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The Role of Capital Market Literacy in Mediating the Effect of Social Media and Financial Motivation on the Behavior of Young Investors in Indonesia

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Abstract: This study aims to examine the influence of social media and financial motivation on the investment behavior of young investors, with capital market literacy serving as a mediating variable. The research targets young investors aged 18–30 years who are actively engaged in the Indonesian capital market. Employing a quantitative approach, the study collected data through a survey of 218 young investors and analyzed the data using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS 3. The findings reveal that both social media and financial motivation have a positive and significant effect on capital market literacy. Social media also exerts positive influence on investor behavior, while financial motivation does not have a direct effect on investor behavior. Capital market literacy demonstrates the most substantial impact on young investors' behavior and significantly mediates the relationship between social media and financial motivation with investment behavior. These results underscore the critical role of capital market literacy in transforming information and motivation into rational investment actions. This study provides both theoretical and practical contributions toward fostering a more intelligent and sustainable investment ecosystem among Indonesia's young generation.

Keywords: Social Media, Financial Motivation, Investor Behavior, Capital Market Literacy

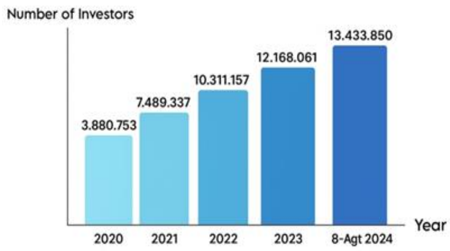
INTRODUCTION

The phenomenon of increasing the number of investors in Indonesia's capital market in recent years has become an important highlight, characterized by a drastic increase in the number of retail investors, especially from among the younger generation. Based on the official report of the Financial Services Authority (OJK), as of August 2024 the number of investors in the Indonesian capital market reached 13.43 million or an increase of 10.4% from the previous year, with the majority of investors aged 30 years old reaching 55.38% of the total investors. This shows that young people increasingly understand the importance of investing in the Capital Market (Financial Services Authority, 2024).

Although Indonesia has the highest number of capital market investors in the ASEAN region, the penetration rate to the total population is still relatively low. By the end of 2024, the proportion of capital market investors in Indonesia is recorded at 5.24% of the total population. This figure is below Singapore's 15.56%, indicating that almost one in every seven

Singaporeans has participated in the capital market (Portrait of Investment in the Capital Market 2025).

Other ASEAN countries also show higher penetration than Indonesia, such as Vietnam (9.26%), Malaysia (8.83%), and Thailand (8.71%). In contrast, the Philippines and Indonesia are at a lower range, with 1.62% and 5.24% respectively. This data shows that there is a considerable disparity in capital market inclusion in the Southeast Asian region. This percentage reflects the level of active participation in formal investment instruments, which generally correlates with the level of financial literacy and ease of access to capital market services (Portrait of Investment in Capital Markets 2025).



Source: https://www.ojk.go.id

Figure 1. Number of Investors in the Indonesian Capital Market

The Figure 1 shows the number of capital market investors in Indonesia from 2020 to 2024. The Indonesian capital market shows a positive growth trend in the number of investors from year to year. The consistent growth in the number of investors every year reflects the increasing financial literacy and awareness of the public, especially the youth. This surge in participation not only reflects the trend of financial digitalization, but also shows how the younger generation is increasingly interested in building their financial future through investment (Otoritas Jasa Keuangan, 2024).

This phenomenon is triggered by the penetration of digital technology and the massive use of social media as a means of obtaining financial and investment information. Platforms such as Youtube, TikTok, Instagram, and Telegram have turned into educational channels and key references for young investors in making financial decisions. (Kuerzinger & Stangor, 2024). Content delivered by financial influencers, known as “finfluencers”, plays an important role in shaping perceptions, risk preferences, and actual investment actions among their audiences.. Research Huang et al (2024) shows that the intensity of digital interaction activities in social media is positively correlated with the intensity of investment activities, although the information conveyed is often unverified or subjective. (Huang et al., 2024).

Social media has become one of the most influential sources of financial information for the younger generation in recent years. The development of platforms such as YouTube and Instagram has created interactive spaces that facilitate discussion, education, and promotion of various investment instruments. Research Thukral et al., (2024) showed that user interactions on these platforms significantly influence how young investors view investment risks and opportunities. Their findings indicate that social media not only provides information, but also shapes optimism bias and speculative tendencies that can substantially influence investment decisions.

Research by Thukral et al (2024) also explained that perceptions formed through social media are often not fully based on fundamental analysis, but rather on subjective opinions, momentary trends and viral popular narratives. This makes social media a powerful but potentially misleading information channel if not matched with an adequate level of capital market literacy. Therefore, while social media may encourage young investors' participation in the capital market, uncritical exposure to online content may increase the risk of irrational decision-making.

In addition to external factors in the form of information exposure, internal drive or psychological motivation also plays a crucial role in shaping an individual's decision to invest.

In the context of the younger generation, financial motivation often arises as a need to achieve economic stability, financial freedom. Younger generations are motivated to invest because of the drive to achieve financial independence, pursue asset growth, and follow a visionary financial lifestyle (Pontoh, 2023).

Study by Ozdemir & Leonardo Sari (2021) identified that young people's financial motivations are not singular, but are formed from a combination of rational and emotional factors. On the one hand, there is a strong desire to create financial security, avoid future economic dependency, and respond to global economic challenges such as inflation and cost-of-living crises. On the other hand, investing is also seen as a form of social achievement, where individuals feel the need to demonstrate their ability to manage their finances independently, including through the purchase of stocks, cryptocurrencies or other digital assets. Ozdemir & Leonardo Sari, (2021) confirmed that such motivation is also influenced by the social environment, both directly through the influence of peers, family and role models, and indirectly through exposure to lifestyles promoted on social media. Younger generations tend to respond quickly to environmental pushes, especially when investments are associated with images of success, time freedom or a modern lifestyle. In this situation, financial motivation is not only an internal driver, but also a reflection of the social values developed within the productive age group.

Financial motivation is a significant internal factor in influencing financial behavior. Previous studies show that financial motivation has a positive effect on investment intention, especially in novice investors who have long-term goals such as financial freedom or economic security. (Pradasari et al., 2022). However, without adequate literacy support, high motivation can lead to impulsive decisions based on partial information from social media.

