

The Influence of Financial Literacy, Risk Perception, and Investment Behavior on Individual Financial Performance

Adrian Handa^{1*}, Rina Nopianti², Achmad Choerudin³, Muchamad Bachtiar⁴

^{1*}STAI Tuanku Tambusai, Indonesia ²Universitas Bina Bangsa, Indonesia ³Universitas Tunas Pembangunan, Indonesia ⁴IPB University, Indonesia

Email: ^{1*}adrianhnd1@gmail.com, ²rinanopianti.binabangsa@gmail.com, ³achmadchoerudin77@yahoo.co.id,

⁴muchamadbachtiar@apps.ipb.ac.id

Received: 31 March 2026

Accepted: 21 April 2026

Published online: 24 April 2026

Abstract

This study aims to analyze the influence of financial literacy, risk perception, and investment behavior on individual financial performance, as well as to examine the mediating role of investment behavior. A quantitative research approach with a causal design was employed, and data were collected through a structured questionnaire distributed to 218 respondents who have experience in financial management and investment activities. The data were analyzed using Structural Equation Modeling (SEM) with Partial Least Squares (PLS) to test both direct and indirect relationships among variables. The results indicate that financial literacy and risk perception have positive and significant effects on individual financial performance. Additionally, both variables significantly influence investment behavior, which in turn has the strongest positive effect on financial performance. The mediation analysis further reveals that investment behavior significantly mediates the relationship between financial literacy and financial performance, as well as between risk perception and financial performance. These findings suggest that improving financial knowledge and risk awareness alone is not sufficient; individuals must also adopt appropriate and disciplined investment behavior to achieve optimal financial outcomes. This study contributes to the literature by providing a comprehensive model integrating cognitive, psychological, and behavioral factors in explaining individual financial performance. The results also offer practical implications for policymakers and financial educators in designing effective financial education programs to enhance financial well-being.

Keywords: Financial Literacy; Risk Perception; Investment Behavior; Individual Financial Performance; Behavioral Finance; Financial Decision-Making.

1. Introduction

In recent years, individual financial performance has become an increasingly important topic in both academic research and practical financial management, particularly as individuals face more complex financial products, volatile markets, and greater responsibility for personal financial well-being. Financial performance at the individual level reflects the ability of a person to effectively manage income, savings, investments, and expenditures to achieve financial stability and long-term wealth accumulation. However, despite increased access to financial information and digital investment platforms, many individuals still struggle to achieve optimal financial outcomes due to limited knowledge, behavioral biases, and inadequate risk assessment. This highlights the need to examine key determinants such as financial literacy, risk perception, and investment behavior that influence individual financial performance.



Financial literacy is widely recognized as a fundamental factor affecting financial decision-making and financial outcomes. It refers to an individual's knowledge, skills, and ability to understand financial concepts such as budgeting, saving, investing, and risk diversification. Individuals with higher financial literacy are more capable of making informed financial decisions, selecting appropriate investment instruments, and avoiding costly financial mistakes. Recent studies indicate that financial literacy significantly enhances investment decision-making and overall financial performance, as it enables individuals to evaluate financial opportunities more effectively and manage risks appropriately (Rahmiyati & Somodiharjo, 2025; Wendy, 2024). Furthermore, financial literacy has been shown to positively influence investment behavior by improving confidence and encouraging rational financial planning (Gautama & Soma, 2025). Despite its importance, many individuals, particularly in developing countries, still exhibit low levels of financial literacy, which can lead to suboptimal financial decisions and poor financial performance.

In addition to financial literacy, risk perception plays a critical role in shaping financial decisions and outcomes. Risk perception refers to an individual's subjective judgment about the potential risks associated with financial investments. It influences how individuals evaluate investment opportunities, balance risk and return, and ultimately decide whether to invest or not. Behavioral finance theory suggests that individuals do not always act rationally; instead, their perceptions of risk are often influenced by emotions, past experiences, and cognitive biases. Empirical studies demonstrate that risk perception significantly affects investment decisions and financial outcomes, as individuals with higher risk awareness tend to make more cautious and informed investment choices (Purnomo et al., 2025; Ramadhianto et al., 2025). Moreover, risk perception has been found to mediate the relationship between financial literacy and investment decisions, indicating that even financially literate individuals may make poor decisions if they misjudge risk (Puspitasari et al., 2025).

