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From Likes to Investments: The Mediating Role of Herding Behaviour Between Finfluencer Exposure, Digital Financial Literacy, and Gen Z's Digital Investment Decisions

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ABSTRACT

The rapid development of digital investment platforms and social media has transformed how Generation Z investors in Indonesia obtain financial information and make investment decisions. This study investigates the mediating role of herding behaviour in the relationships between finfluencer exposure, digital financial literacy, and digital investment decisions. A quantitative method was applied using an online survey of 280 Generation Z investors who actively use platforms such as Bibit, Ajaib, Bareksa, Pluang, and Pintu. Data were analyzed using Structural Equation Modeling (SEM) with SmartPLS to assess direct and indirect effects. The findings show that finfluencer exposure positively influences herding behaviour and digital investment decisions. Digital financial literacy negatively affects herding behaviour but positively influences digital investment decisions. Herding behaviour also positively affects digital investment decisions and significantly mediates both the finfluencer exposure–decision and literacy–decision relationships. These results highlight that social influence and financial competence jointly shape the investment behaviour of young digital investors. This study contributes to behavioural finance literature and offers implications for policymakers, educators, and digital investment platforms to strengthen financial literacy while managing social media influence.

Keywords: Digital Financial Literacy; Digital Investment Decision; Finfluencer Exposure; Generation Z; Herding Behaviour; Indonesia; Social Influence

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INTRODUCTION

In the era of digital finance, social media has emerged not only as a platform for communication but also as a critical space where financial knowledge, opinions, and investment trends are shaped (Hayes & Ben-Shmuel, 2024). The emergence of digital investment platforms has revolutionized the way individuals, particularly younger generations, engage with financial markets (Hanckel & Ann Hendry, 2025). Generation Z (Gen Z), those born between 1997 and 2012, represents a technologically adept and socially connected cohort that increasingly participates in digital investment activities through applications such as Bibit, Ajaib, Bareksa, Pluang, and Pintu. Their investment decisions are not solely influenced by traditional financial advisors or institutional analyses but also by financial influencers (finfluencers) who disseminate financial knowledge and opinions through social media platforms like Instagram, TikTok, and YouTube (Haase et al., 2025). This phenomenon underscores the growing importance of social media as a channel for financial information dissemination, shaping perceptions and investment behaviors among young investors (Hayes & Ben-Shmuel, 2024; Long & Guo, 2025).

In this evolving digital landscape, Finfluencer Exposure (FE) refers to the extent to which individuals are exposed to, engage with, and are influenced by financial content creators on social media (Hayes & Ben-Shmuel, 2024). While finfluencers can democratize financial knowledge and encourage market participation, their influence may also trigger Herding Behaviour (HB) (Gupta & Goyal, 2024)—a psychological tendency where individuals mimic others' investment decisions (Haase et al., 2025), often disregarding their own analysis or available information. Herding behaviour can amplify market volatility and lead to irrational decision-making, particularly in speculative markets such as cryptocurrencies and digital mutual funds (Poyser, 2018).

While finfluencer exposure primarily represents an external social influence shaping investors' perceptions and behaviors, digital financial literacy serves as an internal cognitive safeguard that determines how effectively individuals process such information. Therefore, understanding how these two factors jointly affect herding tendencies is essential for explaining digital investment decisions among Gen Z investors (Handoko et al., 2024). At the same time, Digital Financial Literacy (DFL) plays a critical role in shaping how individuals process financial information and make investment decisions in online environments (Low et al., 2023). Digital financial literacy encompasses knowledge, skills, and awareness necessary to effectively use digital financial services and assess financial information in the digital ecosystem (Al-Afeef & Alsmadi, 2025). A higher level of DFL is expected to reduce susceptibility to social influence and impulsive investment behaviour. However, the increasing reliance on social media for financial advice creates a paradox: while access to information is greater than ever, distinguishing credible insights from misleading or biased content remains a challenge for many young investors (Rangapur et al., 2023).

Previous studies have highlighted the growing influence of social media in investment decision-making (Singh & Kumar, 2024), yet few have examined the specific role of herding behaviour as a mediating mechanism between finfluencer exposure, financial literacy, and investment decisions in the context of emerging digital economies. Most existing research has been conducted in Western contexts, leaving a gap in understanding how these dynamics unfold among Gen Z investors in developing economies such as Indonesia a country with one of the fastest-growing digital financial ecosystems in Southeast Asia.

This study seeks to fill this empirical gap by analyzing the mediating role of herding behaviour in the relationship between finfluencer exposure, digital financial literacy, and digital investment decision-making among Generation Z investors in Indonesia (Haase et al., 2025). By employing a Structural Equation Modeling (SEM) approach, this research explores both direct and indirect effects among these constructs, offering a comprehensive understanding of the psychological and informational factors that influence digital investment behaviour (Riaz et al., 2022).

