29]. More specifically, this study extends previous research by not only examining each variable separately but also placing them within a single explanatory framework to better capture the complexity of college students' investment behavior. This is important because college students' investment intentions are rarely shaped by a single factor; rather, they emerge from the interaction between what they know, how they perceive risk, and how confident they are in their judgments. Thus, this study helps clarify whether financial literacy strengthens rational decision-making, whether overconfidence leads to a greater willingness to invest, and whether risk perception acts as a filter that shapes students' readiness to enter the capital market. These findings are expected to enrich the discussion of behavioral finance by showing how rational and psychological elements coexist in the investment decisions of young investors, particularly in a context where digital access, social media influence, and financial education are increasingly intertwined.

Theoretically, this research is expected to contribute to the development of Behavioral Finance theory, particularly in explaining the relationship between risk perception, financial literacy, and overconfidence on investment interest, and serve as a reference for further

research seeking to develop similar models. Practically, this research is expected to provide students or prospective investors with an understanding of the importance of financial literacy and risk perception management to enable them to make rational investment decisions, while also providing input for the capital market in designing more targeted educational and outreach programs for the younger generation.

METHODS

This method uses an explanatory quantitative approach because it aims to examine the influence of risk perception, financial literacy, and overconfidence on investment interest among ITEBIS PGRI Dewantara Jombang students. The quantitative approach was chosen because it allows for objective measurement of variables through numerical data and statistical analysis to test pre-established hypotheses[27];[22]. Thus, this study aims to systematically explain the causal relationships between variables.

The population in this study was all active students of ITEBIS PGRI Dewantara Jombang, totaling 1,295 students from semesters 1-8 majoring in accounting, management, information technology, and digital business, based on PDDikti data from 2026. The research sample was determined using the Slovin formula with a 10% error rate, resulting in a minimum of 93 respondents. The following is the sample calculation using the Slovin formula:

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{1295}{1+1295(0,1)^2}$$

$$n = \frac{1295}{1+1295 (0,01)}$$

$$n = \frac{1295}{1+12,95}$$

$$n = \frac{1295}{13,95}$$

$$n = 92,83$$

The sampling technique used was purposive sampling, which selects respondents based on specific criteria, namely active students of ITEBIS PGRI Dewantara Jombang who have basic knowledge of investment and an interest in investing in the capital market [21];[28]. This technique was chosen to ensure that respondents truly align with the characteristics of the research being studied.

The dependent variable in this research is interest in investing in the capital market, with indicators in the form of behavioral intentions, attitudes towards investment, information search, and readiness to allocate funds [16];[10]. The independent variables consist of risk perception, with indicators of assessing the possibility of loss, uncertainty of investment results, risk tolerance, and perception of instrument security[6] ; financial literacy, with indicators of knowledge of investment products, risk and return concepts, understanding diversification, calculating the value of money, financial management skills, as well as financial attitudes and behavior[14];[17]; and overconfidence, with indicators of having better knowledge, confidence in one's own decisions, feeling able to control the situation, and expectations of profits above average[11]. The following is a table of operational definitions and also measurements of the variables used as follows:

Table 1. Operational Definition and Measurement of Variables

Research Variables	Research Indicators	Question	Measurement Scale
Investment Interest (Y) [10]	Behavioral Intentions	I plan to start investing in the next 6 months.	Skala Likert 1-5
	Attitudes towards Investment	Investing is an effective way to achieve my long-term financial goals.	Skala Likert 1-5
	Information Search	I actively seek information related to investment opportunities through various sources.	Skala Likert 1-5
	Readiness to Allocate Funds	I am ready to set aside a portion of my monthly income for investment purposes.	Skala Likert 1-5
Risk Perception (X1)	Assessment of Possible Losses	Investments have a great potential to cause financial loss to me.	Skala Likert 1-5

