THE MEDIATING ROLE OF INVESTMENT MOTIVATION IN THE RELATIONSHIP BETWEEN RISK PERCEPTION AND FINANCIAL LITERACY ON INVESTMENT DECISIONS OF PAYLATER USERS

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ABSTRACT

This study examines the mediating role of investment motivation in the relationship between risk perception, financial literacy, and investment decisions among PayLater users in Indonesia. Utilizing a quantitative explanatory approach, data were collected from 200 respondents aged 18–45 who had used PayLater services for more than six months. Structural Equation Modeling with Partial Least Squares (SEM-PLS) was employed to analyze both direct and indirect effects between constructs. The findings reveal that risk perception and financial literacy positively influence investment motivation. Investment motivation, in turn, has a significant positive effect on investment decisions and serves as a strong mediator between risk perception, financial literacy, and investment decisions. Although financial literacy only marginally affects investment decisions directly, its indirect effect through motivation is significant. The results emphasize the importance of enhancing both financial literacy and investment motivation to improve the quality of investment decisions in the context of digital financial services like PayLater.

Keywords: Investment Motivation; Risk Perception; Financial Literacy; Investment Decision; PayLater

ABSTRAK

Studi ini meneliti peran mediasi motivasi investasi dalam hubungan antara persepsi risiko, literasi keuangan, dan keputusan investasi di kalangan pengguna PayLater di Indonesia. Dengan menggunakan pendekatan kuantitatif eksplanatori, data dikumpulkan dari 200 responden berusia 18–45 tahun yang telah menggunakan layanan PayLater selama lebih dari enam bulan. Analisis dilakukan menggunakan Structural Equation Modeling dengan pendekatan Partial Least Squares (SEM-PLS) untuk menguji pengaruh langsung dan tidak langsung antar konstruk. Temuan menunjukkan bahwa persepsi risiko dan literasi keuangan berpengaruh positif terhadap motivasi investasi. Motivasi investasi, pada gilirannya, memiliki pengaruh positif yang signifikan terhadap keputusan investasi dan berperan sebagai mediator yang kuat antara persepsi risiko, literasi keuangan, dan keputusan investasi. Meskipun literasi keuangan hanya berpengaruh langsung secara marginal terhadap keputusan investasi, pengaruh tidak langsungnya melalui motivasi terbukti signifikan. Hasil ini menekankan pentingnya peningkatan literasi keuangan dan motivasi investasi untuk memperbaiki kualitas keputusan investasi dalam konteks layanan keuangan digital seperti PayLater.

Kata kunci: Motivasi Investasi; Persepsi Risiko; Literasi Keuangan; Keputusan Investasi; PayLater

1. Introduction

In recent years, technological innovation in the financial sector, especially in the field of fintech, has had a significant impact on consumer behavior in managing their personal finances. One rapidly growing innovation is the PayLater service, which allows consumers to make purchases with deferred payment over a specific period. This service provides convenience and flexibility for consumers, particularly for the younger generation who are more familiar with the digital world. According to a Statista report (2023), the value of transactions using PayLater services in Indonesia is expected to continue increasing along with technological adoption and changing consumption habits. Research by Arner et al. (2020) also emphasizes that the development of fintech services like PayLater has become an important driver in the transformation of the global financial landscape, although it also suggests the need for greater attention to the risks involved.

Although convenient, the use of PayLater services also presents challenges, particularly regarding financial management and investment decision-making. One major issue is the risk perception resulting from using

PayLater. While users enjoy the ease of shopping without paying in full upfront, they often fail to consider the potential financial burden due to arising debt, interest, and late fees, which can affect their financial stability (Jang, 2021). Arner et al. (2020) also revealed that credit-based services like PayLater can create greater financial risk, which influences consumers' financial decision-making. Therefore, risk perception becomes an important factor to consider when making financial and investment decisions.

In addition, financial literacy is a determining factor in an individual's ability to make rational financial decisions, including using fintech services. Research by Lusardi & Mitchell (2020) revealed that individuals with a high level of financial literacy tend to be more cautious in managing their finances and make wiser investment decisions. However, despite the significant influence of financial literacy, the OECD (2021) reported that many PayLater users in Indonesia have a low level of financial literacy, which may increase their vulnerability to poor financial decisions. Atkinson & Messy (2012) also noted that low financial literacy in developing countries hampers individuals' ability to take full advantage of fintech services and make smart investment decisions.

An individual's motivation to invest also plays an important role in connecting risk perception and financial literacy to their investment decisions. Investment motivation can include the desire to build wealth, address financial uncertainty, or achieve certain long-term goals. Research by Perry & Morris (2020) stated that investment motivation can influence how a person responds to financial risk and makes more rational investment decisions. Investment motivation serves as a bridge between risk perception and financial literacy in the investment decision-making process. Baker & Nofsinger (2010) also showed in their research that investor psychology, which includes both internal and external motivations, plays an important role in shaping their investment decisions.