Along with the massive flow of information circulating on social media, a new challenge arises: how young people filter credible information so that they can make rational investment decisions. This is where capital market literacy comes into play. Here, capital market literacy is very important. Financial literacy is a person's ability to understand and effectively apply various financial skills, including personal financial management, financial planning, investing, debt management, and making wise financial decisions. (Frima et al., 2024). Capital market literacy, which focuses on the ability to understand investment instruments, manage risk, along with critically reading market signals, is a specific subcomponent of financial literacy.

Research by Junaidi & Nurhidayah, (2023) emphasizes that a high level of capital market literacy can serve as a cognitive shield against impulsive decision-making. Investors who have good literacy tend to be more cautious and rational in responding to momentary trends, and are able to distinguish between credible and speculative information. Thus, literacy is not only an indicator of knowledge capacity, but also reflects the level of maturity in investment behavior.

Setyadi et al., (2025) identified that capital market literacy also has a mediating role on the influence of behavioral bias, particularly in the context of exposure to social media. Information disseminated through digital platforms often shapes exaggerated perceptions of potential investment returns without regard to the inherent risks involved. Under such conditions, capital market literacy serves as a cognitive filter that helps investors to stick to rational and data-driven investment principles. Setiadi et al., (2024) also proved that capital market literacy acts as a significant mediating variable between financial motivation and intention to invest, both in novice and experienced investors. This means that high financial motivation will not automatically encourage healthy investment behavior if it is not balanced with a strong understanding of market mechanisms, investment instruments, and possible risks. In other words, capital market literacy is an important bridge that transforms financial motivation into rational, measured, and long-term oriented actions.

Therefore, in the context of this study, capital market literacy is positioned not only as a supporting factor, but as a strategic variable that bridges the influence of social media as an external factor, and financial motivation as an internal factor on the investment behavior of the younger generation. The mediative role of literacy is believed to be able to strengthen the quality of decision-making and increase the resilience of young investors to volatile market dynamics that are often influenced by momentary sentiment. (Pandurugan & Al Shammakhi, 2024).

In the perspective of behavioral finance, cognitive biases such as overconfidence, herd behavior, or loss aversion can be experienced by young investors who have low capital market literacy, which is detrimental to them in the long run. As in previous research that shows the better the investor's understanding of capital market instruments, the higher the investor's involvement in the capital market. (Junaidi & Nurhidayah, 2023). Good literacy can help overcome the overwhelming influence of social media. Furthermore, good literacy can turn motivational drives into more strategic investment actions.

Investor trading behavior is a subset of behavioral finance, which basically explains the biases that may occur when investors make investment decisions. (Junaidi & Nurhidayah, 2023). In the context of capital markets, investor behavior reflects how individuals respond to information, evaluate risk, and deal with market volatility when performing activities such as buying, selling, and holding their investment portfolios. Investors who do not understand risk factors are likely to act speculatively or impulsively, for example, over-trading and going with the flow without sufficient analysis.

In the context of young investors, trading behavior is increasingly influenced by technological advances and social media (Talwar et al., 2021) argues that social media has greatly increased the spread of information, causing investors to make rash decisions with or without thorough verification of relevant information. The primary data here is social media without fact-checking. Therefore, analysis of market behavior is crucial to determine what and how patterns, trends, and potential risks exist in market activity.

Study by Yoga et al., (2025) shows that young investors tend to make investment decisions not based on fundamental analysis or technical indicators, but rather being influenced by emerging trends in the digital space. Investment decisions are often influenced by viral content, recommendations from finfluencers and sentiments formed collectively through discussions on platforms such as TikTok, Instagram and YouTube. This indicates that while the younger generation has extensive access to market information, they do not necessarily have the critical capacity to evaluate the quality of that information.

The investment behavior of the younger generation is strongly influenced by their early experiences in investing Hendarto et al., (2021). First-time success or failure in managing a portfolio will shape long-term perceptions of risk and return. Not only that, the role of socialization agents such as family, peers, or role models in social media has a major contribution in shaping investment beliefs and motivation. This social support serves as a reinforcer of behavioral intentions and at the same time as a source of justification for investment decisions taken.

The Theory of Planned Behavior developed by Ajzen (1991) provides a relevant conceptual framework to understand this phenomenon. This theory explains that a person's behavioral intention is formed from three main components: attitude towards behavior, subjective norms, and perceived control over behavior (Ajzen, 1991). In this context, social media can influence subjective norms and perceived control through intense social information flows, while financial motivation shapes an individual's attitude towards investing.

This study has conceptual and empirical novelty in examining the investment behavior of the younger generation by adding financial motivation variables as one of the internal determinants mediated by capital market literacy. In contrast to previous studies that tend to discuss the relationship between the influence of literacy or social media on investor behavior (Junaidi & Nurhidayah, 2023; Talwar et al., 2021), This study specifically tests that financial motivation which includes the drive to achieve economic stability, financial independence, and social achievement does not always encourage investment behavior directly. Instead, the results found that financial motivation only has a significant impact on investment behavior when mediated by an adequate level of capital market literacy. This finding enriches the scientific discourse because it shows that internal motivation without cognitive skills has the potential to lead to speculative and undirected decisions. (Pontoh, 2023; Da Silva & Yuniningsih, 2022).

The urgency in this research is very clear and in line with the fact of the dominance of young investors in capital market players, various media information that is massively channeled through social media. (Junaidi & Nurhidayah, 2023), This study aims to test whether social media and financial motivation have a significant effect on young investors' behavior with capital market literacy variables as the mediator that bridges their influence significantly. The purpose of this study is to test whether social media and financial motivation have a significant effect on the behavior of young investors with capital market literacy variables as a mediating factor. The benefits of this research are to provide theoretical and practical contributions to the capital market industry, regulators, and the financial education community in understanding the crucial factors in managing a healthy and sustainable investment ecosystem in Indonesia.

METHODS

This research uses quantitative methods with survey methods. The target population of this research consists of individuals domiciled in Indonesia, specifically targeting young people. The target of this study took a sample with the criteria of Investors aged 18-30 years on the basis of Article 1 paragraph 1 of the Youth Law which states "Youth is an Indonesian citizen who enters an important period of growth and development aged 16 (sixteen) to 30 (thirty) years", and in this sample also based on the criteria who have a capital market account and have made entries or transactions in the capital market. Based on these criteria, this study successfully collected data from 218 eligible respondents, namely investors aged 18-30 years and actively owning investment instruments. This study managed to reach respondents from 10 provinces in Indonesia, namely Central Java, West Java, Yogyakarta Special Region, East Java, DKI Jakarta, Banten, Bali, South Kalimantan, Central Kalimantan, and Riau Islands. This broad regional coverage reflects the diversity of respondents' geographical backgrounds, thus strengthening the external validity of the research results and providing a more representative picture of the behavior of young investors in various regions of Indonesia. The data analysis technique used is Structural Equation Modeling - Partial Least Square (SEM-PLS) using SmartPLS 3 software.