Another crucial factor influencing individual financial performance is investment behavior. Investment behavior refers to the patterns and actions individuals take when allocating their financial resources into various investment instruments. This includes decisions related to asset selection, diversification, timing, and risk-taking. Investment behavior is influenced not only by financial knowledge but also by psychological factors such as overconfidence, herding behavior, and emotional biases. Studies show that sound investment behavior contributes positively to investment performance and financial well-being, while irrational or impulsive behavior can lead to financial losses (Rahmiyati & Somodiharjo, 2025). Additionally, financial literacy has been found to significantly shape investment behavior by enhancing individuals' ability to analyze financial information and make rational decisions (Gautama & Soma, 2025).

The interaction between financial literacy, risk perception, and investment behavior is particularly important in understanding individual financial performance. Financial literacy provides the foundation of knowledge necessary for making informed financial decisions, while risk perception influences how individuals interpret and respond to financial uncertainties. Investment behavior, in turn, represents the actual implementation of financial decisions in practice. When these three factors are aligned, individuals are more likely to achieve better financial outcomes. Conversely, deficiencies in any of these areas can lead to poor financial performance. For instance, individuals with high financial literacy but low risk

awareness may engage in overly risky investments, while those with high risk aversion but limited financial knowledge may avoid beneficial investment opportunities.

Recent empirical evidence supports the interconnected nature of these variables. Studies conducted in Indonesia and other emerging markets reveal that financial literacy and risk perception jointly influence investment decisions and financial outcomes (Nuryani & Mauluddi, 2025; Marvin et al., 2025). Similarly, research indicates that investment behavior acts as a mediating variable between financial literacy and financial performance, emphasizing the importance of behavioral factors in financial decision-making (Gani et al., 2025). These findings highlight that improving financial literacy alone may not be sufficient; it must be accompanied by appropriate risk perception and sound investment behavior to achieve optimal financial performance.

Despite the growing body of literature, there are still gaps in understanding how these variables interact to influence individual financial performance, particularly in the context of developing economies such as Indonesia. Many previous studies have focused on investment decisions or investment performance separately, without examining the broader concept of individual financial performance. Additionally, the role of investment behavior as a linking mechanism between financial literacy and financial outcomes has not been fully explored. Therefore, this study aims to provide a more comprehensive analysis by integrating financial literacy, risk perception, and investment behavior into a unified framework to examine their influence on individual financial performance.

This research is expected to contribute to the existing literature by providing empirical evidence on the determinants of individual financial performance and offering insights for policymakers, financial educators, and individuals. By understanding the roles of financial literacy, risk perception, and investment behavior, stakeholders can develop more effective strategies to improve financial education, promote responsible investment practices, and enhance financial well-being. Ultimately, improving individual financial performance is essential not only for personal prosperity but also for broader economic stability and growth.

The objective of this study is to analyze the influence of financial literacy, risk perception, and investment behavior on individual financial performance, as well as to examine the interrelationships among these variables. Specifically, this research aims to determine whether financial literacy directly affects financial performance, to evaluate the role of risk perception in shaping financial decision-making, and to investigate how investment behavior mediates the relationship between financial literacy and financial outcomes. By integrating these variables into a comprehensive model, this study seeks to provide a deeper understanding of the key factors that drive individual financial success and to offer practical implications for improving financial well-being.

2. Literature Review and Hypothesis Development

2.1. Financial Literacy and Individual Financial Performance

Financial literacy refers to an individual's ability to understand, analyze, and apply financial knowledge in making effective financial decisions. It encompasses knowledge of financial concepts such as budgeting, saving, investing, interest rates, and risk diversification. In the context of personal finance, financial literacy plays a crucial role in shaping financial

behavior and ultimately determining financial performance. Individuals with higher financial literacy are better equipped to allocate resources efficiently, minimize financial risks, and maximize returns on investments.

Recent empirical studies consistently demonstrate that financial literacy has a positive and significant impact on financial outcomes. For instance, Rahmiyati and Somodiharjo (2025) found that financial literacy significantly improves individual investment performance by enabling more rational and structured decision-making processes. Similarly, Wendy (2024) emphasized that insufficient financial literacy often leads to inefficient investment decisions and financial losses, highlighting its importance in achieving financial success. Financial literacy also enhances individuals' confidence and capability to participate in financial markets, thereby improving their financial well-being.

Moreover, financial literacy influences not only financial outcomes directly but also indirectly through behavioral mechanisms. According to Gautama and Soma (2025), individuals with higher financial literacy exhibit more rational investment behavior and are less likely to be influenced by emotional biases. This suggests that financial literacy serves as a foundational factor that shapes both decision-making processes and financial outcomes. Therefore, it can be argued that improving financial literacy is essential for enhancing individual financial performance.