The significance of this research lies in its multidimensional contribution. Theoretically, it extends behavioural finance literature by integrating social media influence (through finfluencer exposure) and cognitive factors (digital financial literacy) into the framework of herding-driven investment decision-making (Haase et al., 2025). Empirically, it provides evidence from an emerging market context, enriching global discussions on financial behaviour in digital investment ecosystems (Hayes & Ben-Shmuel, 2024). Practically, the findings can inform policymakers, educators, and digital investment platforms in developing financial literacy programs and regulatory measures that mitigate the adverse effects of unverified financial content.

In summary, this study aims to (1) investigate the effects of finfluencer exposure and digital financial literacy on herding behaviour and digital investment decisions, (2) examine the mediating role of herding behaviour in these relationships, and (3) contribute to the understanding of how social and cognitive factors jointly shape the financial decision-making patterns of Generation Z investors in Indonesia's digital economy.

LITERATURE REVIEW

Behavioral Finance Theory

The Behavioral Finance Theory (BFT) posits that individual investment decisions are not always rational, as assumed by traditional financial theories, but are frequently influenced by psychological, social, and emotional factors (Oktaviani & Mawaddah, 2024). Within this framework, investors do not necessarily act based on logical analysis or complete information; rather, their decisions may be shaped by cognitive biases and social pressures that emerge within digital environments. BFT emphasizes that young and novice investors, such as those belonging to Generation Z, tend to be more susceptible to behavioral biases, including overconfidence, herding behaviour, and heuristic shortcuts when making investment decisions (Oktaviani & Mawaddah, 2024). In the digital era, these biases are further amplified by exposure to financial content on social media, particularly from financial influencers (finfluencers) who possess strong persuasive authority, even though they may lack formal financial credentials (Dalimunthe et al., 2023). Within this theoretical framework, Finfluencer Exposure serves as a potential source of social and emotional influence that shapes investors' perceptions, beliefs, and confidence when making investment decisions. Persuasive content shared by finfluencers can trigger herding behaviour, defined as the tendency of individuals to imitate others' investment actions without conducting adequate analysis or due diligence (Gerrans et al., 2023). Conversely, a higher level of Digital Financial Literacy (DFL) functions as a cognitive control mechanism, enabling investors to evaluate information more critically and reduce dependence on social influence in digital financial environments.

Finfluencer Exposure

The emergence of financial influencers (finfluencers) has reshaped the dissemination of financial knowledge and advice in the digital era (Hayes & Ben-Shmuel, 2024). Finfluencer Exposure (FE) refers to the degree to which individuals interact with, follow, and are influenced by financial content creators across social media platforms such as

Instagram, YouTube, TikTok, and Twitter/X (Hayes & Ben-Shmuel, 2024). From the perspective of Social Learning Theory (Rumjaun & Narod, 2025), individuals learn through observation and imitation of models perceived as credible and successful (Horsburgh & Ippolito, 2018). Finfluencers serve as such models, offering financial insights, strategies, and investment recommendations that their audiences tend to emulate (Haase et al., 2025). According to Rumjaun and Narod (2025), learning occurs through four processes—attention, retention, reproduction, and motivation—which are all present in online interactions with finfluencers (Haase et al., 2025).

Digital Financial Literacy

Digital Financial Literacy (DFL) is defined as an individual's ability to access, understand, evaluate, and effectively use financial information through digital technologies (Low et al., 2023). It extends traditional financial literacy by incorporating digital competencies such as online security awareness, platform evaluation, and digital risk management (Koskelainen et al., 2023; Low et al., 2023). From the standpoint of Behavioral Finance Theory, literacy serves as a cognitive filter that mitigates irrational biases and emotional decision-making (Frederick, 2005). Investors with high DFL are better equipped to analyze information objectively, reducing susceptibility to social influence and herd behaviour (Shantha, 2024).

Herding Behaviour

Herding behaviour refers to the psychological tendency of investors to mimic the actions of others rather than relying on their own analysis (Yasir et al., 2022). In digital financial markets, herding is amplified by social media interactions, where information spreads rapidly, creating pressure to follow trends. Social influence and peer dynamics on digital platforms significantly increase the likelihood of herding, particularly among inexperienced or younger investors. Herding mediates the relationship between social media exposure and irrational investment decisions in emerging markets (Handoko et al., 2024). In Indonesia, Handoko et al. (2024) confirmed that herding is prevalent among users of digital investment apps such as Ajaib and Bibit, often triggered by finfluencers' endorsements or viral investment trends. Interestingly, Shantha (2024) found that higher digital financial literacy negatively affects herding, as literate investors rely more on self-assessment and evidence-based decision-making. Thus, herding behaviour plays a dual role: it can both amplify finfluencer impact and diminish the influence of financial literacy on decision rationality.

Digital Investment Decision

Digital Investment Decision (DID) refers to the process by which individuals make investment choices through online or app-based platforms, integrating their knowledge, risk perception, and social influences (Shari et al., 2024; Wagner, 2024). According to the Theory of Planned Behavior (Ajzen, 1985), decision-making is shaped by three psychological determinants. The first is attitude toward the behavior, which in digital investing reflects an individual's positive evaluation of platform convenience, perceived profitability, and trust. The second determinant is subjective norms, which arise from social influence, peer pressure, and exposure to finfluencers or online investment communities that shape an individual's perception of acceptable or desirable investment actions. The third determinant is perceived behavioral control, which represents an investor's confidence and ability to make rational investment decisions, strengthened by adequate financial literacy and digital skills. Together, these psychological components explain how digital investment decisions are formed and influenced within online financial environments.