RESULTS AND DISCUSSION

Results

Hypothesis

1) The Effect of Social Media on Capital Market Literacy

Intensive use of social media as a source of information, communication tool, and financial education platform has been proven to strengthen capital market literacy among young investors. In addition to providing the latest news and updates on stock price movements, social media also presents a variety of learning content, such as popular articles, educational videos, infographics, and live webinars, so that young investors can more easily access and understand important concepts in the capital market. Empirical study by (Junaidi & Nurhidayah, 2023) shows that high exposure to financial information on social media, both in the form of educational content and interactive discussions in investment forums and groups, has a significant effect on investors' ability to understand investment instruments, conduct market analysis, and evaluate risks better (Junaidi & Nurhidayah, 2023).

Research by Kuerzinger & Stangor, (2024) reinforces this finding, where individuals who actively follow financial education accounts and investor communities on social media show better capital market literacy levels than those who are only passive users (Kuerzinger & Stangor, 2024). The study explains that the frequency of interacting and discussing on social media acts as a key driver in deepening the understanding of investment concepts, updating insights on the latest market news and trends, as well as training the ability to filter and critically analyze information.

For example, popular social media such as Instagram, YouTube and TikTok now provide digital learning spaces in the form of investment education content from capital market experts and practitioners. Not only that, interactive features such as comment and direct message features make it easier for young investors to ask questions and discuss in real-time, thus strengthening their literacy. Other studies have even reported that the existence of investment communities on social media encourages peer-to-peer learning and motivates investors to put their knowledge into practice more often. (Talwar et al., 2021). With this growing trend, social media is transforming into a more democratic and accessible investment learning ecosystem, where the younger generation can develop capital market literacy in a sustainable manner (Rachmat Riski et al., 2024). Thus, the hypothesis that social media has a positive and significant effect on capital market literacy is empirically supported and has a strong theoretical foundation.

H1: Social Media has a positive effect on the level of Capital Market Literacy.

2) Effect of Financial Motivation on Capital Market Literacy

Financial motivation, as an individual's internal drive to achieve future financial stability, security and prosperity, clearly spurs young investors to deepen their capital market literacy in order to make more informed and rational investment decisions. The stronger one's financial motivation, the greater their desire to seek, learn, and master basic investment concepts, analyze financial instruments, and understand risks and opportunities in the capital market.. Study results (Pandurugan & Al Shammakhi, 2024) shows that the desire to achieve financial goals is significantly associated with increased financial literacy and investment literacy, as they are more proactive and diligent in exploring market information sources and keeping up with the latest developments in the capital market (Pandurugan & Al Shammakhi, 2024).

Study by Pradasari et al. (2022) reported that students who have a higher level of financial motivation tend to make more intensive efforts in honing their knowledge, deepening their understanding of investment instruments, and practicing portfolio management strategies in order to be able to make more mature and long-term oriented financial decisions (Pradasari et al. 2022).

Other literature such as research by Da Silva & Yuniningsih. (2022) reinforcing the argument that financial literacy and capital market literacy increase in line with the drive to improve personal financial conditions, so they become more active in attending investment seminars, reading economic news, and utilizing online learning media to improve investment competencies (Da Silva & Yuniningsih, 2022). Financial motivation is not only the main trigger for the increasing interest of students and young investors in the capital market, but also a catalyst that accelerates the learning process and the formation of capital market literacy. Strengthening financial motivation from an early age is essential for them to have adequate capital market literacy, so that they are better prepared to deal with the dynamics and risks in the financial markets in a more prudent and measured manner.

Previous studies conducted by Pandurugan & Al Shammakhi (2024), Pradasari et al. (2022),and Da Silva & Yuniningsih. (2022) shows that financial motivation has a positive effect on improving capital market literacy through encouragement to seek information, deepen investment understanding, and increase active participation in educational activities in the financial sector.

H2: Financial Motivation has a positive effect on Capital Market Literacy.

3) The Influence of Social Media on Investor Behavior

The interaction and rapid flow of information from social media has proven to have a real and significant impact in shaping the perception, mindset, and investment behavior of the younger generation. Through platforms such as Instagram, YouTube, TikTok, Twitter, and online forums such as Reddit, young investors can access the latest news, stock price analysis, market movement predictions, and real-time community discussions. Study Junaidi & Nurhidayah, (2023) empirically shows that exposure to investment content on social media, whether in the form of articles, educational videos, or influencer comments, directly affects the frequency of transactions and increases the courage of young investors to make investment decisions in the capital market (Junaidi & Nurhidayah, 2023).

Study by Talwar et al., (2021) reported that intensive interaction on social media makes young investors tend to be more reactive and impulsive in making investment decisions, often basing their decisions solely on popular sentiment and trends (Talwar et al., 2021). This finding confirms that the social media-based information environment, while accelerating the learning process and dissemination of market news, also brings potential risks in the form of cognitive bias and herding behavior phenomena in the capital market.

Research by Warkulat & Pelster, (2024) also supports this argument and shows that social media, especially investor forums such as Reddit and Twitter, are able to collectively amplify market sentiment and influence retail investors' buying and selling behavior (Warkulat & Pelster, 2024). Virtual discussions and chain recommendations in online communities often create psychological pressure, leading many novice investors to make decisions based on public perception rather than fundamental analysis. As such, social media plays a dual role as a source of education and a factor in shaping more speculative investment expectations and patterns, especially among the younger generation who rely heavily on instant information and peer opinions online.

Previous studies conducted by Junaidi & Nurhidayah (2023), Talwar et al. (2021), and Warkulat & Pelster (2024) shows that social media has a significant effect on the investment behavior of the younger generation, both in increasing access to market information and encouraging impulsive investment decisions influenced by popular sentiment.

H3: Social Media has a positive effect on Investor Behavior

4) Effect of Financial Motivation on Investor Behavior

Financial motivation is one of the underlying psychological factors that visibly drives young investors to be more actively involved, consistent and disciplined in investing to realize their financial goals in the future. When individuals have a strong internal drive to achieve financial stability, they tend to be more diligent in learning investment instruments, monitoring market movements, and planning portfolio allocations in a mature and long-term oriented manner (Pandurugan & Al Shammakhi, 2024).