Previous studies have explored the influence of risk perception and financial literacy on financial decisions, but few have specifically examined how these factors influence investment decisions in the context of fintech users, such as those using PayLater services. Most previous research has focused more on consumer debt usage or purchasing behavior without considering the investment dimension that arises from using such fintech services. Jang (2021), in his research on technology-based credit usage, stated that risk perception has a negative impact on consumption decisions but does not significantly affect investment decisions. This contrasts with the present study, which examines how risk perception, financial literacy, and investment motivation interact to influence investment decisions among PayLater users.

Almeida et al. (2022) focused their research on the relationship between risk and investment decisions among fintech users in general but did not specifically study PayLater users. This study fills that gap by examining how risk perception and financial literacy interact with investment motivation to influence investment decisions in the context of PayLater service usage. Lusardi & Mitchell (2020) focused on the impact of financial literacy on personal financial management but did not include fintech or PayLater as variables in their research. This study contributes further by linking financial literacy with investment decisions through the role of investment motivation, which remains a gap in the current literature.

Perry & Morris (2020) revealed that investment motivation, influenced by both external and internal factors, plays a significant role in financial decision-making. However, their study did not specifically examine the influence of PayLater or fintech in this context. This study addresses that gap by examining how investment motivation can act as a mediating variable between risk perception and investment decisions among PayLater users.

This research aims to fill the existing research gap by exploring the role of investment motivation as a mediating variable in the relationship between risk perception, financial literacy, and investment decisions among PayLater users. By understanding the interaction between these variables, this study is expected to provide broader insights into the factors influencing investment decisions in the digital era, as well as offer practical recommendations for fintech service users to improve personal financial management and make smarter investment decisions.

2. Literature Review and Hypotheses

The Influence of Risk Perception on Investment Motivation

Risk perception and investment motivation are two important interrelated concepts in investment decision-making. Risk perception refers to the extent to which individuals assess uncertainty and the potential losses associated with investment decisions. Prospect Theory, proposed by Kahneman and Tversky (1979), explains that individuals tend to be more sensitive to losses than to equivalent gains, a concept known as loss aversion. This affects how an investor views risk: the higher an individual's risk perception, the more likely they are to avoid investments considered high-risk, even if the potential returns are substantial (Kahneman & Tversky, 1979).

Conversely, investment motivation relates to the reasons individuals invest, whether to gain long-term returns, achieve personal goals, or fulfill financial needs. Maslow's Hierarchy of Needs (Maslow, 1943) provides a framework for understanding this motivation, in which individuals invest to meet basic needs such as financial security, as well as higher-level needs such as self-actualization. Therefore, investment motivation is often influenced by psychological, social, and financial conditions, which can vary significantly between individuals (Maslow, 1943).

According to recent research, González et al. (2022) showed that demographic factors such as age, education level, and investment experience influence an individual's risk perception. Younger and more educated individuals tend to have higher risk tolerance, making them more motivated to invest in high-risk instruments such as stocks or cryptocurrency. Conversely, older or less educated individuals are more likely to avoid high-risk investments and choose more stable instruments like bonds or deposits. This research reflects how differing risk perceptions among individuals can lead to varying levels of investment motivation.

Behavioral Finance Theory (Shefrin & Statman, 1985) also provides further insight into the influence of risk perception on investment decisions. In this theory, psychological biases such as overconfidence and herding behavior can affect how individuals assess risk. Overconfidence may cause investors to feel more secure in facing risk, encouraging them to invest more in high-risk instruments. Meanwhile, herding behavior leads to motivation based on following others' investment decisions, even when the outcomes may be high-risk. These psychological biases indicate that risk perception is not always rational and is often influenced by external or social factors.

Furthermore, Anderson and Kong (2023) examined the relationship between risk perception and investment motivation by emphasizing the importance of psychological factors in influencing investment decisions. This study found that individuals with high risk perception tend to focus more on loss avoidance and are more motivated to seek safer and more stable investments. On the other hand, individuals with low risk perception are more likely to invest in more volatile instruments despite uncertainty. These findings are consistent with Cheng et al. (2021), who showed that risk perception is directly related to individuals' motivation to avoid potential losses and seek safer investments, leading to more conservative investment decisions.

Based on the above, the following hypothesis can be formulated:

H1: Risk perception has a positive effect on investment motivation

The Influence of Financial Literacy on Investment Motivation

Financial literacy and investment motivation have a close relationship in the context of individual financial decision-making. Financial literacy refers to an individual's ability to understand and apply knowledge of basic concepts in financial management, including investing, saving, debt management, and retirement planning. Individuals with high financial literacy tend to have a better understanding of how investment instruments work, the risks involved, and how to leverage various investment opportunities to achieve long-term financial goals. Conversely, individuals with low financial literacy often lack confidence in making investment decisions, which can lead them to avoid investing altogether or to invest only in simpler, lower-risk instruments (Lusardi & Mitchell, 2020).