Hypotheses Development

Finfluencer Exposure and Herding Behaviour

The rapid rise of financial influencers on social media has significantly changed how investors—particularly Generation Z—obtain and process financial information. Finfluencers act as opinion leaders who share investment insights, market analyses, and personal experiences via platforms such as TikTok, Instagram, and YouTube, thereby influencing investor attitudes and behaviors (Singh & Kumar, 2024). In behavioral finance, herding behaviour is defined as the tendency of investors to imitate others' investment actions rather than relying on their own analysis or private information (Bikhchandani & Sharma, 2000; Chiang & Zheng, 2010). This behavior often arises in uncertain markets, where social cues and collective trends become dominant sources of decision-making guidance. According to Behavioral Finance Theory (Shefrin, 2002), such imitation stems from psychological biases such as social proof, FOMO, and availability bias. In digital spaces, constant exposure to finfluencers amplifies these biases, leading to stronger herding tendencies.

Empirical studies support this theoretical connection. Haase et al. (2025) demonstrated that finfluencer exposure significantly increases imitation-based investment behavior. Gupta and Goyal (2024) found that finfluencer attractiveness, expertise, and trustworthiness encourage retail investors to mimic their investment choices. Singh and Kumar (2024) observed that frequent exposure to social media investment content intensifies herding among retail investors in emerging markets. In Indonesia, Boerman and Müller (2022) and Singh and Kumar (2024) noted that Generation Z investors often follow trading patterns and asset preferences promoted by popular finfluencers, prioritizing popularity over analytical assessment. Taken together, these findings suggest that finfluencer exposure creates social reinforcement leading to collective investment behavior.

H1: Finfluencer exposure has a positive and significant effect on herding behaviour.

Finfluencer Exposure and Digital Investment Decision

The emergence of finfluencers has reshaped how younger generations make investment decisions in digital environments. Finfluencers act as accessible financial educators and opinion leaders, providing information and personal experiences through platforms such as YouTube, TikTok, Instagram, and Twitter/X (Boerman & Müller, 2022; Singh & Kumar, 2024). Their role in shaping investor awareness and confidence is particularly evident among Generation Z.

According to the Theory of Planned Behavior (Ajzen, 1985), behavioral intention is influenced by attitude, subjective norms, and perceived behavioral control. Finfluencer exposure primarily affects subjective norms by creating social desirability toward investing. Observing credible finfluencers promotes positive attitudes and perceived control.

Empirical findings confirm these effects. Dong et al. (2023) found that exposure to financial influencers increases young investors' confidence and willingness to invest. Hayes and Ben-Shmuel (2024) reported that finfluencer credibility significantly enhances investment intention. In Indonesia, Martaningrat and Kurniawan (2024) found that exposure to finfluencer content increases Gen Z participation in digital investments. De Regt et al. (2022) highlighted that influencer content enhances authenticity and trust.

H2: Finfluencer exposure has a positive and significant effect on digital investment decision.

Digital Financial Literacy and Herding Behaviour

Digital Financial Literacy (DFL) represents an individual's ability to access, understand, evaluate, and use financial information through digital tools (OECD, 2022). High DFL

promotes independent, rational decision-making and reduces reliance on social cues or trends. Conversely, low DFL increases cognitive biases such as herding due to overreliance on social information. According to Behavioral Finance Theory (Shefrin, 2002), financial literacy functions as a cognitive defense against irrational behavior.

Empirical findings support this relationship. Havakhor et al. (2025) found that investors with low DFL are more likely to engage in herding. Lusardi and Mitchell (2023) observed that financial literacy enhances analytical reasoning and reduces dependence on social validation. Gaol et al. (2023) found that among Indonesian Gen Z investors, high DFL encourages independent decision-making.

H3: Digital financial literacy has a negative and significant effect on herding behaviour.

Digital Financial Literacy and Digital Investment Decision

DFL integrates technological and financial competence, enabling individuals to evaluate digital financial information and make effective investment decisions (OECD, 2022). According to Ajzen's (1985) Theory of Planned Behavior, DFL influences both attitude and perceived behavioral control. Behavioral Finance Theory further suggests that literacy mitigates irrational biases.

Empirical research supports this view. Lusardi and Mitchell (2017) found that financial literacy improves rational investment choices. Gaol et al. (2023) reported that Gen Z investors with high DFL demonstrate better investment judgment on digital platforms. Pratama (2025) confirmed that digital literacy significantly influences investment intention and behavior.

H4: Digital financial literacy has a positive and significant effect on digital investment decision.