Study by Pradasari et al. (2022) reported that the drive to improve and enhance personal financial conditions significantly influenced students' investment intentions and commitment, thus strengthening the hypothesis that financial motivation is a key factor in shaping more mature and purposeful investment behavior (Pradasari et al. (2022). With clear financial goals in mind, young investors are likely to seek to improve their literacy, both formally and informally, in order to make more informed and data-driven investment decisions.

Research by Setiadi et al., (2024) supports this finding and confirms that the drive to achieve financial well-being positively influences continuous learning in the field of investment, thereby increasing their financial literacy and capital market literacy and further strengthening their investment intentions and behavior (Setiadi et al., 2024). Financial motivation not only triggers the desire to invest, but also stimulates the formation of a critical and analytical mindset, strengthens self-regulation in managing risks, and ultimately encourages young investors to implement investment strategies more carefully and sustainably.

H4: Financial Motivation has a positive effect on Investor Behavior

5) Effect of Capital Market Literacy on Investor Behavior

Capital market literacy is a very strategic determining factor in shaping the investment behavior of the younger generation to be more rational, mature, and planned. With adequate capital market literacy, young investors not only understand the basic concepts and investment instruments, but are also able to read market opportunities and risks more objectively and comprehensively. The study by Denie et al., (2024) empirically shows that investors who have good capital market literacy tend to make investment decisions in a more mature and analysis-based manner, thus avoiding behavioral biases such as overconfidence, herding behavior, and impulsive decision making without careful calculation (Denie et al., 2024). In addition, research Junaidi & Nurhidayah, (2023) reinforces these findings, where financial literacy and capital market literacy significantly improve investors' ability to identify and evaluate investment risks and opportunities in a more proportional and measured manner, making it easier for them to build a disciplined and controlled portfolio according to long-term financial goals (Junaidi & Nurhidayah, 2023).

In addition to these two studies, research by Denny Hambali et al., (2024) also revealed that capital market literacy acts as the main foundation in suppressing the tendency of young investors to over-speculate and act on emotions, while encouraging them to prioritize mature financial planning and prudent risk management (Denny Hambali et al., 2024). This finding is further reinforced by the research of Ahire & Borase, (2024), which confirms that capital market literacy has a significant contribution in influencing the learning process and forming critical attitudes towards various capital market products and instruments, so that they are able to determine investment strategies according to their respective risk profiles and financial goals (Ahire & Borase, 2024). A deeper understanding of market dynamics, which can lead to better investment strategies and risk management.

H5: Capital Market Literacy has a positive effect on Investor Behavior

6) The Mediating Role of Capital Market Literacy in the Relationship between Social Media and Investor Behavior

Capital market literacy acts as a key factor in filtering, strengthening, and directing the influence of social media so that its impact on the investment behavior of the younger generation becomes more effective, measurable, and rational. With adequate capital market literacy, young investors are not only easier to understand investment concepts and instruments, but also more selective and critical in sorting out information on social media, especially in the face of the swift flow of news, influencer opinions, and instant investment recommendations. The findings of Junaidi & Nurhidayah, (2023) show that capital market literacy significantly mediates the impact of social media on the trading behavior of the younger generation, so that they are more careful in evaluating the credibility of information sources and are more careful in making investment decisions, instead of just following market trends or mere rumors (Junaidi & Nurhidayah, 2023).

The study of Rachmat Riski et al,. (2024) shows that financial literacy and the use of social media significantly influence the investment behavior of the younger generation. In his research, financial literacy acts as a reinforcing and guiding factor in the investment decision-making process, so that young investors are better able to evaluate opportunities and risks in a more mature and rational manner. In addition, the use of social media proved to be one of the main sources of information, making it easier for young investors to access the latest news, market trends, and investment recommendations quickly and interactively. The findings also show that the combination of Islamic financial literacy and social media exposure is able to foster confidence and independence in investing, thus encouraging the formation of more disciplined and planned investment behavior. Thus, Islamic financial literacy serves not only as technical knowledge, but also as an important foundation to maximize the positive impact of social media use on investment decision-making among the younger generation

Research by Kuerzinger & Stangor (2024) through mediation analysis shows that positive sentiments generated from posts on social media significantly increase young investors' perceptions of the company's financial performance, which in turn encourages them to increase the amount of investment. This finding reinforces the role of capital market literacy as an intellectual filter, namely the ability to assess and reposition media sentiment in the context of fundamental analysis so that young investors do not simply react to popular information, but turn it into more rational and data-based investment decisions.

Previous studies conducted by Junaidi & Nurhidayah (2023), Rachmat Riski et al. (2024), and Kuerzinger & Stangor (2024) show that capital market literacy acts as an important mediator that filters and directs the influence of social media on the investment behavior of the younger generation, so that decisions made become more selective, rational, and analysis-based.

H6: Capital Market Literacy mediates the relationship between Social Media and Investor Behavior.

7) The Mediating Role of Capital Market Literacy in the Relationship between Financial Motivation and Investor Behavior

Capital market literacy acts as a very strategic connecting factor in transforming internal financial drive into healthier, rational, and long-term oriented investment behavior among the younger generation. With adequate capital market literacy, their desire and financial motivation to achieve financial goals in the form of security, prosperity, and financial independence can be realized in the form of mature and analysis-based investment decisions, not just speculation or emotional impulses. Pandurugan & Al Shammakhi, (2024) assert that financial and capital market literacy significantly mediate the effect of financial motivation on young people's investment intention, thus ensuring that the urge to invest is converted into planning (Pandurugan & Al Shammakhi, 2024).

The study by Pradasari et al., (2022) reported that financial literacy and capital market literacy strengthen the influence of financial motivation on students' investment behavior, making literacy a key catalyst in bridging financial aspirations into concrete investment actions (Pradasari et al., 2022.). These findings suggest that individuals with better capital market literacy are not only more confident in making investment decisions, but are also better able to map their financial goals into an investment strategy that fits their risk profile and investment time horizon. In addition to these two studies, research by Da Silva & Yuniningsih. (2022) reported that financial literacy significantly mediates the relationship between financial motivation and investment interest of college students, confirming that literacy acts as an essential element for the desire to invest to be actually followed by mature and controllable portfolio planning and implementation steps (Da Silva & Yuniningsih. 2022).

H7: Capital Market Literacy mediates the relationship between Financial Motivation and Investor Behavior.