[6]	Uncertainty of Investment Results	Investment results are difficult to predict and full of uncertainty.	Skala Likert 1-5
	Risk Tolerance	I am ready to accept price fluctuations in investment activities.	Skala Likert 1-5
	Instrument Security Perception	Investment instruments like stocks are too risky and unsafe for me.	Skala Likert 1-5
Financial Literacy (X2) [17]	Investment Product Knowledge	I understand the differences in risk levels between stocks, mutual funds, bonds, ETFs, crypto, and government securities.	Skala Likert 1-5
	The Concept of Risk and Return	I understand that the higher the investment risk, the higher the expected return.	Skala Likert 1-5
	Understanding Diversification	I understand that diversification can reduce the total risk of my investment portfolio.	Skala Likert 1-5
	Calculation of the Value of Money	I understand the concept of time value of money and the impact of interest and inflation on investments.	Skala Likert 1-5
	Financial Management Skills	I am able to make personal financial planning and budgeting effectively.	Skala Likert 1-5
	Financial Attitudes and Behavior	I have a habit of saving and investing and avoiding unproductive debt.	Skala Likert 1-5
Overconfidence (X3) [11]	Better Knowledge	I feel that my understanding of the capital market is better than other novice investors.	Skala Likert 1-5
	Confidence in Own Decisions	I am very confident in the decision to buy/sell shares that I make myself.	Skala Likert 1-5
	Sense of Control	I believe I can control the movement of my portfolio so that I don't lose.	Skala Likert 1-5
	Expectation of Higher Returns	I am optimistic that my investments will always generate returns above the market average.	Skala Likert 1-5

Source: Data processing, 2026

Research data was collected using a questionnaire structured based on operational indicators of four variables: investment interest, risk perception, financial literacy, and overconfidence. Data were measured using a 1–5 Likert scale to capture respondents' attitudes, perceptions, and behaviors measurably[24]. The questionnaire was distributed online via Google Form to students who met the research criteria, thus reflecting the characteristics of young respondents who are familiar with digital technology [26].

Before the main analysis is carried out, the research instrument is tested first through validity and reliability tests to ensure the accuracy and consistency of the measuring instrument. The validity test is carried out using Pearson correlation, while the reliability test uses Cronbach's Alpha to ensure that each variable can be measured consistently [24];[28]. After that, the data was analyzed using multiple linear regression to test the influence of each independent variable on investment interest. Testing is also equipped with classical assumption tests consisting of normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. Hypothesis testing consists of a partial t test and determinant coefficients so that the analysis results are more accurate and scientifically accountable[24];[28].

RESULTS AND DISCUSSION

RESULTS

Uji Instrument

1. Validity Test

Based on the validity test on 30 respondents, the following results were obtained:

Table 2. Validity Test Results

Variables	R-Count	R- Table	Information
X1.1	0.592	0.361	Valid
X1.2	0.735	0.361	Valid
X1.3	0.728	0.361	Valid
X1.4	0.445	0.361	Valid
X2.1	0.708	0.361	Valid
X2.2	0.639	0.361	Valid
X2.3	0.413	0.361	Valid
X2.4	0.708	0.361	Valid
X2.5	0.486	0.361	Valid
X2.6	0.578	0.361	Valid
X3.1	0.654	0.361	Valid
X3.2	0.498	0.361	Valid
X3.3	0.627	0.361	Valid
X3.4	0.578	0.361	Valid
Y1	0.814	0.361	Valid
Y2	0.807	0.361	Valid
Y3	0.818	0.361	Valid
Y4	0.683	0.361	Valid

Source: SPSS Output, 2026

Based on the test results, it was found that all statement items had a calculated r-value > r-table, so that the Corrected Item–Total Correlation obtained was > 0.361. Therefore, it was concluded that all statement items met the validity criteria and were considered suitable for use as research instruments.

2. Reliability Test

The results of the reliability test on 30 respondents are as follows:

Table 3. Reliability Test Results

Variabels	Cronbach's Alpha Value	Limit Value	Information
X1	0,789	0,60	Reliabel
X2	0,811	0,60	Reliabel
X3	0,794	0,60	Reliabel
Y	0,778	0,60	Reliabel

Source: SPSS Output, 2026

Based on the test results, the variables obtained had a Cronbach's Alpha value > 0.6. Therefore, it can be concluded that all research instruments have met the reliability criteria and are considered consistent when used for research.