Herding Behaviour and Digital Investment Decision

Herding behaviour refers to the tendency of individuals to follow collective investment actions rather than relying on independent analysis (Bikhchandani & Sharma, 2000; Chiang & Zheng, 2010). Within Behavioral Finance Theory (Shefrin, 2002), this behaviour arises from cognitive and emotional biases.

Empirical research shows that herding can positively influence investment participation. Dedousi and Fassas (2025) found that herding predicts investment activity in online trading communities. Singh and Kumar (2024) observed similar patterns in Indonesia's digital markets. Agarwal (2025) and Nofsinger (2017) suggest that herding may increase confidence among novice investors through social reassurance.

H5: Herding behaviour has a positive and significant effect on digital investment decision.

Herding Behaviour as a Mediator Between Finfluencer Exposure and Digital Investment Decision

Exposure to finfluencer content influences investors directly and indirectly through herding behaviour. Finfluencers act as social models whose recommendations create trust and imitation tendencies (Agarwal, 2025; Boerman & Müller, 2022). In digital finance, investors often emulate credible influencers, resulting in herding patterns (Bikhchandani & Sharma, 2000).

Studies such as Agarwal (2025) and Dong et al. (2023) show that herding partially mediates the effect of finfluencer exposure on investment decisions. Singh and Kumar

(2024) confirmed that herding transforms social media influence into investment participation. This aligns with Zahera and Bansal's (2018) model of social influence.

H6: Herding behaviour mediates the relationship between finfluencer exposure and digital investment decision.

Herding Behaviour as a Mediator Between Digital Financial Literacy and Digital Investment Decision

Digital Financial Literacy affects investment decisions directly and indirectly through herding behaviour. Low DFL increases susceptibility to herding, whereas high DFL strengthens analytical independence (Almansour et al., 2025; Lusardi & Mitchell, 2017). According to Behavioral Finance Theory (Shefrin, 2002), strong literacy mitigates herding biases.

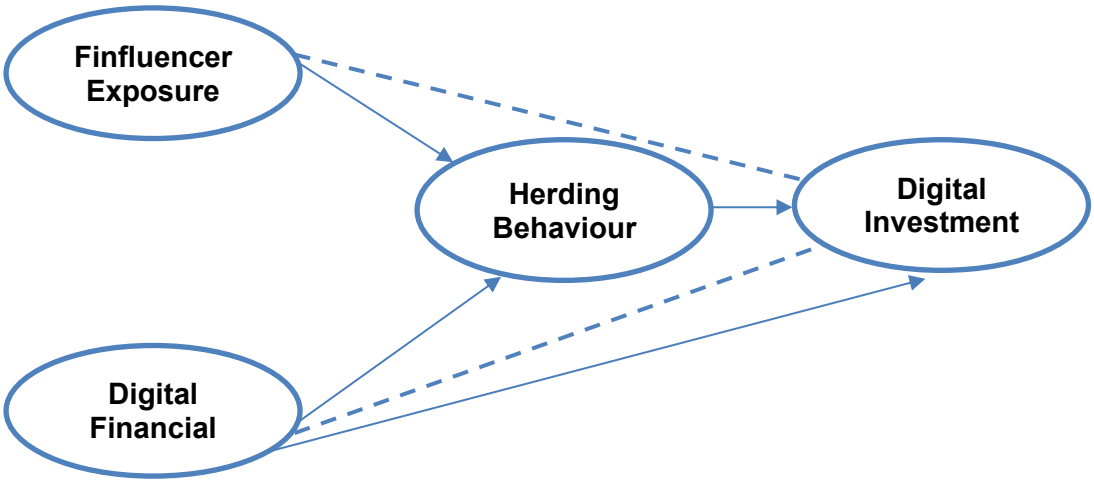
Empirical findings by Almansour et al. (2025), Gaol et al. (2023), and Shantha (2024) confirm that DFL indirectly influences investment behavior through herding. Handoko et al. (2024) further demonstrated that herding mediates the literacy–investment relationship among Indonesian Gen Z investors.

H7: Herding behaviour mediates the relationship between digital financial literacy and digital investment decision.

Conceptual Framework

The conceptual framework of this study illustrates the direct and indirect relationships among Finfluencer Exposure (FE), Digital Financial Literacy (DFL), Herding Behaviour (HB), and Digital Investment Decision (DID), with herding behaviour functioning as the mediating variable.

Figure 1. Research Framework



RESEARCH METHOD

Research Design

This study employs a quantitative research approach to obtain numerical data through systematically developed and structured questions. The research process follows a sequential progression from conceptualization to the formulation of the research design (Sekaran & Bougie, 2016). The study objectively examines the relationships among Finfluencer Exposure, Digital Financial Literacy, Herding Behaviour, and Digital Investment Decisions. Grounded in Behavioral Finance Theory (BFT), which highlights the influence of cognitive and emotional factors on financial decision-making, this study

adopts BFT as its theoretical foundation (Oktaviani & Mawaddah, 2024). A structured survey method was used for data collection, as it allows reliable measurement of perceptions, attitudes, and behaviors across a large population.