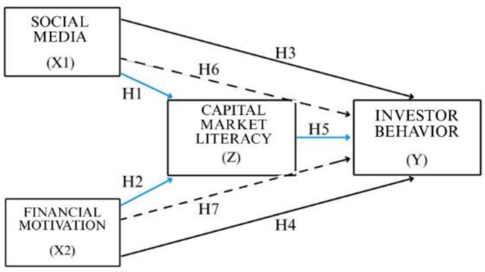


Figure 2. Research Framework

In this study, data was obtained from 218 respondents who are active young investors in the Indonesian capital market. The characteristics of the respondents studied include several important aspects such as gender, age, domicile of residence, income per month, and experience investing in the capital market. Each of these variables is analyzed descriptively to provide an overview of the respondent's profile and as a basis for interpretation of the relationship between research variables.

Table 1. Data of Respondent

Income	Number of Respondents	Percent	Kuningan	1	0.46%
Rp. 1.000.000 – Rp. 5.000.000	114	48.93%	Jawa Barat	1	0.46%
Rp. 6.000.000 – Rp. 10.000.000	46	19.74%	Ciamis	1	0.46%
< Rp. 1.000.000	38	16.31%	Batam	1	0.46%
> Rp. 15.000.000	13	5.58%	Kalimantan	1	0.46%
Rp. 10.000.000 – Rp. 15.000.000	7	3.00%	Cirebon	1	0.46%
Type of Investment	**Number of Respondents**	**Percent**	**Investment Experience**	**Number of Respondents**	**Percent**
Saham	82	35.19%	6 months – 1 years	84	36.05%
Crypto	68	29.18%	1 - 3 years	78	33.48%
Forex (Foreign Exchange)	49	21.03%	Less than 6 months	30	12.88%
Reksa dana	14	6.01%	3 - 5 years	17	7.30%
Obligasi	5	2,15%	More than 5 years	9	3.86%

Based on the results of data processing, the majority of respondents in this study were men, as many as 175 respondents or 75.11%, while women were 43 respondents or 18.45%.

Gender	Number of Respondents	Percent		Domicile	Number of Respondents	Percent
Male	175	75.11%		Kebumen	46	21.10%
Female	43	18.45%		Yogyakarta	29	13.30%
Age	**Number of Respondents**	**Percent**		Purwokerto	26	11.93%
21–27 years old	165	70.82%		Cilacap	19	8.72%
16–20 years old	30	12.88%		Banyumas	19	8.72%
28–30 years old	23	9.87%		Semarang	14	6.42%
Education	**Number of Respondents**	**Percent**		Purbalingga	8	3.67%
High school	131	56.22%		Banjarnegara	8	3.67%
Bachelor	75	32.19%		Bandung	7	3.21%
Diploma (D1/D2/D3)	8	3.43%		Pekalongan	6	2.75%
Master (S2)	2	0.86%		Jawa Tengah	6	2.75%
Junior high school	1	0.43%		Brebes	5	2.29%
Doctor (S3)	1	0.43%		Pemalang	4	1.83%
Occupation	**Number of Respondents**	**Percent**		Banjarmasin	2	0.92%
Student	133	57.08%		Tangerang	2	0.92%
Private worker	42	18.03%		Magelang	2	0.92%
Entrepreneur	26	11.16%		Purworejo	2	0.92%
Profesional	9	3.86%		Malang	2	0.92%
Civil servant	6	2.58%		Bali	2	0.92%
Freelance	1	0.43%		DKI Jakarta	2	0.92%
Still unemployed	1	0.43%		Kotawaringin Barat	1	0.46%

Judging from the age group, most of the respondents were in the range of 21-27 years with 165 respondents or 70.82%. Furthermore, respondents aged 16-20 years were 30 respondents (12.88%) and 28-30 years were 23 respondents (9.87%). In terms of education, the most respondents have a high school / equivalent education as many as 131 respondents (56.22%), followed by Bachelor (S1) as many as 75 respondents (32.19%). Respondents with Diploma (D1/D2/D3) education as many as 8 respondents (3.43%), Master (S2) as many as 2 respondents (0.86%), Doctor (S3) and SMA and below each as many as 1 respondent (0.43%).

Based on the results of this study, it can be concluded that the majority of young investors who are respondents are male, aged 21-27 years, with a high school / equivalent educational background and are students. In terms of income, most respondents have a monthly income in the range of Rp 1,000,000 - Rp 5,000,000, which shows the profile of novice investors with limited purchasing power. Respondents are spread across various regions, with the dominance coming from Kebumen, Yogyakarta, Purwokerto, Cilacap, and Banyumas.

In terms of investment, the majority of respondents tend to choose stocks and derivatives (crypto) as their main investment instruments, while other types of investment such as forex, mutual funds, and bonds are still less desirable. Most respondents have a relatively short investment experience, namely 6 months to 1 year, followed by 1 to 3 years of experience, which indicates the level of investment maturity and capital market literacy that is still in the developing stage. These results imply that young investors in this study generally have a preference for investment instruments with medium to high risk, and still need to strengthen investment literacy and experience to support more rational and optimal decision making in the capital market.

Table 2. Measurement Construction and Outer Loading

Construction	Code	Indicator	*Outer Loadings*
Social Media (SM)	SM1	Ease of access to information.	0.918
	SM2	Completeness of information.	0.849
	SM3	Accuracy of information.	0.892
	SM4	Timeliness of information updates.	0.817
(Junaidi & Nurhidayah, 2023)	SM5	Ease of understanding information.	0.874
Financial Motivation (FM)	FM1	Expected performance or results.	0.839
	FM2	Challenges or risks involved.	0.783
	FM3	Benefits to be gained.	0.842
	FM4	Involvement in decision making.	0.804
(Pradasari et al. (2022).)	FM5	Responsibility for decisions.	0.845
Investor Behavior (IB)	IB1	The level of activity in trading in the capital market.	0.788
	IB2	Frequency of daily purchases in the stock market.	0.831
	IB3	Frequency of daily sales in the stock market.	0.839
	IB4	Consistency of weekly purchases in the capital market.	0.831
	IB5	Consistency of weekly sales in the capital market.	0.847
	IB6	Plans to trade in the capital market soon.	0.809
	IB7	Commitment to continue trading in the stock market in the future.	0.707
	IB8	Encouragement to other investors/traders to participate in trading in the capital market.	0.796
(Junaidi & Nurhidayah, 2023)	IB9	Willingness to recommend capital market instruments to other investors.	0.766
Capital Market Literacy (CML)	CML1	Ability to identify bullish market conditions.	0.937
	CML2	Ability to recognize bearish market conditions.	0.891
	CML3	Ability to identify profitable stocks	0.839
(Junaidi & Nurhidayah, 2023)	CML4	Ability to predict price movements in the stock market.	0.880

Table 2 shows the results of testing outer loadings for each indicator used in measuring the variables in this study, namely social media, financial motivation, investor behavior and capital market literacy. Outer loadings are values that show the extent to which indicators can represent the latent variables they measure. Based on the table, all indicators have outer loadings values above 0.70, which indicates that all indicators used are valid in measuring each variable. In the social media variable, there are five indicators (SM1 to SM5) with outer loadings values ranging from 0.817 to 0.918. Meanwhile, the financial motivation variable is measured by five indicators (FM1 to FM5) which have outer loadings values between 0.783 to 0.845. For investor behavior variables, there are nine indicators (IB1 to IB9) with outer loadings values between 0.707 to 0.847. While on the capital market literacy variable, there are four indicators (CML1 to CML4) with outer loadings values ranging from 0.839 to 0.937. All outer loadings values obtained meet the convergent validity criteria, which means that each indicator has a strong contribution in explaining the latent variable being measured. Thus, the measurement model in this study can be said to have good reliability in representing the concept under study.