The relationship between financial literacy and investment motivation can be understood through several relevant theories. One of these is Expectancy Theory, developed by Vroom (1964), which states that individuals are motivated to invest if they believe that such actions will lead to desired outcomes, such as financial gains. In this context, financial literacy plays an important role, as the higher an individual's understanding of how investments work and the associated risks and rewards, the greater their expectations of achieving set investment goals. In other words, financial literacy enhances an individual's confidence in the outcomes achievable through investing, which in turn boosts motivation to invest.

Behavioral Finance Theory also provides a relevant perspective in linking financial literacy with investment motivation. This theory, developed by Shefrin and Statman (1985), suggests that investment decisions are often influenced by psychological biases, such as overconfidence, anchoring, and herding behavior. Individuals with high financial literacy tend to be more aware of these biases and better able to manage them, leading to more rational investment decisions. Conversely, individuals with low financial literacy are more susceptible to these psychological factors and tend to make more emotional or trend-based investment decisions. Therefore, financial literacy not only enhances an individual's technical ability to choose appropriate investment instruments but also influences their motivation to invest more wisely.

Recent research shows that financial literacy plays a significant role in shaping an individual’s investment motivation. Lusardi et al. (2020) revealed that individuals with higher levels of financial literacy tend to be more active in managing their investment portfolios and more willing to take greater risks to achieve long-term financial goals. This is supported by research conducted by González et al. (2022), which found that individuals with good financial literacy are more likely to invest in complex and riskier instruments, such as stocks and mutual funds, rather than choosing more conservative instruments like deposits. The knowledge they possess about the relationship between risk and return enables them to better assess and mitigate potential losses, thus making them feel more motivated to invest.

Additionally, research by Zhang et al. (2021) shows that financial literacy can increase an individual's motivation to invest in more diverse instruments, such as foreign investments or new technologies, because they have a better understanding of global market dynamics and the potential profits that can be obtained. In this case, financial literacy broadens an individual's perspective on the available investment opportunities, encouraging them to not only focus on traditional investments but also consider more innovative and high-risk instruments.

Research by Anderson and Kong (2023) emphasizes the importance of financial literacy in encouraging individuals' motivation to invest. They found that individuals with better financial knowledge are more likely to be motivated to invest in higher-risk instruments because they understand how to manage and reduce such risks. Meanwhile, individuals with low financial literacy are more likely to avoid investing or only choose safer instruments.

Maslow’s Hierarchy of Needs (Maslow, 1943) can also be applied in the context of financial literacy and investment motivation. In this theory, Maslow explains that individuals strive to fulfill basic needs first, such as the need for financial security, before moving on to fulfill higher-level needs, such as self-actualization. Financial literacy plays a crucial role in achieving these basic needs, as better understanding of money management and investing helps individuals feel more financially secure. This financial security, in turn, increases individuals’ motivation to invest further in order to achieve higher-level goals, such as a comfortable retirement or long-term financial success.

Based on the above, the following hypothesis can be formulated:

H2: Financial literacy has a positive effect on investment motivation.

The Influence of Risk Perception on Investment Decisions

Risk perception refers to how individuals assess the uncertainty associated with financial or investment decisions (Cox & Rich, 2021). In the context of investment decisions, risk perception plays a key role, as individuals tend to evaluate the likelihood and impact of potential losses. According to Markowitz's Portfolio Theory (1952), investors typically seek a balance between risk and return. Individuals with a high risk perception tend to avoid high-risk investments, even if the potential returns are greater. Research by Grable & Lytton (2001) found that high risk perception is associated with the avoidance of risky investments, while Wu & Zhang (2019) showed that high risk perception influences investment preferences toward safer instruments, such as bonds or deposits.

Further research by Kusumawati & Nugroho (2022) confirmed that risk perception has a significant impact on investment decisions. Even individuals with high financial literacy may still be deterred from making profitable investment decisions due to poor risk perception. In the context of fintech services, such as PayLater, risk perception becomes more complex. Financial risk, related to the possibility of payment issues or unpaid debt, and psychological risk, which includes individuals' concerns about their ability to manage loans, are important factors in investment decisions (Erdem & Swait, 2020). Research by Hansson et al. (2021) showed that high risk perception can reduce a person's willingness to invest or make major financial decisions, while low risk perception is associated with more positive investment decisions.

Research by Luo et al. (2020) indicated that the risk perception felt by users can affect their investment decisions, particularly in digital financial products. These findings are relevant to the focus of this study on PayLater usage, as the service involves credit-based transactions that may influence users' investment decisions. Furthermore, in the digital financial era, Tung & Chiang (2022) found that additional factors such as market volatility and economic uncertainty increasingly influence individuals' risk perception and investment decisions.