This research design is appropriate for testing both direct and indirect relationships through mediation analysis, aligning with the objective of examining how Herding Behaviour mediates the effects of Finfluencer Exposure and Digital Financial Literacy on Digital Investment Decisions—particularly relevant for young Indonesian investors who actively use social media and digital investment platforms (Martaningrat & Kurniawan, 2024).

Population and Sample

The population of this study consists of Generation Z investors in Indonesia. A purposive sampling technique was used to select respondents who met the following criteria: (1) aged 18–28 years; (2) have accessed or followed investment-related content on social media; (3) have engaged or are currently engaged in digital investment activities; and (4) are willing to participate voluntarily and able to understand the questionnaire.

The sample size was determined using Augusty's (2002) formula, which recommends multiplying the number of indicators by 5–10. With 20 indicators, the minimum required sample was 200 respondents. To enhance the robustness of the analysis, a total of 280 valid responses were collected.

Research Instrument

Data were collected through a closed-ended questionnaire using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The instrument measured four main constructs.

The first construct, Finfluencer Exposure, consisted of five items assessing exposure frequency, engagement intensity, perceived credibility, influence on investment confidence, and alignment of investment decisions with influencer recommendations (Chairunnisa & Dalimunthe, 2021; Haase et al., 2025; Hayes & Ben-Shmuel, 2024).

The second construct, Digital Financial Literacy (DFL), included six items related to understanding investment risks and benefits, effective use of digital financial platforms, ability to identify legitimate platforms, interpretation of digital financial data, confidence in online financial decisions, and continuous updating of digital financial knowledge (Al-Afeef & Alsmadi, 2025; Low et al., 2023).

The third construct, Herding Behaviour, was measured with four items reflecting tendencies to follow popular assets, imitate decisions of trusted online groups, gain confidence when others make similar decisions, and change investment choices based on others' actions (Bikhchandani & Sharma, 2000; Gerrans et al., 2023).

The fourth construct, Digital Investment Decision, consisted of five items evaluating rationality, planning, evaluation, and alignment of investment choices with financial goals (Kurniasari et al., 2024).

Instrument clarity and reliability were ensured through pre-testing to confirm comprehensibility, validity, and internal consistency before data collection.

RESULTS

Respondent Characteristics

The demographic profile of the respondents consists of 280 Generation Z investors who met the specified criteria: (1) aged 18–28 years, (2) had accessed and followed investment-related content on social media, (3) had previously engaged in or were currently investing through digital financial platforms, and (4) voluntarily agreed to participate and understood the questionnaire. Of the total sample, 66% were male and 34% were female. Regarding age distribution, 60% of respondents were between 25–28 years old, 35% were aged 21–24 years, and 5% were 18–20 years old.

Measurement Model (Outer Model)

An essential step in Structural Equation Modeling (SEM) analysis is evaluating the measurement model to ensure that the constructs used are reliable and valid before assessing the structural model. Composite Reliability (CR) and Cronbach's Alpha (CA) were employed to assess internal consistency, with values above 0.70 indicating satisfactory reliability (Hair et al., 2014). As shown in Table 1, all constructs exceed this threshold, confirming strong internal reliability. CA values above 0.60 are considered acceptable, and the results indicate that all constructs meet this requirement.

Convergent validity was assessed using the Average Variance Extracted (AVE), with a minimum recommended value of 0.50 (Hair et al., 2014). All constructs recorded AVE values above this threshold, demonstrating that each indicator adequately represents its respective construct. Table 1 presents the summary of these findings, confirming the adequacy of the measurement model.

Table 1. Validity dan Reliability Test

Variable	Composite Reliability	Cronbach's Alpha	Average Variance Extracted
Finfluencer Exposure	0.894	0.890	0.695
Digital Financial Literacy	0.937	0.910	0.688
Digital Investment Decision	0.919	0.915	0.747
Herding Behaviour	0.868	0.865	0.713

Source: Data Processing SMARTPLS 4 (2025)

To evaluate the distinctiveness of each construct in the model, this study employed three methods to assess discriminant validity: the Heterotrait–Monotrait ratio (HTMT), cross-loading analysis, and the Fornell–Larcker criterion (Hair et al., 2014). These approaches determine whether each latent variable is more strongly associated with its own indicators than with the indicators of other constructs. The results show that all constructs met the required criteria for discriminant validity. The Fornell–Larcker analysis indicated that the square root of each construct's Average Variance Extracted (AVE) exceeded its correlations with other constructs. In addition, all HTMT values were below the conservative threshold of 0.90, further confirming the empirical distinctiveness of the constructs. Table 2 presents a summary of these discriminant validity results.