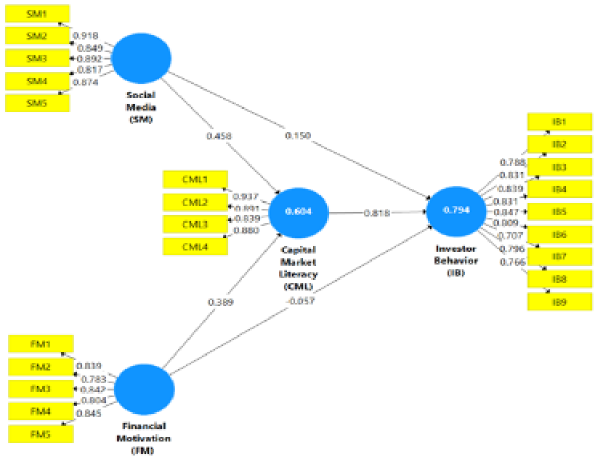


Figure 3. smartPLS 3.0 Algorithm Results (Modification 1)

Based on table 2 and figure 3, it can be seen that all indicators of this research variable are valid, because the Outer Loadings value of each indicator is greater than 0.7.

Average Variance Extracted (AVE)

Table 3. ***Average Variance Extracted*** **(AVE) Test Results**

Variable	*Average Variance Extracted (AVE)*
Capital Market Literacy	0.788
Social Media	0.758
Financial Motivation	0.677
Investor Behavior	0.644

Source: Processed Primary Data*, 2025*

Based on the Average Variance Extracted (AVE) test results shown in Table 3, all research variables have an AVE value above 0.50, which means they have met the convergent validity criteria. The highest AVE value is found in the Capital Market Literacy variable (0.788) and Social Media (0.758), which shows that the indicators on these two variables are able to explain the construct variance well. The Financial Motivation variable obtained an AVE value of 0.677, while Investor Behavior obtained a value of 0.644. This shows that the four variables have sufficient convergent validity and are suitable for use in further model testing.

Composite Reliability and Cronbach's Alpha

Table 4. ***Composite Reliability*** **and** ***Cronbach's Alpha*** **Test Results**

Variable	*Composite Reliability*	*Cronbach's Alpha*	Description
Capital Market Literacy	0.911	0.910	Reliable
Social Media	0.929	0.920	Reliable
Financial Motivation	0.887	0.881	Reliable
Investor Behavior	0.931	0.930	Reliable

Source: Processed Primary Data, *2025*

The results of the Composite Reliability and Cronbach's Alpha tests in Table 4 show that all variables in this study have met the reliability criteria. The Composite Reliability value ranges from 0.887 to 0.931, and the Cronbach's Alpha value ranges from 0.881 to 0.930. The Investor Behavior variable has the highest Composite Reliability and Cronbach's Alpha values, which are 0.931 and 0.930 respectively, followed by the Social Media variable with values of 0.929 and 0.920. Meanwhile, the lowest value is found in the Financial Motivation variable, but it is still in the reliable category. Thus, all constructs in this study have proven valid and reliable to be used in further testing such as structural model testing.

Discriminant Validity

Table 5. *Discriminant Validity* Test Results (*Fornell Larcker Criterion*)

	Capital Market Literacy	Social Media	Financial Motivation	Investor Behavior
Capital Market Literacy	0.887			
Social Media	0.724	0.871		
Financial Motivation	0.702	0.685	0.823	
Investor Behavior	0.886	0.703	0.620	0.803

Source: Processed Primary Data, *2025*

Based on Table 5, the results of the discriminant validity test using the Fornell-Larcker criterion show that the square root value of the Average Variance Extracted (AVE) of each construct is greater than the correlation value of the construct with other constructs. For example, the Capital Market Literacy construct has a value of 0.887 and is greater than its correlation with Social Media (0.724), Financial Motivation (0.702), and Investor Behavior (0.886). Similarly, the Social Media construct has a value of 0.871 and is higher than its correlation with Financial Motivation (0.685) and Investor Behavior (0.703).

Similar results occur in the Financial Motivation and Investor Behavior constructs, where the root AVE value of each construct (0.823 and 0.803) is greater than its correlation value with other constructs. With the fulfillment of the Fornell-Larcker criteria for all constructs, it can be concluded that the measurement instruments in this study have good discriminant validity. This shows that each construct is able to explain the variance of its indicators better than the variance of other constructs, so that the constructs in this model are truly distinct and validly measured.

Overall, these discriminant test results strengthen the quality of the measurement model and support construct validity, so further hypothesis testing in the structural model can be done with more confidence.

Structural Model Test (Inner Model)
R-Square (R2) Value

Table 6. Test Results of R-Square Value (R2)

Variable	R-square
Capital Market Literacy	0.604
Investor Behavior	0.794

Source: Processed Primary Data, *2025*

From the data, it is concluded that the R-square value of the Capital Market Literacy variable is 0.604, indicating that the Social Media and Financial Motivation variables are able to explain the Capital Market Literacy variable by 60.4%. So it can be concluded that the model is considered moderate. While the R-square value of the Investor Behavior variable is 0.794, this indicates that the Social Media, Financial Motivation and Capital Market Literacy variables are able to explain the Investor Behavior variable by 79.4%. So it can be concluded that the model is considered strong.