Based on the above, the following hypothesis can be formulated:

H3: Risk perception has a negative effect on investment decisions

The Influence of Financial Literacy on Investment Decisions

Financial literacy is defined as an individual's ability to understand and use financial information in making rational decisions (Lusardi & Mitchell, 2014). According to the Theory of Planned Behavior (Ajzen, 1991), an individual's ability to comprehend financial information and apply it in decision-making, including investment, can be influenced by knowledge, attitude, and behavioral control. High financial literacy is associated with better and more diverse investment decisions, as individuals with good financial literacy are able to manage investment risks and opportunities more effectively. However, Atkinson & Messy (2012) noted that financial literacy alone is not sufficient to ensure good investment decisions, as psychological factors such as personal motivation and risk perception also play an important role in investment decisions.

Research by Widyanto & Ismail (2021) revealed that among millennials in Indonesia, high financial literacy not only improves their understanding of financial products but also helps them make more informed investment decisions, even when faced with market uncertainty. On the other hand, Amin & Awais (2020) added that although financial literacy is important, personal motivation to invest in the long term can strengthen the relationship between financial literacy and more profitable investment decisions. This aligns with Self-Determination Theory (Deci & Ryan, 2000), which states that an individual's intrinsic motivation, such as the desire to achieve financial freedom or reach personal goals, can influence financial behavior, including investment decisions.

In the context of using PayLater services, financial literacy includes understanding how to manage debt and installment payments related to such services, in addition to basic financial concepts. Xiao & Porto (2020) stated that good financial literacy is directly related to an individual's ability to plan and manage long-term finances, including investments. Research by Bucher-Koenen & Lusardi (2021) also found that low financial literacy among younger generations can hinder smart and responsible investment decisions. These findings highlight the importance of improving financial literacy so that individuals can take advantage of investment opportunities more effectively.

Based on the above, the following hypothesis can be formulated:
H4: Financial literacy has a positive effect on investment decisions

The Effect of Investment Motivation on Investment Decisions

Investment motivation refers to the reasons or drives that encourage individuals to invest, which may involve achieving long-term financial goals, the need for financial security, or the desire to gain higher returns. This motivation has a significant influence on an individual's investment decisions, where the stronger the motivation, the more likely the individual is to make investment decisions, both in terms of the amount of funds invested and the type of investment instruments chosen.

A relevant theory to understand this relationship is the Theory of Planned Behavior (TPB) proposed by Ajzen (1991). TPB explains that individual behavior, including investment decisions, is influenced by three main factors: attitude toward the behavior, subjective norms, and perceived behavioral control. In the context of investing, an individual's motivation can be seen as a component of their attitude toward investment. Individuals with high motivation to achieve financial goals or to increase their wealth are more likely to make bolder and more aggressive investment decisions, particularly in instruments considered high-risk.

The Expectancy Theory proposed by Vroom (1964) can also be used to explain this relationship. According to this theory, individuals are more motivated to make investment decisions if they believe that such investments will yield the desired outcomes, such as significant financial gains. If individuals believe that their investment decisions will produce results commensurate with the effort involved, they will be more motivated to engage in more active or aggressive investing.

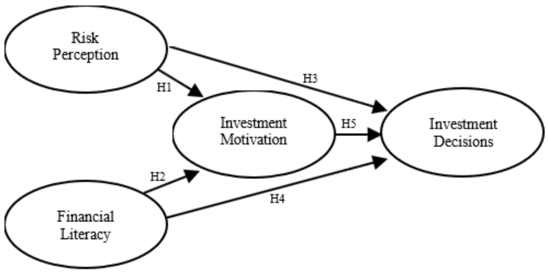
Previous studies also support the relationship between investment motivation and investment decisions. For example, Suryani (2020) found that individuals who are highly motivated to achieve long-term financial security tend to be more willing to make investment decisions in riskier instruments. Research by Novianti and Kusumastuti (2021) also shows that the motivation to gain short-term financial profit can drive individuals to choose investment instruments with high return potential, even if they come with higher risks. In addition, Dewi and Soeherman (2022) examined the influence of investment motivation on investment decisions in the stock market, showing that individuals with strong motivation tend to be more confident in making complex and risky investment decisions.

Furthermore, Behavioral Finance Theory (Shefrin & Statman, 1985) explains that investment decisions are often influenced by psychological and emotional factors, including individual motivation. Psychological biases such as overconfidence bias and optimism bias can make individuals more motivated to make riskier investment decisions. Individuals with high motivation to gain greater returns may be influenced by these biases and tend to make more aggressive investment decisions.

Based on the above, the following hypothesis can be formulated:
H5: Investment motivation has a positive effect on investment decisions.