Table 2. Discriminant Validity

	Finfluencer Exposure	Digital Financial Literacy	Digital Investment Decision	Herding Behaviour
Fornell-Larcker Criterion				
Finfluencer Exposure	0.834	-0.012	0.525	0.834

Digital Financial Literacy		0.829		
Digital Investment Decision		0.322	0.864	
Herding Behaviour	0.655	0.116	0.514	0.844
Heterotrait-Monotrait Ratio (HTMT)				
Finfluencer Exposure		0.074	0.578	
Digital Financial Literacy				
Digital Investment Decision		0.334		
Herding Behaviour	0.732	0.127	0.579	

Source: Data Processing SMARTPLS 4 (2025)

The outer loading values were assessed to determine the extent to which each indicator accurately represents its assigned construct. Based on established criteria, outer loading values above 0.70 are considered satisfactory, indicating that the indicators make a meaningful contribution to measuring their respective latent variables (Hair et al., 2014). The indicators for all constructs (Finfluencer Exposure, Digital Financial Literacy, Digital Investment Decision, and Herding Behaviour) showed loading values exceeding this threshold, as presented in Table 3. No indicators were removed from the model, as each demonstrated sufficiently strong loading values, thereby supporting the validity and internal consistency of the overall measurement model.

Table 3. Outer Loadings

Indicators	FE	DFL	DID	HB
FE1	0.790			
FE2	0.836			
FE3	0.855			
FE4	0.836			
FE5	0.848			
DFL1		0.764		
DFL2		0.823		
DFL3		0.905		
DFL4		0.825		
DFL5		0.838		
DFL6		0.814		
DID1			0.848	
DID2			0.907	
DID3			0.899	
DID4			0.877	
DID5			0.784	
HB1				0.785
HB2				0.869
HB3				0.868
HB4				0.851

Source: Data Processing SMARTPLS 4 (2025)

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Structural Model (Inner Model)

The predictive strength of the structural model was evaluated using the coefficient of determination (R^2). As presented in Table 4, the combination of Finfluencer Exposure (FE) and Digital Financial Literacy (DFL) explains 44.4 percent of the variance in Herding Behaviour (HB). Additionally, FE, DFL, and HB together account for 41.4 percent of the variance in Digital Investment Decision (DID). Based on the classification guidelines proposed by Hair et al. (2014), both R^2 values fall within the weak category, indicating that the model has limited explanatory power for the endogenous variables.

Table 4. R-Square

Variable	R^2	Interpretation
Herding Behaviour	0.444	Lemah
Digital Investment Decision	0.414	Lemah

Source: Data Processing SMARTPLS 4 (2025)

Path Analysis

Figure 2 illustrates the structural model and the path relationships among the variables. All indicators demonstrated strong loadings on their respective constructs, with FE3 identified as the strongest indicator for Finfluencer Exposure (FE) and DFL3 for Digital Financial Literacy (DFL). For Herding Behaviour (HB), HB2 showed the highest loading, while DID2 was the dominant indicator for Digital Investment Decision (DID).

The model shows that FE has a significant positive effect on HB, although its direct effect on DID is not statistically significant. In contrast, DFL significantly influences both HB and DID. HB also exhibits a strong and statistically significant effect on DID, confirming that Herding Behaviour plays an important mediating role, particularly in explaining the indirect relationship between FE and DID.