Hypothesis Testing Results (Path Coefficient Estimation)

Table 7. Hypothesis Testing Results

Hypothesis	Original Sample (O)	T statistics	P values	Description
Social Media -> Capital Market Literacy	0.458	4.203	0.000	Supported
Financial Motivation -> Capital Market Literacy	0.389	3.997	0.000	Supported
Social Media -> Investor Behavior	0.150	2.220	0.027	Supported
Financial Motivation -> Investor Behavior	-0.057	0.873	0.383	Not Supported
Capital Market Literacy -> Investor Behavior	0.818	12.804	0.000	Supported
Social Media -> Capital Market Literacy -> Investor Behavior	0.374	4.436	0.000	Supported
Financial Motivation -> Capital Market Literacy -> Investor Behavior	0.318	3.534	0.000	Supported

Based on Table 7, the results of hypothesis testing show that the Social Media variable has a positive and significant effect on Capital Market Literacy (Original Sample = 0.458; T-Statistic = 4.203; p-value = 0.000). These results indicate that the more intensive the use of social media as a source of information and education, the level of capital market literacy of investors will also increase significantly. Furthermore, Financial Motivation is proven to have a positive and significant effect on Capital Market Literacy (Original Sample = 0.389; T-Statistic = 3.997; p-value = 0.000). This indicates that the greater the financial motivation of investors, the better their literacy of capital market instruments and concepts.

Testing the effect of Social Media on Investor Behavior shows a positive and significant effect (Original Sample = 0.150; T-Statistic = 2.220; p-value = 0.027). Thus, the use of social media as a means of information and learning has a direct impact on the formation of investor investment behavior. In contrast, Financial Motivation on Investor Behavior shows statistically insignificant results (Original Sample = -0.057; T-Statistic = 0.873; p-value = 0.383). This finding shows that the level of financial motivation is not directly strong enough to influence investment behavior, so the hypothesis is not supported.

Meanwhile, Capital Market Literacy has a positive and significant effect on Investor Behavior (Original Sample = 0.818; T-Statistic = 12.804; p-value = 0.000). These results explain that the better a person's capital market literacy, the better and more rational his investment behavior in the capital market. In addition to direct testing, there is an indirect effect (mediation) of Social Media and Financial Motivation on Investor Behavior through Capital Market Literacy. For the path Social Media → Capital Market Literacy → Investor Behavior, the value of Original Sample = 0.374; T-Statistic = 4.436; p-value = 0.000, while the path Financial Motivation → Capital Market Literacy → Investor Behavior obtained the value of Original Sample = 0.318; T-Statistic = 3.534; p-value = 0.000. In other words, capital market literacy acts as a significant mediator in the relationship between social media and financial motivation to investor behavior.

Overall, this study supports 6 out of 7 hypotheses and emphasizes that capital market literacy plays a key role as a mediator. This finding implies that efforts to increase capital market literacy, both through the use of social media and strengthening financial motivation, are strategic steps to improve investor behavior in the capital market.

Discussion

1. The Effect of Social Media on Capital Market Literacy

The higher the level of individual exposure to social media, the greater the likelihood that the individual will gain better knowledge and understanding of the capital market. This phenomenon can be explained through the reality of the use of social media by the younger generation as the main medium for obtaining information. Platforms such as Instagram, TikTok, and YouTube are now not only entertainment channels, but also used as a medium for financial education through content delivered by finfluencers or capital market players. Information that is presented visually, interactively, and often accompanied by personal narratives makes complex material easier to understand and accept among novice investors. This finding is consistent with research conducted by Huang et al., (2024), which reveals that social media has an important role in shaping individual financial behavior and knowledge. The results of this study are also in line with the findings of Junaidi & Nurhidayah, (2023) which state that social media plays a positive role in shaping capital market literacy. Strengthened by the study of Rachmat Riski et al., (2024), which found that active use of social media encourages increased financial literacy and capital markets.

2. Effect of Financial Motivation on Capital Market Literacy

The higher a person's financial motivation, the more likely they are to learn and understand the capital market. In other words, intrinsic motivation derived from long-term financial goals, such as the desire to achieve financial freedom or economic stability, can encourage individuals to improve their literacy of financial products and instruments. Financial motivation is an important psychological aspect in driving learning behavior. Individuals who have high financial aspirations will be more motivated to seek information, attend training, read literature sources, and even engage directly in investment activities to improve their financial capacity. This process indirectly leads to an increase in capital market literacy, as they are encouraged to understand the risks and benefits of investment more deeply. This result supports the findings of Pandurugan & Al Shammakhi, (2024) which states that financial motivation is positively correlated with the level of financial literacy. Research by Ozdemir & Leonardo Sari, (2021) shows that financial motivation has a positive contribution to improving students' financial literacy, because financially motivated individuals tend to be more active in seeking information, understanding investment concepts, and increasing their knowledge capacity of the capital market. In line with research by Da Silva & Yuniningsih (2022) also revealed that investment motivation significantly affects the improvement of students' financial literacy, where strong motivation encourages them to explore knowledge about capital market instruments and strategies before actually investing.

3. The Influence of Social Media on Investor Behavior

Results indicate that exposure to social media can influence investors' actions in investing, both in terms of transaction intensity, risk-taking, and response to market conditions. Young investors, as the digital native generation, are highly exposed to information flows from social media. They not only use social media for entertainment, but also as a source of reference for investment decisions. The existence of finfluencers who actively provide advice, stock reviews, and market predictions means that investors often make investment decisions in a very short period of time without an adequate fundamental or technical analysis process. This phenomenon shows that social media can be a double-edged sword: on the one hand it increases participation, but on the other hand it has the potential to cause impulsive decisions. Talwar et al., (2021) research corroborates these findings, stating that the intensity of interaction on social media affects investors' attitudes in making financial decisions. This result is also in line with Kuerzinger & Stangor, (2024) which found that social media posts with positive sentiments were able to improve young investors' perceptions of stock prospects, which in turn encouraged them to make more active investment decisions. The findings of Junaidi & Nurhidayah, (2023) reinforce that exposure to information on social media increases risk tolerance and accelerates the investment decision-making process among millennials, suggesting a positive influence of social media on the behavior of young investors.

4. Effect of Financial Motivation on Investor Behavior

This indicates that even though a person has a financial drive or goal, it does not necessarily encourage him to behave actively or strategically in investment activities in the capital market. This finding is an important indicator that motivation alone, without the support of adequate financial knowledge and literacy, is not enough to produce rational and sustainable investment behavior. In the context of financial behavior, individuals who are financially motivated but do not understand basic investment concepts, such as risk management, market analysis, and portfolio diversification, are at risk of making impulsive and ill-informed decisions. This finding is in line with the study of Pradasari et al. (2022), which states that financial motivation is indeed a strong internal factor, but its positive effect on investment behavior will be optimal only if accompanied by good financial understanding and literacy. This result indicates a gap between motivation and action, which is most likely due to the low capital market literacy of most young investors.