Descriptive Analysis

Table 4. Descriptive Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
x1	93	10.00	20.00	15.5591	1.70971
x2	93	17.00	28.00	23.0645	2.10489
x3	93	11.00	19.00	14.8925	1.57744
Y	93	10.00	20.00	15.6129	2.21670
Valid N (listwise)	93				

Source: SPSS Output, 2026

Based on the Descriptive Statistics data in the table above, the analysis of 93 respondents (N=93) shows a fairly diverse distribution of average values (mean) and data variations in each variable. Variable X2 has the highest average value of 23.0645 with an actual value range between 17.00 and 28.00, as well as being the most varied or heterogeneous variable because it has the highest standard deviation of 2.10489. Meanwhile, the dependent variable Y has an average value of 15.6129 (range 10.00–20.00) with a data distribution level (std. deviation) of 2.21670. For variable X1, the average value is recorded at 15.5591 (range 10.00–20.00) with a standard deviation of 1.70971. Finally, variable X3 recorded the lowest average value, namely 14.8925 (range 11.00–19.00) but had the most homogeneous or most consistent data distribution among the other variables, which was indicated by the smallest standard deviation value, namely 1.57744.

Classical Assumption Test

1. Normality Test

Table 5. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		93
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.97598907
Most Extreme Differences	Absolute	.050
	Positive	.050
	Negative	-.048
Test Statistic		.050
Asymp. Sig. (2-tailed) ^c		.200 ^d
Monte Carlo Sig. (2-tailed) ^c	Sig.	.825
	99% Confidence	Lower Bound
	Interval	Upper Bound
		.815
		.834
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: SPSS Output, 2026

Based on the results of the normality test, the p-value is 0.200, which is greater than the significance level of 0.05. Therefore, it can be concluded that the regression model in this study meets the normality assumption.

2. Multicollinearity Test

Table 6. Multicollinearity Test Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.423	2.947		.822	.413		
	x1	.271	.128	.210	2.120	.038	.912	1.096
	x2	.190	.110	.180	1.716	.009	.812	1.232
	x3	.464	.141	.330	3.285	.001	.884	1.131
a. Dependent Variable: y								
Source: SPSS Output, 2026								

Source: SPSS Output, 2026

Based on the results of the multicollinearity test, it was found that there were no symptoms of multicollinearity in the regression model. This is indicated by all independent variables having tolerance values greater than 0.10 and VIF values less than 10.

3. Heteroscedasticity Test

Table 7. Heteroscedasticity Test Results

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.319	1.769		3.006	.003	
	x1	-.071	.077	-.099	-.916	.362	.912
	x2	-.107	.066	-.184	-1.607	.112	.812
	x3	-.015	.085	-.019	-.174	.862	.884
a. Dependent Variable: abs_RES							

Source: SPSS Output, 2026

Based on the results of the heteroscedasticity test using the Glejser method in the table above, the regression model is declared free from heteroscedasticity symptoms (homoscedastic). This is evidenced by the significance value (Sig.) of the three independent variables which are much greater than the significance level of 0.05, namely variable X1 of 0.362, X2 of 0.112, and X3 of 0.862. Since all Sig. values are >0.05, it can be concluded that there is no non-constant residual variance or no systematic relationship pattern between the independent variables and their residuals, so that the classical assumption requirements related to heteroscedasticity have been met.

4. Autocorrelation Test

Table 8. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

1	.453 ^a	.205	.179	2.00902	2.194
a. Predictors: (Constant), x3, x1, x2					
b. Dependent Variable: y					

Source: SPSS Output, 2026

Based on the data above, the autocorrelation test using the Durbin-Watson (DW) method yielded a value of 2.194. This DW value is around 2, which generally indicates that the regression model is free from autocorrelation problems, both positive and negative.