3. Research Model

The research model is as follows:



Source: Developed from previous research

Figure 1

Theoretical Framework

4. Methods

This study uses a quantitative explanatory approach to examine the relationship between risk perception, financial literacy, investment motivation, and investment decisions among PayLater users. This approach was chosen because it aims to test hypotheses and explain the direct and indirect effects among the variables studied. The study also seeks to identify the mediating role of investment motivation in influencing the relationship between risk perception and financial literacy on investment decisions. The population in this study consists of all PayLater service users in Indonesia, particularly those who have used the service for more than six months. This population is considered relevant because users with more than six months of experience tend to have a better understanding of risk, financial literacy, and investment decisions. The study sample consists of 200 respondents, selected using a non-probability sampling technique with a purposive sampling method, which involves selecting respondents based on specific criteria such as being between 18–45 years old, having experience using PayLater in the past six months, and having made or currently considering investment decisions. Data collection was conducted through an online survey using a questionnaire distributed via digital platforms. The questionnaire contains indicators to measure each research variable.

The risk perception variable is measured with four indicators: perception of increased financial risk due to PayLater usage, concern about bill payments, the likelihood of excessive debt burden, and hesitation to invest due to financial uncertainty. Financial literacy is measured through understanding of basic financial concepts, ability to compare financial products, habit of reading terms and conditions, and understanding of investment instruments. Investment motivation includes the desire to prepare for the future, motivation after learning about the benefits of investing, the desire to achieve financial freedom, and the drive to improve financial conditions. Meanwhile, investment decisions are measured through involvement in investments over the past year, the alignment of investments with financial goals, consideration of risk-return factors before investing, and confidence in the decisions made. The data obtained will be analyzed using Structural Equation Modeling with the Partial Least Squares (SEM-PLS) approach, as this method is flexible in handling non-normal data and capable of testing complex relationships among latent variables. The equation model consists of two main models: the first model tests the effect of risk perception and financial literacy on investment motivation, while the second model tests the effects of risk perception, financial literacy, and investment motivation on investment decisions. This analysis is expected to reveal the direct and indirect effects of these variables, as well as identify the mediating role of investment motivation. The references used in the development of the indicators and research model refer to various recent sources such as Lusardi & Mitchell (2017), Suryani & Asmara (2022), Nguyen & Tran (2023), and Zhang & Li (2023), to ensure conceptual validity and contextual relevance in this study..

5. Result and Discussion

Based on the research results, the respondents involved in this study are users of the PayLater service in Indonesia who have been using the service for more than six months. The respondents consist of individuals aged between 18 and 45, with the majority aged between 25 and 35. Most respondents have actively used PayLater in the past six months and have considered investment decisions, whether they have already invested or are planning to do so. The respondents are predominantly male, although a significant number of females are also involved. In terms of employment, the majority of respondents are full-time employees (45%) and entrepreneurs (30%), with the remainder being students (25%). Most respondents have a monthly income ranging from Rp 3,000,000 to Rp 7,000,000, indicating that the majority come from the middle class, who tend to have a better understanding of risk and financial literacy and are more likely to make well-considered investment decisions.

Measurement Model (Outer Model)

In the measurement model, tests were conducted for convergent validity, discriminant validity, and reliability. To test convergent validity, the loading values shown in Table 1 can be referred to.

Table 1. Loadings

	Investment Decisions	Financial Literacy	Investment Motivation	Risk Perception
KI1	0,923			
KI2	0,907			
KI3	0,913			
KI4	0,233			
LK1		0,869		
LK2		0,867		
LK3		0,892		
LK4		-0,169		
MI1			0,918	
MI2			0,910	
MI3			0,913	
MI4			0,195	
PR1				0,059
PR2				-0,004
PR3				0,991
PR4				0,179

Source: Processed Primary Data, 2025

From Table 1, it can be seen that the results of the convergent validity test show that most indicators in the measurement model meet the criteria for convergent validity, with loading values ≥ 0.7, indicating that these indicators adequately represent the constructs. However, there are several indicators that do not meet this standard, such as KI4 in the Investment Decision construct with a loading of 0.233 and LK4 in the Financial Literacy construct with a negative loading (-0.169). Although these indicators are not statistically valid, justification for retaining them can be based on Kahneman and Tversky's (1979) Prospect Theory, which suggests that investment decision-making is influenced by individual perceptions of risk and return; thus, KI4 may reflect a unique and important psychological aspect. Similarly, the LK4 indicator may be retained because financial literacy is strongly influenced by social and economic factors that vary across populations, as explained by Lusardi and Mitchell (2014). In the Investment Motivation construct, all indicators are valid with high loadings (≥ 0.9), consistent with Deci and Ryan's (1985) Self-Determination Theory, which explains intrinsic and extrinsic motivation in decision-making. Meanwhile, in the Risk Perception construct, although some indicators have low loadings, the PR3 indicator, with a loading of 0.991, remains valid and represents the construct well, in line with Knight's (1921) Uncertainty Theory, which emphasizes the subjectivity of risk perception. Therefore, although some indicators do not meet the statistical criteria for convergent validity, they can still be retained due to their important conceptual and contextual contributions in understanding the constructs more comprehensively, in accordance with the principle of convergent validity, which relies not only on statistical values but also on theoretical and practical relevance (Ghozali, 2016; Hair et al., 2019). Meanwhile, discriminant validity testing can be conducted by analyzing the Cross Loading values, as shown in Table 2.