Figure 2. Path Analysis

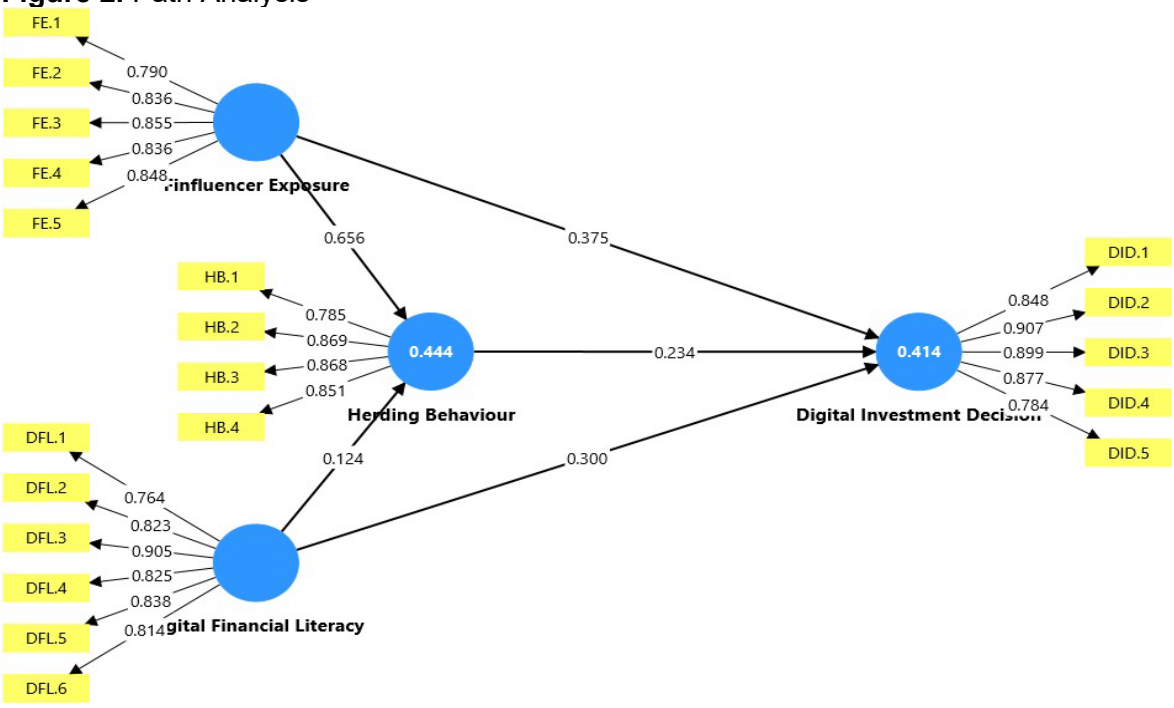

Table 5 summarizes the results of the path analysis. Finfluencer Exposure (FE) shows a strong and significant positive effect on Herding Behaviour (HB) ($\beta = 0.656$, $p < 0.000$),

as well as a significant direct effect on Digital Investment Decision (DID) (β = 0.375, p < 0.000). Digital Financial Literacy (DFL) has a significant but relatively weak effect on HB (β = 0.124, p = 0.009) and a stronger, significant effect on DID (β = 0.300, p = 0.000). Herding Behaviour also significantly influences DID (β = 0.234, p < 0.002), indicating its mediating role in the structural model.

Table 5. Path Coefficients

HypoPath	Beta	t-statistic	p-value	Decision
FE → HB	0.656	15.040	0.000	Accept
FE → DID	0.375	5.199	0.000	Accept
DFL → HB	0.124	2.607	0.009	Accept
DFL → DID	0.300	5.714	0.000	Accept
HB → DID	0.234	3.102	0.002	Accept

Source: SmartPLS 4 Data Processing (2025)

Effect Size (f^2)

Table 6 presents the effect size values for each structural path. Following Cohen's guidelines, the path from FE to HB demonstrates a large effect (f^2 = 0.776). The paths from FE to DID (f^2 = 0.135) and from DFL to DID (f^2 = 0.149) fall within the medium category. Meanwhile, the effects of DFL on HB (f^2 = 0.028) and HB on DID (f^2 = 0.052) are classified as small.

These results indicate that FE has a substantial impact on HB, and HB makes a meaningful contribution to DID, although its direct effect remains relatively limited. This highlights HB's stronger role as a mediator rather than a dominant predictor.

Table 6. Effect Size

Path	f^2	Effect
FE → HB	0.776	Large
FE → DID	0.135	Medium
DFL → HB	0.028	Small
DFL → DID	0.149	Medium
HB → DID	0.052	Small

Source: SmartPLS 4 Data Processing (2025)

Multicollinearity (VIF Test)

The Variance Inflation Factor (VIF) test was conducted to identify potential multicollinearity among predictor variables. Based on the recommended threshold of VIF < 5.00 (Hair et al., 2014), all VIF values in this study fall within the acceptable range (1.000–2.800). This confirms that the structural model is free from multicollinearity issues, ensuring the stability and reliability of the path estimates.

Table 7. VIF

Variable	VIF
FE → HB	1.000
FE → DID	1.776
DFL → HB	1.000
DFL → DID	1.028
HB → DID	2.800

Source: SmartPLS 4 Data Processing (2025)

Mediation Effect

Herding Behaviour (HB) was found to mediate the relationships between both Finfluencer Exposure (FE) and Digital Financial Literacy (DFL) toward Digital Investment

Decision (DID). The indirect effect of FE on DID through HB was 0.051 (t = 3.024, p = 0.003), indicating a statistically significant mediation. HB also mediated the influence of DFL on DID, although the indirect effect was smaller (0.015, t = 1.909, p = 0.056). These results confirm that HB plays an important mediating role in explaining the indirect effects within the model.

Table 8. Mediation Effect

HypoPath	Indirect Effect	t-statistic	p-value	Decision
FE → HB → DID	0.051	3.024	0.003	Accept
DFL → HB → DID	0.015	1.909	0.056	Accept

Source: SmartPLS 4 Data Processing (2025)

DISCUSSION

The findings of this study provide important insights into how social and cognitive factors shape the digital investment behavior of Generation Z investors in Indonesia. Using Structural Equation Modeling (SEM) with SmartPLS, the results show that all proposed hypotheses (H1–H7) were supported, demonstrating both direct and indirect relationships among Finfluencer Exposure (FE), Digital Financial Literacy (DFL), Herding Behaviour (HB), and Digital Investment Decision (DID).

Finfluencer Exposure and Herding Behaviour

The results confirm that finfluencer exposure positively influences herding behaviour (H1), consistent with Behavioral Finance Theory (Shefrin, 2002). Frequent exposure to finfluencer content strengthens imitation tendencies among Gen Z investors. Similar to findings by Gupta and Goyal (2024) and Haase et al. (2025), finfluencers function as behavioral role models whose perceived credibility generates psychological reassurance and social validation. In Indonesia's digital landscape, finfluencers act not only as information providers but also as social reinforcement agents that amplify collective investment behavior.