Linear Regression Analysis

Table 9. Linear Regression Analysis Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.423	2.947		.822	.413		
	x1	.271	.128	.210	2.120	.038	.912	1.096
	x2	.190	.110	.180	1.716	.009	.812	1.232
	x3	.464	.141	.330	3.285	.001	.884	1.131
a. Dependent Variable: y								

a. Dependent Variable: y

Source: SPSS Output, 2026

Based on the test results in the table above, the multiple linear regression equation model formed is as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 2,423 + 0,271X_1 + 0,190X_2 + 0,464X_3 + e$$

Interpretation of analysis results:

- The constant 2.423 means that if risk perception, financial literacy, and overconfidence have a value of 0, then investment interest is 2.423.
- The coefficient X1 of 0.271 means that every 1 unit increase in risk perception will increase investment interest by 0.271, assuming other variables remain constant.
- The coefficient X2 of 0.190 means that every 1 unit increase in financial literacy will increase investment interest by 0.190, assuming other variables remain constant.
- The coefficient of X3 is 0.464, meaning that every 1 unit increase in overconfidence will increase investment interest by 0.464, assuming other variables remain constant.

Hypothesis Testing

1. Partial t-test

Table 10. Partial t-Test Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.423	2.947		.822	.413		
	x1	.271	.128	.210	2.120	.038	.912	1.096
	x2	.190	.110	.180	1.716	.009	.812	1.232
	x3	.464	.141	.330	3.285	.001	.884	1.131
a. Dependent Variable: y								

a. Dependent Variable: y

Source: SPSS Output, 2026

The interpretation results are as follows:

- First Hypothesis Testing (H1): The Effect of X1 on Y
 - Analysis Results: Based on the table above, the regression coefficient value (B) of variable X1 is 0.271 with a t-count value of 2.120 and a significance value (Sig.) of 0.038.
 - Conclusion: Since the Sig. value = 0.038 < 0.05, the decision taken is that H1 is accepted. This proves that the variable X1 has a positive and significant partial effect on the variable Y. This means that every increase in the variable X1 will be followed by a significant increase in the variable Y.
- Second Hypothesis Testing (H2): The Effect of X2 on Y

- Analysis Results: Based on the table above, the regression coefficient value (B) of variable X2 is 0.190 with a t-count value of 1.716 and a significance value (Sig.) of 0.009.
 - Conclusion: Because the Sig. value = 0.009 < 0.05, the decision taken is H2 accepted. This proves that variable X2 has a partially positive and significant effect on variable Y. This means that the positive contribution of variable.
- c. Third Hypothesis Testing (H3): The Effect of X3 on Y
- Analysis Results: Based on the table above, the regression coefficient value (B) of variable X3 is 0.464 with a t-count value of 3.285 and a significance value (Sig.) of 0.001.
 - Conclusion: Since the Sig. value = 0.001 < 0.05, the decision taken is that H3 is accepted. This proves that the variable X3 has a positive and significant partial effect on the variable Y. The variable X3 has the strongest level of significance (closest to 0) and the largest t-value, making it the most dominant variable in influencing Y.

2. Determinant Test

Table 11. Determinant Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.453 ^a	.205	.179	2.00902	2.194
a. Predictors: (Constant), x3, x1, x2					
b. Dependent Variable: y					

Source: SPSS Output, 2026

Based on the test results in the table above, the coefficient of determination (R Square) value was obtained at 0.205. This indicates that the variation in the dependent variable (Y) can be explained by the variation in the three independent variables, namely X1, X2, and X3, amounting to 20.5%. Meanwhile, the remaining 79.5% is explained by other factors outside the regression model studied, such as respondent characteristics, environmental conditions, organizational policies, motivation, and other variables that have not been included in the study. Considering that this study uses a multiple linear model, the Adjusted R Square value of 0.179 or 17.9% also confirms that the model's explanatory power is still in the low to moderate category.

DISCUSSION

1. H1: The Influence of Risk Perception on Investment Interest

The findings show that the regression coefficient (B) value of variable X1 is 0.271 with a t-count value of 2.120 and a significance value (Sig.) of 0.038. Since the Sig. = 0.038 < 0.05, the decision taken is that H1 is accepted. This proves that variable X1 has a positive and significant partial effect on variable Y.

This finding offers an interesting perspective because it challenges conventional assumptions in traditional finance, which generally position risk perception as a barrier to entry. Within the paradigms of financial psychology and behavioral finance, risk is not always perceived negatively as merely a threat of financial loss. According to Prospect Theory developed by Kahneman and Tversky, the way individuals perceive risk (the framing process) significantly influences the financial decisions they make. When students have adequate literacy and exposure to information, they tend to frame investment risk positively. They no longer view risk as something to be avoided absolutely, but rather as a cognitive filter and a logical consequence inherent in the potential return (risk-return trade-off).