Table 2. Cross Loadings

	Investment Decisions	Financial Literacy	Investment Motivation	Risk Perception
KI1	0,923	0,280	0,783	0,650
KI2	0,907	0,309	0,760	0,604
KI3	0,913	0,328	0,804	0,627
KI4	0,233	0,060	0,126	-0,011
LK1	0,272	0,869	0,325	0,266

LK2	0,288	0,867	0,306	0,289
LK3	0,317	0,892	0,362	0,332
LK4	-0,043	-0,169	-0,095	-0,115
MI1	0,784	0,316	0,918	0,666
MI2	0,763	0,373	0,910	0,678
MI3	0,793	0,360	0,913	0,681
MI4	0,091	0,027	0,195	0,030
PR1	-0,004	0,061	0,025	0,059
PR2	-0,105	0,071	-0,013	-0,004
PR3	0,669	0,350	0,734	0,991
PR4	0,074	0,026	0,080	0,179

Source: Processed Primary Data, 2025

Based on the results of discriminant validity testing using cross-loading analysis, most indicators show higher loading values on their original constructs compared to other constructs. This indicates that the majority of indicators are able to represent the constructs being measured more dominantly than other constructs, thus fulfilling discriminant validity for most items (Ghozali, 2016; Sekaran & Bougie, 2016). Discriminant validity is important to ensure that conceptually different constructs can also be empirically distinguished, preventing overlap in measurement (Fornell & Larcker, 1981). Some indicators that show low or non-dominant loading values on their original constructs, such as KI4, LK4, MI4, PR1, PR2, and PR4, are retained in the model based on conceptual relevance and theoretical support, as they reflect unique aspects of the constructs not captured by other indicators (Diamantopoulos & Winklhofer, 2001). In addition to cross-loading, discriminant validity can also be supported through the Fornell-Larcker criterion, which states that the square root of the AVE of a construct should be greater than the correlations between that construct and others in the model (Hair et al., 2019). Therefore, despite some weaknesses at the indicator level, overall, the measurement instrument in this study has demonstrated sufficient ability to empirically distinguish the constructs and remains suitable for further analysis. Next, the reliability testing of the data is presented in Table 3.

Table 3. Composite Reliability, Cronbach's Alpha, and AVE

	Composite Reliability	Cronbach's Alpha	Average Variance Extracted (AVE)
Investment Decisions	0,861	0,776	0,641
Financial Literacy	0,784	0,623	0,583
Investment Motivation	0,855	0,767	0,635
Risk Perception	0,335	0,133	0,254

Source: Processed Primary Data, 2025

Based on the results of the reliability test, the constructs of Investment Decision, Financial Literacy, and Investment Motivation show adequate levels of reliability, with values exceeding the established thresholds. This indicates that these constructs are capable of significantly explaining the variance in their indicators and demonstrate good validity. In contrast, the Risk Perception construct shows very low reliability results, indicating that the indicators in this construct are less effective in explaining the expected variance. Nevertheless, the Risk Perception construct is retained in this research model due to its theoretical relevance.

According to Fornell and Larcker (1981), even if a construct shows a low level of reliability, it can still be retained in the measurement model if it has strong theoretical relevance and is closely related to the phenomenon being measured. In the context of this study, risk perception is a crucial element in understanding investment decision-making, leading to the decision to retain the construct despite its suboptimal reliability results. Hair et al. (2019) also emphasize the importance of improving indicators as part of efforts to enhance the reliability of a construct, but theoretical relevance remains the primary basis for retaining a construct in the model

Structural Model (Inner Model)

The structural model in this study is applied to predict causal relationships between latent variables. The evaluation of the structural model is conducted by analyzing the R-square value, Goodness of Fit, and relationships between variables. The estimation results for the full structural model (inner model) are shown in Figure 2

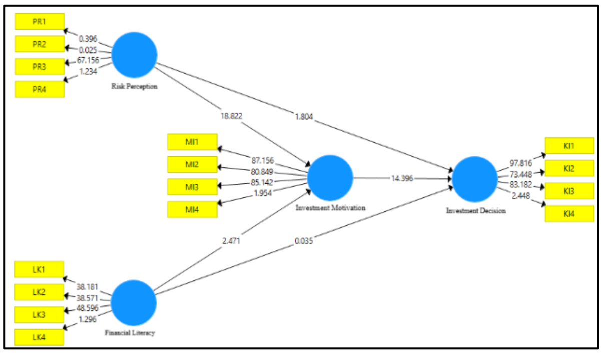


Figure 2. Full Structural Model

Next, the evaluation of the inner model is conducted by assessing the R-square value. The results of the R-square and Predictive Relevance tests can be seen in Table 4.