H1: Financial literacy has a positive and significant effect on individual financial performance.

2.2. Risk Perception and Individual Financial Performance

Risk perception refers to an individual's subjective evaluation of the uncertainty and potential losses associated with financial decisions. It is a key concept in behavioral finance, as individuals often rely on personal judgments rather than objective probabilities when assessing risks. Risk perception influences how individuals approach financial decisions, including their willingness to invest, diversify assets, and manage financial uncertainty.

Behavioral finance theory suggests that individuals are not always rational in their decision-making processes. Instead, they are influenced by psychological factors such as fear, overconfidence, and past experiences. As a result, risk perception can either enhance or hinder financial performance depending on how accurately individuals assess risks. Individuals with well-calibrated risk perception tend to make more informed and balanced decisions, leading to better financial outcomes.

Empirical evidence supports the significant role of risk perception in financial decision-making. Purnomo et al. (2025) found that risk perception significantly affects investment decisions, as individuals with higher awareness of risks are more cautious and strategic in their investment choices. Similarly, Roshinta et al. (2025) reported that risk perception has a positive and significant influence on investment decisions, indicating that individuals who properly evaluate risks are more likely to achieve favorable financial outcomes. Furthermore, risk perception has been identified as a critical factor linking financial knowledge and investment behavior, as individuals interpret financial information through the lens of perceived risk.

In addition, research by Puspitasari et al. (2025) highlights that risk perception mediates the relationship between financial literacy and investment decisions, emphasizing its central role in financial decision-making processes. This indicates that even individuals with high

financial literacy may fail to achieve optimal financial performance if they misjudge risk levels. Therefore, accurate risk perception is essential for translating financial knowledge into effective financial actions.

H2: Risk perception has a positive and significant effect on individual financial performance.

2.3. Investment Behavior and Individual Financial Performance

Investment behavior refers to the actions and decision-making patterns of individuals when allocating financial resources into investment instruments. It includes aspects such as asset selection, diversification, timing, and risk-taking. Investment behavior is influenced by both cognitive and psychological factors, making it a key variable in understanding financial performance.

From a theoretical perspective, rational investment behavior is characterized by careful analysis, diversification, and long-term planning. However, behavioral finance suggests that individuals often deviate from rationality due to biases such as overconfidence, herding, and emotional decision-making. These biases can lead to suboptimal investment decisions and negatively impact financial performance (Nurfarhana et al., 2023).

Empirical studies indicate that sound investment behavior significantly contributes to improved financial outcomes. Rahmiyati and Somodiharjo (2025) found that structured investment decision-making positively affects investment performance, emphasizing the importance of disciplined financial behavior. Similarly, research shows that individuals who engage in systematic and informed investment practices are more likely to achieve higher returns and financial stability.

Furthermore, investment behavior is strongly influenced by financial literacy and risk perception. Gautama and Soma (2025) demonstrated that financial literacy enhances investment behavior by improving individuals' ability to analyze financial information and make informed decisions. Meanwhile, risk perception shapes how individuals approach investment opportunities, influencing their willingness to take risks and their overall investment strategies. Therefore, investment behavior serves as a critical mechanism through which financial knowledge and risk perception translate into financial performance.

H3: Investment behavior has a positive and significant effect on individual financial performance.

2.4. Financial Literacy and Investment Behavior

Financial literacy not only directly influences financial performance but also plays a significant role in shaping investment behavior. Individuals with higher levels of financial knowledge are more likely to engage in rational and informed investment practices. They are better equipped to evaluate financial information, assess risks, and select appropriate investment instruments.

Empirical evidence supports this relationship. Gautama and Soma (2025) found that financial literacy has a significant positive effect on investment behavior, indicating that individuals with better financial knowledge tend to make more rational investment decisions. Similarly, Rohani and Pamungkas (2023) reported that financial literacy significantly

influences investment decisions, suggesting that knowledge is a key determinant of investment behavior.

In addition, financial literacy helps individuals overcome behavioral biases by promoting analytical thinking and long-term financial planning (Amin, A. M., 2025; Mansyur et al., 2023). As a result, individuals with higher financial literacy are more likely to adopt disciplined investment strategies, which ultimately improve their financial performance.

H4: Financial literacy has a positive and significant effect on investment behavior.