A study by Pontoh, (2023) reinforces this finding, where it is explained that while motivation can drive initial interest in investing, without sufficient literacy individuals risk making impulsive decisions, or even taking no action at all. Under these conditions, motivation can actually be an ineffective factor.

Research by Da Silva & Yuniningsih (2022) states that financial motivation tends to be an unstable determinant if not followed by educational interventions, such as investment training or strengthening the understanding of financial instruments. Therefore, the results of this study confirm that capital market literacy plays a crucial role as a bridge to transform intention into concrete and sustainable investment behavior.

5. Effect of Capital Market Literacy on Investor Behavior

This hypothesis is convincingly accepted. Capital market literacy is proven to be the dominant factor that encourages the formation of smart, planned investment behavior based on risk considerations and accurate information. Young investors with high capital market literacy tend to be more critical in evaluating information, understanding market mechanisms, and developing investment strategies that suit their risk profile. They not only make transactions based on trends, but also consider fundamental and technical data, and pay attention to asset diversification. This is very important to avoid the negative effects of unpredictable market fluctuations. Study Denie et al., (2024) confirms that capital market literacy not only increases individual participation in investment activities, but also improves the quality of investment decisions they make. The study by Rachmat Riski et al.,(2024) shows that financial literacy has a positive influence on the investment behavior of the younger generation, especially in increasing confidence and understanding of financial instruments. Research by Setiadi et al., (2024) revealed that high financial literacy can improve the quality of investment behavior among novice and experienced investors, as well as expand financial inclusion through increased understanding and social interactions that support investment.

6. The Mediating Role of Capital Market Literacy in the Relationship between Social Media and Investor Behavior

This is evidence that social media will be more effective in encouraging positive investment behavior if accompanied by a good understanding of the capital market. In other words, the influence of social media on young investors' behavior is not direct and complete, but depends on the extent to which individuals have the ability to filter, process, and understand information obtained from social media. Without literacy, information spread through digital platforms can actually cause behavioral biases such as herding behavior and overreaction. Research by Junaidi & Nurhidayah, (2023) also found that capital market literacy functions as a filter against the negative influence of social media, as well as a cognitive foundation that strengthens the quality of investment decisions. In line with research by Rachmat Riski et al., (2024) also shows the mediating role of financial literacy in strengthening the positive impact of social media on investment behavior. Young investors who are literate are better able to translate information from social media into a basis for making rational investment decisions. The study by Setyadi et al., (2025) states that financial literacy plays an important mediating role in neutralizing the biased influence of social media on investment behavior.

7. The Mediating Role of Capital Market Literacy in the Relationship between Financial Motivation and Investor Behavior

This hypothesis is statistically and substantively accepted. This finding explains that high financial motivation will only have an impact on healthy investment behavior if the individual has adequate capital market literacy. Literacy acts as a link between intention and behavior, and as a tool to transform abstract goals into planned and measurable financial strategies. Without proper understanding, high motivation can actually mislead young investors into high motivation decisions. The comments delivered by the experts also confirm that financial literacy has an important mediating role in directing individual motivation towards constructive financial behavior, especially in the context of high-risk investments such as stocks and cryptocurrencies. Literacy enables individuals to internalize knowledge, measure risk, and design decisions based on financial logic rather than emotions . Hambali (2024) stated that the motivation to improve financial performance needs to be accompanied by adequate literacy skills so that the investment decisions taken can be optimal. Research by Rachmat Riski et al., (2024) also supports this finding, where financial literacy is an important bridge in channeling investment motivation into concrete actions and in accordance with the precautionary principle.

The results of this study show that social media and financial motivation have a significant influence on investment behavior among young investors, but with the role of capital market literacy as a very important mediating variable. This finding strengthens the argument that in the digital era, financial decisions of individuals, especially the younger generation, are not only influenced by internal drives, but also by external information flows sourced from social media.

First, social media is proven to have a positive and significant influence on capital market literacy. This shows that exposure to information obtained through digital platforms such as Instagram, YouTube, and TikTok can improve young investors' understanding of capital market concepts and mechanisms. Information conveyed by finfluencers, financial educators, and online investor communities has proven to be able to bridge the literacy gap that has been an obstacle to capital market participation. Second, financial motivation also has a significant influence on capital market literacy. Young investors with strong financial goals, such as achieving financial freedom or preparing for a stable economic future, tend to be driven to understand investment instruments more deeply. This information-seeking process becomes its own educational tool that strengthens their literacy capacity.

However, unlike the previous two relationships, financial motivation does not show a significant direct influence on young investors' behavior. This means that although someone has financial aspirations or goals, it is not necessarily followed by rational or strategic investment actions. In contrast, capital market literacy has the most dominant influence on investment behavior. Individuals who have a good understanding of market mechanisms, risk management, and investment diversification are more likely to act based on rational considerations compared to following information flows that are not necessarily credible.

Furthermore, the mediating role of capital market literacy proved significant in bridging the influence of social media and financial motivation on investor behavior. This means that both information from social media and internal drive from financial motivation will only have a positive impact on investment behavior if investors have sufficient literacy capacity. Overall, the results of this study confirm that the strategy to improve wise investment behavior among young investors should include systematic and sustainable improvement of capital market literacy. Digital-based education through social media must be curated and combined with formal literacy programs in order to have a positive impact on the financial decisions of Indonesia's young generation.

CONCLUSIONS

Social media and financial motivation play an important role in influencing investor behavior, both directly and through capital market literacy as a mediating variable. Social media is shown to significantly improve capital market literacy and encourage investment behavior through the provision of easily understood and accessible information. Financial motivation also has a positive effect on capital market literacy, encouraging investors to deepen their understanding of investing as part of achieving their financial goals. However, financial motivation does not have a direct effect on investor behavior, suggesting that capital market literacy is a key factor that transforms motivation into action in investment activities. Capital market literacy itself has a very strong influence on investor behavior, emphasizing the importance of knowledge and understanding as the basis for more rational and strategic decision making in a dynamic financial market. Thus, building good capital market literacy is a major step in creating healthy, sustainable, and adaptive investment behavior to changes in the economic environment. In addition, for future research, it is recommended to expand the scope of research by including other variables such as psychological factors, cognitive biases, or the level of confidence in investing, as well as conducting longitudinal studies to understand changes in investor behavior in the long term. With integrated efforts between investors, information providers, regulators, and researchers, it is hoped that a more inclusive, smart, and resilient investment ecosystem can be created.

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