Table 4. R-square and Predictive Relevance

	R Square	R Square Adjusted	Q^2
Investment Decisionsi	0,732	0,727	$Q^2=1-1(1-R^2 1)(1-R^2 2)$
Investment Motivation	0,560	0,555	$Q^2=1-1(1-0{,}732)(1-0{,}560)$
			$Q^2=0{,}882$

Source: SmartPLS Outputs

Based on the analysis results shown in Table 4, the R Square value for the Investment Decision variable is 0.732, indicating that 73.2% of the variation in investment decisions can be explained by the independent variables used in the model, such as risk perception and financial literacy. Meanwhile, the Adjusted R Square value of 0.727 shows that, after accounting for the number of variables in the model, the explanatory power remains very high at 72.7%. This indicates that the model used is strong and relevant in predicting respondents' investment decisions.

For the Investment Motivation variable, the R Square value obtained is 0.560, meaning that 56% of the variation in investment motivation can be explained by the variables in the model. The Adjusted R Square value for this variable is 0.555, indicating that, after adjustment, the model is still able to explain about 55.5% of the variation in investment motivation. This value falls into the moderate category, so it can be concluded that the model is fairly good at explaining investment motivation, although not as strong as for the investment decision variable.

Overall, these results show that the research model used is quite effective in explaining both dependent variables, although there are still other factors outside the model that may also have an influence. The Q^2 value of 0.882 indicates that the model has a very high level of predictive relevance. According to the Stone-Geisser Q^2 formula, this value indicates that the model can explain approximately 88.2% of the observed data variation overall, taking into account the endogenous variables Investment Decision and Investment Motivation, which have R^2 values of 0.732 and 0.560, respectively.

Since the Q^2 value is greater than zero and close to 1, it can be concluded that this model is highly effective in predicting and representing the research data, thus having strong predictive relevance. In other words, the model is not only statistically appropriate but also capable of producing accurate and reliable estimates for the variables studied. The next step is to conduct a Goodness of Fit test. The results of the model fit test in this study are presented in Table 5.

Table 5. Goodness of Fit Test Results

	Estimated Model	Standart
SRMR	0,054	< 0,08
NFI	0,852	> 0,9
rms Theta	0,178	< 0.102

Source: SmartPLS Outputs

The model fit evaluation results show an SRMR value of 0.054, which is below the threshold of 0.08, indicating that the model has a good goodness of fit and generally aligns well with the data used. However, the NFI value of 0.852 is still below the ideal standard of above 0.90, indicating that the model has not yet reached an optimal overall fit. In addition, the RMS Theta value of 0.178 exceeds the recommended threshold of 0.102, suggesting potential issues with measurement reliability in the model.

Nevertheless, this combination of results indicates that the model developed is reasonably adequate for explaining the relationships among variables in this study, with the caveat that further refinement and testing are needed to improve the model's validity and reliability. The researchers recommend using these results as a basis for developing a better model in future studies and conducting additional tests to strengthen the research findings.

Table 6. Direct Effects

	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Conclusion
Risk Perception -> Investment Motivation	0,685	0,036	18,822	0,000	H1 rejected
Financial Literacy -> Investment Motivation	0,146	0,059	2,471	0,014	H2 accepted
Risk Perception -> Investment Decision	0,638	0,043	14,980	0,000	H3 rejected
Financial Literacy -> Investment Decision	0,114	0,060	1,885	0,060	H4 accepted marginally
Investment Motivation -> Investment Decision	0,770	0,054	14,396	0,000	H5 accepted

Source: SmartPLS Outputs

Table 6. Indirect Effect

	Original Sample (O)	T Statistics (|O/STDEV|)	P Values
Financial Literacy -> Investment Motivation -> Investment Decision	0,112	2,455	0,014
Risk Perception -> Investment Motivation -> Investment Decision	0,528	11,113	0,000

Source: SmartPLS Outputs

Based on the results of hypothesis testing presented in Table 6, it can be concluded that the accepted hypotheses are the second, fourth, and fifth. These hypotheses include the positive effect of financial literacy on investment motivation, the marginal effect of financial literacy on investment decision-making, and the effect of investment motivation on investment decision-making, with p-values indicating significance ($p < 0.05$ for H2 and H5, and $p = 0.060$ for H4). Conversely, the first and third hypotheses are not accepted because the effects of risk perception on investment motivation and investment decision-making contradict the initial assumptions.