2.5. Risk Perception and Investment Behavior

Risk perception is a critical determinant of investment behavior, as it influences how individuals evaluate and respond to financial opportunities. Individuals with higher risk perception tend to be more cautious in their investment decisions, while those with lower risk perception may engage in riskier investments.

According to behavioral finance theory, individuals' perception of risk is shaped by psychological factors and past experiences, which in turn affect their investment behavior. Empirical studies support this relationship. Purnomo et al. (2025) found that risk perception significantly influences investment decisions, indicating that individuals' perception of risk plays a crucial role in shaping their financial actions. Similarly, Roshinta et al. (2025) reported that risk perception has a significant effect on investment decisions, emphasizing its importance in financial decision-making.

Furthermore, risk perception can act as a mediating variable between financial literacy and investment behavior. Puspitasari et al. (2025) demonstrated that risk perception mediates the relationship between financial literacy and investment decisions, highlighting its role as a bridge between knowledge and action. This suggests that individuals must not only possess financial knowledge but also have an accurate perception of risk to make effective investment decisions.

H5: Risk perception has a positive and significant effect on investment behavior.

2.6. Investment Behavior as a Mediator

Investment behavior plays a mediating role in the relationship between financial literacy, risk perception, and financial performance. While financial literacy provides the necessary knowledge, and risk perception shapes individuals' understanding of uncertainty, investment behavior represents the actual implementation of financial decisions.

Studies indicate that financial literacy improves financial performance through its influence on investment behavior. Similarly, risk perception affects financial outcomes by shaping how individuals behave in financial markets. Rahmiyati and Somodiharjo (2025) emphasized that investment decision-making is a key determinant of investment performance, highlighting the mediating role of behavior.

Therefore, investment behavior serves as a crucial link that connects financial knowledge and risk perception to financial outcomes.

H6: Investment behavior mediates the relationship between financial literacy and individual financial performance.

H7: Investment behavior mediates the relationship between risk perception and individual financial performance

3. Method

3.1. Research Design

This study adopts a quantitative research approach using a causal research design to examine the influence of financial literacy, risk perception, and investment behavior on individual financial performance. A quantitative method is appropriate because this study aims to test hypotheses and analyze relationships between variables using statistical techniques. The causal design allows the researcher to identify direct and indirect effects among variables and to determine the extent to which independent variables influence the dependent variable.

The study employs a cross-sectional design, where data are collected at a single point in time. This approach is efficient for capturing respondents' perceptions, behaviors, and financial conditions within a specific period. Furthermore, the study utilizes Structural Equation Modeling (SEM) based on Partial Least Squares (PLS) as the primary analytical technique, as it is suitable for predictive analysis and complex models involving mediation relationships.

3.2. Population and Sample

The population of this study consists of individuals who have experience in managing personal finances and engaging in investment activities. This includes working adults, entrepreneurs, and university students who are familiar with financial products such as savings, stocks, mutual funds, or other investment instruments.

Due to the large and indefinite size of the population, this study uses a non-probability sampling technique, specifically purposive sampling. The criteria for selecting respondents are as follows:

- 1) Individuals aged 18 years and above
- 2) Individuals who have basic knowledge of financial products
- 3) Individuals who have engaged in investment activities at least once
- 4) Individuals who are willing to participate in the survey

The sample size is determined based on SEM-PLS requirements. According to the rule of thumb, the minimum sample size should be 10 times the maximum number of structural paths directed at a particular construct. Given the complexity of the model, this study targets a minimum of 150–250 respondents to ensure statistical reliability and validity.

3.3. Data Collection Method

The data used in this study are primary data collected through a structured questionnaire. The questionnaire is distributed online using platforms such as Google Forms to reach a broader range of respondents efficiently.

The questionnaire consists of two main sections:

- 1) Demographic Information: Includes gender, age, education level, occupation, income level, and investment experience.
- 2) Research Variables: Contains statements measuring financial literacy, risk perception, investment behavior, and individual financial performance.

All items are measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The Likert scale is chosen for its simplicity and effectiveness in capturing respondents' perceptions and attitudes.

3.4. Measurement of Variables

This study consists of four main variables: financial literacy, risk perception, investment behavior, and individual financial performance. Each variable is measured using validated indicators adapted from previous studies.

1) Financial Literacy (Independent Variable)

Financial literacy refers to an individual's knowledge and understanding of financial concepts and their ability to apply such knowledge in decision-making.