Students' ability to understand, assess, and consider the risks inherent in these investment instruments is a key driver behind their high investment interest. Students who are able to differentiate between types of risk (such as market risk, liquidity risk, and inflation risk) will behave more rationally and be prepared to face price fluctuations in the capital market. This aligns with the findings of [6], who emphasized that risk perception positively influences investment decisions and interest because young investors from academic backgrounds tend to assess risk rationally, rather than emotionally. The education they receive in college helps them overcome excessive fear (loss aversion) and replace it with measurable mitigation strategies. Furthermore, this study's findings confirm that realistic and well-managed risk perception acts as a self-control tool. Students avoid becoming trapped in the FOMO (Fear of Missing Out) phenomenon or impulsive speculative behavior. This supports the view of [12], who stated that objective risk perception helps individuals make more focused, cautious, and data-driven investment decisions. A mature risk assessment creates a sense of self-efficacy in students to take their first steps in investing, regardless of the limited initial capital they have.

Psychologically, students are in a critical transition phase, moving from simply understanding macrofinancial theory to making practical financial decisions. At this stage, limited investment experience often triggers doubt. However, the availability of extensive digital information and a campus environment that supports financial literacy (such as the IDX Investment Gallery) can transform this perceived risk into a controllable risk. This positive conformity to a financially literate environment is reinforced by the theory of Planned Behavior (Ajzen), where the perception of behavioral control (in this case, the ability to manage risk) directly increases the intensity or interest in engaging in a specific behavior, namely investing.

2. H2: The Influence of Financial Literacy on Investment Interest

From the test results, the regression coefficient (B) value of variable X2 is 0.190 with a t-count value of 1.716 and a significance value (Sig.) of 0.009. Since the Sig. value = 0.009 < 0.05, the decision taken is that H2 is accepted. This proves that variable X2 has a positive and significant partial effect on variable Y.

Theoretically, the strong relationship between knowledge and behavioral intensity can be explained through the Theory of Planned Behavior (TPB) developed by Ajzen. Within the TPB framework, financial literacy acts as a key component in shaping behavioral beliefs, which then trigger attitudes toward behavior and perceived behavioral control. Students who have a deep understanding of investment products, the relationship between risk and return, diversification, and personal financial management will feel in full control of their financial decisions. This adequate knowledge drastically reduces information asymmetry and psychological anxiety in the capital market, thereby transforming theoretical knowledge into behavioral intentions.

This empirical relationship confirms that financial literacy is an absolute foundation that shifts students' paradigm from merely saving (a saving society) to investing (an investment society). With sound literacy, students no longer view the capital market as a speculative or gambling arena, but rather as a logical instrument for long-term wealth accumulation. This aligns with the findings of [17], who stated that a high level of financial literacy significantly increases an individual's capacity to make rational, data-driven investment decisions. Financial knowledge guides students to undertake thorough planning, exhibit emotional patience with price fluctuations, and understand risk calculations before investing capital. Furthermore, sound financial literacy fosters critical evaluation skills in students. They become more adept at comparing various alternative capital market instruments (such as stocks, mutual funds, or bonds) and aligning them with their personal financial goals. This phenomenon supports the argument of [14] found that individuals with good financial literacy tend to be more proactive in utilizing investment instruments as a means of hedging and optimizing long-term assets, rather than simply seeking quick, temporary profits. Financial literacy fosters cognitive self-efficacy, making students feel prepared to bear the consequences of their financial decisions.

In the context of students' characteristics as next-generation investors, an understanding of personal finance management is the key differentiator between apparent interest and real investment readiness. Literate students are generally more disciplined in budgeting, able to set aside funds early (rather than leaving them), and understand the urgency of portfolio diversification to minimize risk. Conversely, low financial literacy is often a major barrier that makes students hesitate and delay investing due to unfounded fears of market mechanisms. Therefore, the results of this study have strategic implications: efforts to increase financial inclusion and investment interest among the younger generation should not only focus on ease of access (such as providing digital investment applications or fintech), but must also be accompanied by structured and substantive financial literacy education. Financial literacy serves as a cognitive bridge that transforms potential interest into intelligent, selective, and responsible economic actions.