Finfluencer Exposure and Digital Investment Decision

The study also finds that finfluencer exposure directly influences digital investment decisions (H2). This aligns with the Theory of Planned Behavior (Ajzen, 1985), where finfluencers shape subjective norms and attitudes toward investing. Exposure to credible financial influencers improves perceived trust, confidence, and behavioral control. This result is consistent with Dong et al. (2023) and Hayes & Ben-Shmuel (2024), who noted that finfluencer credibility enhances retail investment engagement. For Generation Z, finfluencers act as digital mentors who simplify financial information and encourage participation through relatable communication.

Digital Financial Literacy and Herding Behaviour

A negative and significant relationship between digital financial literacy and herding behaviour (H3) was observed. This indicates that investors with higher DFL are less likely to follow crowd-driven investment decisions. This finding supports Havakhor et al. (2025) and Lusardi & Mitchell (2023), who emphasized that financial literacy enhances critical evaluation and reduces emotional bias. For Indonesian Gen Z, higher digital literacy minimizes susceptibility to speculative social influence and promotes more independent investment decision-making.

Digital Financial Literacy and Digital Investment Decision

Consistent with H4, digital financial literacy positively affects digital investment decisions. This aligns with Ajzen's (1985) Theory of Planned Behavior, where DFL contributes to more positive investment attitudes and stronger perceived behavioral control. The finding

also supports Gaol et al. (2023) and Pratama (2025), who reported that digital literacy improves investment judgment and rational decision-making. Strengthening digital financial literacy thus enhances the quality of financial participation in Indonesia's digital investment ecosystem.

Herding Behaviour and Digital Investment Decision

The results indicate that herding behaviour positively influences digital investment decisions (H5). Although herding is often considered irrational, it can act as a social catalyst that increases investment participation among novice investors. Similar to Dedousi & Fassas (2025) and Nofsinger (2017), the results suggest that following peers provides psychological comfort and reduces uncertainty. Among Generation Z, investment decisions are shaped not only by financial motives but also by social interaction within digital communities.

The Mediating Role of Herding Behaviour

The mediation analysis confirms that herding behaviour mediates both the effect of finfluencer exposure on digital investment decisions (H6) and the effect of digital financial literacy on digital investment decisions (H7). For H6, the results indicate that finfluencer content triggers observational learning and social sentiment, which then translate into investment actions through herding. For H7, the findings highlight that digital literacy reduces herding tendencies, thereby improving investment decision-making. These conclusions align with Zahera and Bansal (2018), Gaol et al. (2023), and Handoko et al. (2024).

Theoretical Implications

This study extends Behavioral Finance Theory by integrating social influence, represented by finfluencer exposure, and cognitive competence, represented by digital financial literacy, into the explanation of herding-driven digital investment behaviour. It also reinforces Ajzen's Theory of Planned Behavior by demonstrating that subjective norms shaped by social influence and perceived behavioral control strengthened by financial literacy jointly determine investment intention. Overall, the findings highlight a dual mechanism in Generation Z investment behaviour, where social influence triggers imitation-based tendencies while cognitive competence regulates these tendencies and channels them toward more rational investment outcomes.

Practical Implications

The findings of this study offer several practical implications. For financial regulators such as the OJK, the results underscore the importance of establishing ethical guidelines and transparency standards for finfluencers to ensure that financial content shared on social media is accurate and responsible. For digital investment platforms like Bibit, Ajaib, Bareksa, Pluang, and Pintu, the study highlights the need to integrate digital literacy features, educational tools, and regulated influencer collaborations to improve investment quality and minimize misinformation. For educators and policymakers, the findings emphasize the urgency of strengthening digital financial literacy programs to reduce young investors' vulnerability to speculative herding behaviour and to promote more informed and rational participation in digital investment activities.

CONCLUSION

This study investigates the mediating role of herding behaviour in the relationships among finfluencer exposure, digital financial literacy, and digital investment decisions among Generation Z investors in Indonesia. The results based on SEM-PLS analysis support all proposed hypotheses (H1–H7), demonstrating both direct and indirect effects.

Finfluencer exposure positively influences both herding behaviour and digital investment decisions, highlighting the importance of social media influencers in shaping investor perceptions and participation. Digital financial literacy reduces herding behaviour and increases digital investment decisions, reinforcing the importance of cognitive competence in financial judgment.

Herding behaviour also positively affects investment decisions and mediates the effects of both finfluencer exposure and digital financial literacy. This emphasizes herding as a key psychological mechanism that connects social influence with investment action.

Theoretically, the study contributes to behavioural finance literature by integrating social and cognitive dimensions into a unified investment model. Practically, the findings suggest that regulators, educators, and digital platforms should collaborate to improve digital literacy and promote responsible financial communication.

In conclusion, the digital investment decisions of Generation Z in Indonesia reflect a hybrid decision-making model where social influence and cognitive literacy interact to shape financial behaviour. Balancing the persuasive power of finfluencers with strong financial literacy is essential for promoting sustainable investment outcomes.

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