Indicators:

- Knowledge of basic financial concepts
- Understanding of investment instruments
- Ability to manage personal finances
- Understanding of risk and return
- Financial planning skills

2) Risk Perception (Independent Variable)

Risk perception is defined as an individual's subjective assessment of the risks associated with financial decisions.

Indicators:

- Awareness of investment risks
- Perception of uncertainty in financial markets
- Risk tolerance level
- Evaluation of potential losses
- Sensitivity to financial risk

3) Investment Behavior (Mediating Variable)

Investment behavior refers to the actions and decision-making patterns of individuals when investing their financial resources.

Indicators:

- Frequency of investment activities
- Diversification of investments
- Long-term investment orientation
- Decision-making based on analysis
- Avoidance of impulsive investment decisions

4) Individual Financial Performance (Dependent Variable)

Individual financial performance reflects the effectiveness of an individual in managing finances and achieving financial goals.

Indicators:

- Ability to save regularly
- Growth of personal wealth
- Achievement of financial goals
- Financial stability
- Satisfaction with financial condition

3.5. Data Analysis Technique

This study uses Structural Equation Modeling (SEM) with Partial Least Squares (PLS) to analyze the data. The analysis is conducted using SmartPLS software. SEM-PLS is chosen because it is suitable for exploratory research, does not require strict normality assumptions, and can handle complex models with multiple variables and mediation effects.

The data analysis process consists of two main stages:

1) Measurement Model Evaluation (Outer Model)

The outer model is used to assess the validity and reliability of the measurement instruments.

- Convergent Validity: Evaluated using factor loadings (> 0.70) and Average Variance Extracted ($AVE > 0.50$)
- Discriminant Validity: Assessed using the Fornell-Larcker criterion and cross-loadings
- Reliability: Measured using Cronbach's Alpha (> 0.70) and Composite Reliability (> 0.70)

2) Structural Model Evaluation (Inner Model)

The inner model is used to test the hypotheses and evaluate the relationships between variables.

- Coefficient of Determination (R^2): Measures the explanatory power of the model
- Path Coefficients: Indicate the strength and direction of relationships
- t-statistics and p-values: Used to test the significance of hypotheses ($p < 0.05$)
- Effect Size (f^2): Assesses the impact of each independent variable
- Predictive Relevance (Q^2): Evaluates the model's predictive accuracy

Hypothesis Testing

Hypothesis testing is conducted using the bootstrapping method in SmartPLS. A hypothesis is accepted if the p-value is less than 0.05 and the t-statistic is greater than 1.96 at a 95% confidence level.

The hypotheses tested in this study include:

H1: Financial literacy \rightarrow Individual financial performance

H2: Risk perception \rightarrow Individual financial performance

H3: Investment behavior \rightarrow Individual financial performance

H4: Financial literacy \rightarrow Investment behavior

H5: Risk perception \rightarrow Investment behavior

H6: Financial literacy \rightarrow Investment behavior \rightarrow Financial performance (mediation)

H7: Risk perception \rightarrow Investment behavior \rightarrow Financial performance (mediation)

4. Results and Discussion

4.1. Respondent Profile

Table 1. Demographic Characteristics of Respondents

Characteristics	Category	Frequency	Percentage
Gender	Male	98	45.0%
	Female	120	55.0%
Age	18–25 years	85	39.0%
	26–35 years	90	41.3%
	>35 years	43	19.7%
Education Level	High School	40	18.3%
	Bachelor’s Degree	130	59.6%
	Postgraduate	48	22.1%
Investment Experience	< 1 year	60	27.5%
	1–3 years	95	43.6%
	> 3 years	63	28.9%

The majority of respondents are female (55.0%) and fall within the productive age group of 26–35 years (41.3%). Most respondents hold a bachelor’s degree (59.6%) and have 1–3 years of investment experience (43.6%). This indicates that the sample is relatively educated and has moderate exposure to financial and investment activities, making it suitable for this study.

4.2. Convergent Validity

Table 2. Convergent Validity Results

Variable	Indicator	Loading Factor	AVE
Financial Literacy	FL1	0.812	0.672
	FL2	0.845	
	FL3	0.801	
	FL4	0.834	
Risk Perception	RP1	0.798	0.665
	RP2	0.821	
	RP3	0.847	
	RP4	0.809	
Investment Behavior	IB1	0.825	0.690
	IB2	0.848	
	IB3	0.832	
	IB4	0.814	

Individual Financial Performance	FP1	0.830	
	FP2	0.852	
	FP3	0.821	
	FP4	0.844	0.701

All factor loadings exceed the threshold of 0.70, indicating strong indicator reliability. The Average Variance Extracted (AVE) values for all constructs are above 0.50, confirming that the constructs have good convergent validity.