In addition, the results of the indirect effect analysis in Table 7 reveal that investment motivation plays a significant role as a mediating variable that strengthens the effects of financial literacy and risk perception on investment decision-making. These findings highlight the importance of investment motivation as a linking mechanism in the developed model.

Overall, this study shows that financial literacy and risk perception not only have a direct impact on investment decisions but also an indirect impact through increased investment motivation. Therefore, efforts to enhance financial literacy and risk awareness are expected to improve both the motivation and investment decisions of market participants.

Risk Perception Has a Positive Effect on Investment Motivation

Research results show that risk perception has a positive and significant effect on investment motivation. Investors who have a high awareness of risk do not avoid investment; instead, they are motivated to manage that risk more effectively. According to Prospect Theory (Kahneman &

Tversky, 1979), individuals assess risk and potential gains subjectively, so a realistic perception of risk can encourage caution while also driving the pursuit of profitable investment opportunities. Investors who understand risk well tend to be more prepared and motivated to make well-planned and measured investments. This finding is supported by Priaini et al. (2024), Firdaus and Ifrochah (2020), and Handayani (2022), who show that a positive risk perception increases mental readiness and investor motivation in facing market uncertainty.

Financial Literacy Has a Positive Effect on Investment Motivation

Good financial literacy provides investors with the knowledge and ability to understand financial products, risks, and appropriate investment strategies. This increases confidence and readiness in making investment decisions, thereby motivating individuals to participate actively in the capital market. The Financial Literacy Theory (Riccardi & Rice, 2014) emphasizes that financial literacy is the main foundation for rational and effective financial decision-making. Individuals with high financial literacy are not only able to recognize risks but also to take advantage of investment opportunities optimally. This finding is in line with the research by Putri et al. (2023), Priaini et al. (2024), and a study at Universitas Muhammadiyah Riau (2024), which show that financial literacy strengthens investment motivation by increasing understanding and readiness to face risks.

Risk Perception Has a Positive Effect on Investment Decisions

The finding that risk perception has a positive effect on investment decisions confirms that investors who are well aware of risks tend to make more mature and strategic investment decisions. This aligns with the Risk-Return Tradeoff Theory (Markowitz, 1952), which states that rational investors will accept higher risk if it is accompanied by the potential for greater returns. Well-managed risk perception helps investors evaluate opportunities and threats in a balanced way, resulting in more optimal investment decisions. Research by Handayani (2022), Mahwan and Herawati (2021), and Priaini et al. (2024) supports this finding by showing that risk awareness improves the quality of investment decisions.

Financial Literacy Has a Marginally Positive Effect on Investment Decisions

The marginal effect of financial literacy on investment decisions indicates that, besides financial knowledge, other factors such as experience, market conditions, and investor psychology also play a role in decision-making. The Theory of Planned Behavior (Ajzen, 1991) states that knowledge and attitude are important components in forming intentions and behavior but are not always the dominant factors. Individuals with good financial literacy have the potential to make better investment decisions, although the direct effect may be reduced by other external and internal factors. Research by Firdaus and Ifrochah (2020), Priaini et al. (2024), and a study at Universitas Muhammadiyah Riau (2024) shows that financial literacy supports investment decisions even though its direct effect is moderate.

Investment Motivation Has a Positive Effect on Investment Decisions

High investment motivation encourages individuals to actively seek information, consider risks, and make appropriate investment decisions. Based on the Theory of Planned Behavior (Ajzen, 1991), intention or motivation is the main predictor of behavior, so strong motivation increases the likelihood of someone making effective investment decisions. Research by Priaini et al. (2024), Firdaus and Ifrochah (2020), and Handayani (2022) confirms that high motivation enhances commitment and consistency in making investment decisions, leading to more optimal investment outcomes. Motivation also helps investors cope with uncertainty and psychological pressure during the investment process.

6.Conclusion And Suggestion

Based on the research results, it can be concluded that risk perception and financial literacy have a positive and significant effect on investment motivation. Investment motivation also has a positive and significant effect on investment decisions. Risk perception has a significantly positive effect on investment decisions, while financial literacy has a marginally positive effect on investment decisions. In addition, investment motivation can significantly mediate the influence of risk perception and financial literacy on investment decisions. To improve the quality of investment decisions, investors need to develop a better understanding of risk and financial literacy, as well as enhance investment motivation as a key driving factor. The analysis results show that effective management of risk perception and financial literacy, supported by strong investment motivation, can have a significantly positive impact on investment decisions. Investment motivation not only reflects the investor's readiness and confidence in facing risks, but also serves as an important link between financial knowledge and risk perception with investment decisions. Therefore, it is important to integrate the enhancement of financial literacy, the management of risk perception, and the strengthening of investment motivation to develop effective and sustainable investment strategies.

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