3. H3: The Effect of Overconfidence on Investment Interest

This finding shows that the regression coefficient (B) value of variable X3 is 0.464 with a t-value of 3.285 and a significance value (Sig.) of 0.001. Since the Sig. value = 0.001 < 0.05, the decision taken is that H3 is accepted. This proves that variable X3 has a positive and significant partial effect on variable Y.

Theoretically, the dominance of psychological factors confirms fundamental arguments in behavioral finance. In cognitive bias, overconfidence manifests when someone overestimates their personal analytical skills, knowledge, and predictive accuracy far more than objective reality. Students at ITEBIS PGRI Dewantara Jombang are susceptible to this bias because they have been equipped with the basics of financial theory in college and have extensive access to digital information. Exposure to this superficial information and mastery of theory often triggers the illusion of knowledge, where students feel they have a complete understanding of how the capital market works, thus fueling their high confidence in their ability to choose stocks or investment instruments correctly. This overconfidence acts as a powerful psychological stimulant, breaking down initial psychological barriers to investing. Students experiencing overconfidence tend to develop the illusion of control, a false sense of control over investment outcomes and market fluctuations that are actually random. This psychological condition is supported by the findings of [11] who emphasized that overconfidence has a positive linear relationship with the intensity of investment behavior; individuals who have this bias will be much more aggressive and will not hesitate to immediately jump into the capital market because they are not overshadowed by the fear of financial loss.

However, from a behavioral finance perspective, the increase in investment interest driven predominantly by overconfidence carries asymmetric risks. This phenomenon is often reinforced by self-serving bias, where students attribute the success of their initial transactions as evidence of personal analytical prowess, while losses that occur are considered to be external factors or simply market bad luck. As explained in classic research by [4], investors who are infected with overconfidence bias tend to carry out excessive transactions (overtrading) and are very confident in their personal decisions, even though this confidence is not based on adequate accuracy of fundamental or technical analysis. Too much self-confidence has the potential to make students underestimate real risk (underestimating risk) and ignore rational portfolio diversification. If analyzed more comprehensively, these findings show that in the initial phase of introducing capital markets for the younger generation, affective and emotional aspects often become the main driving force (primary driver) which trumps purely rational cognitive considerations. Students who feel superior to other investors will show a passionate intensity of investment interest. Therefore, the results of this research provide very crucial educational policy implications for academic institutions: capital market literacy programs in the campus environment must not only focus on how to generate profits or ease of transactions, but must be balanced with material on investor psychology and strict risk management.

This effort is crucial to ensure that students' strong investment interest isn't solely based on emotional bias, but rather transforms into sound analytical capabilities. A balanced interaction between proportionate self-confidence, an objective understanding of risk, and financial discipline will ultimately produce young investors who are not only active in the capital market but also wise, rational, and oriented toward long-term value investing.

CONCLUSIONS

Based on research on ITEBIS PGRI Dewantara Jombang students, it was found that risk perception, financial literacy, and overconfidence simultaneously have a positive and significant influence on investment interest in the capital market. Partially, well-managed risk perception helps students assess opportunities rationally, while high financial literacy provides a foundation of knowledge for making informed and objective decisions. Interestingly, overconfidence was found to be the most dominant variable in triggering students' investment interest because it was able to overcome initial fears of trying, although this psychological bias still carries the risk of speculative behavior if not balanced with careful analysis.

To optimize this potential, students are advised to continue improving their financial literacy objectively and control their psychological ego to avoid getting caught up in impulsive investment decisions. The ITEBIS PGRI Dewantara Jombang campus is expected to expand its balanced capital market education program, focusing not only on potential returns but also on risk management and behavioral bias control. Meanwhile, for capital market industry players, an interactive digital media-based educational approach is highly recommended to reach the younger generation. Future researchers are advised to explore new variables such as the influence of social media, minimum capital, or financial efficacy to broaden the scope of research.

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