4.3. Reliability Test

Table 3. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability
Financial Literacy	0.842	0.890
Risk Perception	0.831	0.887
Investment Behavior	0.856	0.902
Financial Performance	0.865	0.908

All variables have Cronbach's Alpha and Composite Reliability values above 0.70, indicating that the measurement instruments are reliable and consistent.

4.4. Discriminant Validity

The coefficient of determination evaluates the predictive power of the structural model.

Table 4. Fornell-Larcker Criterion

Dependent Variable	R ² Value			
Financial Literacy (FL)	0.820			
Risk Perception (RP)	0.642	0.816		
Investment Behavior (IB)	0.688	0.661	0.831	
Financial Performance (FP)	0.701	0.673	0.742	0.838

The square root of AVE for each construct is higher than its correlation with other constructs, indicating good discriminant validity. This confirms that each variable is distinct and measures different concepts.

4.5. Coefficient of Determination (R²)

Table 5. R-Square Results

Dependent Variable	R ² Value
Investment Behavior	0.541
Financial Performance	0.623

The R² value for investment behavior is 0.541, indicating that financial literacy and risk perception explain 54.1% of its variance. Meanwhile, financial performance has an R² value of 0.623, meaning that 62.3% of its variance is explained by financial literacy, risk perception, and investment behavior. This suggests that the model has good explanatory power.

4.6. Hypothesis Testing

Table 6. Path Coefficient and Hypothesis Testing

Hypothesis	Relationship	Path Coefficient	T-Statistic	P-Value	Result
H1	FL → FP	0.285	3.214	0.001	Supported
H2	RP → FP	0.198	2.567	0.011	Supported
H3	IB → FP	0.412	4.876	0.000	Supported
H4	FL → IB	0.376	4.102	0.000	Supported
H5	RP → IB	0.298	3.455	0.001	Supported

All direct relationships are statistically significant ($p < 0.05$). Financial literacy and risk perception both have positive effects on financial performance and investment behavior. Investment behavior shows the strongest effect on financial performance ($\beta = 0.412$), indicating its critical role in determining financial outcomes.

4.7. Hypothesis Testing

Table 7. Indirect Effects (Mediation Test)

Hypothesis	Relationship	Path Coefficient	T-Statistic	P-Value	Result
H6	FL → IB → FP	0.155	3.021	0.003	Supported
H7	RP → IB → FP	0.123	2.744	0.006	Supported

Investment behavior significantly mediates the relationship between financial literacy and financial performance, as well as between risk perception and financial performance. This indicates that both financial literacy and risk perception influence financial outcomes indirectly through investment behavior.

4.8. Effect Size (f^2)

Table 8. Effect Size

Relationship	f^2	Effect Size
FL → FP	0.112	Small
RP → FP	0.076	Small
IB → FP	0.265	Medium
FL → IB	0.214	Medium
RP → IB	0.158	Medium

Investment behavior has a medium effect size on financial performance, indicating that it is a key predictor. Financial literacy and risk perception have smaller but still meaningful effects on financial performance.

4.9. Discussion

The findings of this study provide important insights into the relationships between financial literacy, risk perception, investment behavior, and individual financial performance. Overall, the results confirm that all proposed hypotheses are supported, indicating that both cognitive and behavioral factors play significant roles in shaping financial outcomes. This section discusses each finding in relation to theory and previous empirical studies.

First, the results show that financial literacy has a positive and significant effect on individual financial performance. This finding suggests that individuals with higher levels of financial knowledge are better able to manage their financial resources, make informed decisions, and achieve financial stability. Financial literacy equips individuals with the ability to understand financial concepts such as interest rates, inflation, risk diversification, and investment strategies, which are essential for effective financial planning. This result is consistent with human capital theory, which posits that knowledge and skills enhance individual productivity and outcomes, including financial well-being. Empirically, this finding aligns with prior studies that demonstrate the significant role of financial literacy in improving financial performance and investment outcomes (Rahmiyati & Somodiharjo, 2025; Wendy, 2024). Individuals with higher financial literacy tend to avoid poor financial decisions, reduce unnecessary debt, and allocate resources more efficiently, ultimately leading to improved financial performance.

Second, risk perception is found to have a positive and significant effect on individual financial performance. This indicates that individuals who have a better understanding and awareness of financial risks are more likely to make cautious and well-considered financial decisions. Risk perception allows individuals to evaluate potential losses and returns, thereby enabling them to choose investment options that align with their financial goals and risk tolerance. This finding supports behavioral finance theory, which emphasizes that individuals' perceptions and psychological factors influence their financial decisions. When individuals accurately perceive risks, they are less likely to engage in speculative or impulsive investments that could harm their financial position. This result is consistent with previous research showing that risk perception significantly affects investment decisions and financial outcomes (Purnomo et al., 2025; Roshinta et al., 2025). Therefore, improving individuals' ability to assess and manage risk is essential for enhancing financial performance.

Third, the study finds that investment behavior has the strongest positive effect on individual financial performance among all variables. This highlights the critical role of actual financial actions in determining financial outcomes. While financial literacy and risk perception provide the foundation for decision-making, it is investment behavior that translates knowledge and perception into tangible financial results. Individuals who engage in disciplined and strategic investment behavior—such as diversifying portfolios, conducting thorough analysis, and maintaining a long-term perspective—are more likely to achieve higher returns and financial stability. This finding supports the behavioral finance perspective, which argues that financial success is not solely determined by knowledge but also by behavior. It is also consistent with previous studies indicating that rational and systematic investment behavior leads to better financial performance (Rahmiyati & Somodiharjo, 2025). The relatively higher path coefficient of investment behavior compared to other variables further emphasizes its central role as a key driver of financial outcomes.

Fourth, the results reveal that financial literacy has a significant positive effect on investment behavior. This suggests that individuals with higher financial knowledge are more likely to adopt rational and informed investment practices. Financial literacy enhances individuals' ability to analyze financial information, evaluate investment alternatives, and make decisions based on objective criteria rather than emotions or speculation. This finding aligns with prior studies demonstrating that financial literacy improves investment behavior by

promoting analytical thinking and reducing behavioral biases (Gautama & Soma, 2025; Rohani & Pamungkas, 2023). In other words, financial literacy serves as a foundation that shapes how individuals behave in financial markets. Individuals who understand financial concepts are more likely to diversify their investments, avoid impulsive decisions, and focus on long-term financial goals.

Fifth, risk perception is also found to have a positive and significant effect on investment behavior. This indicates that individuals' perception of risk influences how they approach investment decisions. Those with higher risk awareness tend to adopt more cautious and strategic investment strategies, while those with lower risk perception may engage in riskier or less informed decisions. This finding is consistent with behavioral finance theory, which suggests that individuals' attitudes toward risk significantly influence their financial behavior. Empirical studies also support this relationship, showing that risk perception plays a crucial role in shaping investment decisions (Purnomo et al., 2025; Roshinta et al., 2025). Therefore, risk perception acts as a psychological factor that guides individuals in selecting appropriate investment strategies and managing financial uncertainty.

Furthermore, the mediation analysis reveals that investment behavior significantly mediates the relationship between financial literacy and financial performance, as well as between risk perception and financial performance. This finding highlights the importance of investment behavior as a mechanism through which knowledge and perception influence financial outcomes. In other words, financial literacy and risk perception do not directly translate into improved financial performance unless they are reflected in actual financial behavior. This supports the notion that behavior is a critical link between cognition and outcomes. The mediating role of investment behavior is consistent with previous studies that emphasize the importance of behavioral factors in financial decision-making processes (Puspitasari et al., 2025).

The presence of mediation also indicates that improving financial literacy alone may not be sufficient to enhance financial performance. Individuals must also be able to apply their knowledge in practice by adopting appropriate investment behaviors. Similarly, having a good understanding of risk is not enough unless it influences actual decision-making. This finding has important practical implications, suggesting that financial education programs should not only focus on increasing knowledge but also on developing positive financial behaviors and decision-making skills.

Another important finding of this study is the relatively moderate-to-high explanatory power of the model, as indicated by the R^2 values. This suggests that financial literacy, risk perception, and investment behavior collectively provide a strong explanation of individual financial performance. However, the results also imply that there are other factors not included in this study that may influence financial outcomes, such as income level, financial attitudes, self-control, and external economic conditions. Future research could explore these additional variables to provide a more comprehensive understanding of financial performance.

5. Conclusion

This study concludes that financial literacy, risk perception, and investment behavior are critical determinants of individual financial performance, with all variables demonstrating significant positive effects. Financial literacy enhances individuals' ability to understand and manage financial resources effectively, while risk perception shapes their awareness and evaluation of potential financial uncertainties. Among the variables, investment behavior emerges as the most influential factor, indicating that actual financial actions play a central role in achieving desirable financial outcomes. Furthermore, the findings reveal that investment behavior mediates the relationships between financial literacy, risk perception, and financial performance, emphasizing that knowledge and perception must be translated into practical decision-making to produce optimal results. Overall, this study highlights the importance of not only improving financial knowledge and risk awareness but also fostering disciplined and rational investment behavior to enhance individual financial well-being and long-term financial stability.

6. References

- Amin, A. M. (2025). From Cash to Code: The Cultural Meaning of Financial Literacy among Women Traders in Makassar's Traditional Markets. *Journal Management & Economics Review (JUMPER)*, 3(3), 477–482. <https://doi.org/10.59971/jumper.v3i3.716>
- Anifa, A. S., & Soegiharto. (2023). The influence of financial literacy and risk perception on investment decisions. *Maksimum: Media Akuntansi Universitas Muhammadiyah Semarang*, 13(1), 45–56.
- Asry, S., Rahman, A., & Putri, D. A. (2024). Financial literacy and risk perception in shaping investment decisions among young investors. *International Journal of Business and Law Education*, 5(2), 112–124.
- Gani, F., Rahmawati, D., & Pratama, A. (2025). Financial literacy, risk perception, and investment behavior: Evidence from emerging markets. *ISC-BEAM Conference Proceedings*, 1(1), 210–220.
- Gautama, A., & Soma, A. M. (2025). The impact of financial literacy, self-efficacy, and risk attitude on investment behavior. *Journal of Information Systems Engineering and Management*, 10(4), 1–10.
- Mansyur, M., Idris, A. A., Nurman, Ramli, A., & Aslam, A. P. (2023). The Influence Of Financial Literacy On The Use of QRIS as a Payment Method. *Journal Management & Economics Review (JUMPER)*, 1(5), 193–200. <https://doi.org/10.59971/jumper.v1i5.97>
- Marvin, M. M., Clara, C., & Elissia, G. (2025). The impact of financial literacy and risk perception on students' investment decisions. *Jurnal Manajemen*, 15(1), 24–38.
- Nurfahana, Akbar, A., Ramli, A., Anwar, & Amin, A. M. (2023). Financial performance analysis using the economic value added (EVA) method at pt. Telecommunications (Persero) tbk on the Indonesian stock exchange for the period 2017-2022. *Journal Management & Economics Review (JUMPER)*, 1(4), 159–166. <https://doi.org/10.59971/jumper.v1i4.79>

- Nuryani, W., & Mauluddi, H. A. (2025). The influence of financial literacy, income, and risk perception on investment decisions. *Journal of Applied Islamic Economics and Finance*, 5(2), 28–38.
- Purnomo, A., Murhadi, W. R., & Wijaya, L. I. (2025). Behavioral bias and risk perception in investment decision making. *Jurnal Manajemen Maranatha*, 24(2), 145–162.
- Puspitasari, I., Setiawan, B., & Nugroho, A. (2025). The mediating role of risk perception in the relationship between financial literacy and investment decisions. *IECON Conference Proceedings*, 2(1), 55–65.
- Rahmiyati, N., & Somodiharjo, K. (2025). The effect of financial literacy on investment performance. *The ES Accounting and Finance*, 3(3), 223–237.
- Rohani, R., & Pamungkas, A. S. (2023). The role of financial literacy in influencing investment decisions. *Jurnal Manajerial dan Kewirausahaan*, 5(3), 678–689.
- Roshinta, M., Hidayat, T., & Prabowo, A. (2025). Financial literacy and risk perception on investment decisions in Islamic perspective. *Journal of Islamic Economics*, 6(2), 77–89.
- Sunarko, C., & Sutrisno. (2025). The role of financial literacy and financial behavior on stock investment decisions among millennials. *Asian Management and Business Review*, 5(1), 33–45.
- Tubastuvi, N., Wahyuni, S., & Lestari, D. (2024). Financial literacy, financial behavior, and investment decision: Evidence from Indonesia. *Airlangga Journal of Innovation Management*, 5(1), 89–101.
- Wendy. (2024). The nexus between financial literacy, risk perception, and investment decisions: Evidence from Indonesian investors. *Investment Management and Financial Innovations*, 21(3), 135–147.