COMPARATIVE ANALYSIS OF STOCK AND MUTUAL FUND ALLOCATION AMONG GENERATION Z BASED ON FINANCIAL BEHAVIORAL FACTORS (STUDY ON GENERATION Z IN SURABAYA)

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Abstract

The rapid surge of Generation Z participation in the Indonesian capital market has created a new investor landscape, yet this growth is often not aligned with adequate financial literacy, leading to potential irrationality in asset selection. This research aims to analyze and compare the allocation of stock and mutual fund portfolios among Generation Z investors, specifically examining the influence of financial literacy and various behavioral factors, including return expectations, risk tolerance, and herding tendencies. Using a quantitative comparative methodology, the study focused on the Inflow Community in Surabaya as a representative demographic. Data were gathered from 110 respondents through purposive sampling and analyzed using the Kruskal-Wallis non-parametric test, necessitated by the non-normal distribution of the dataset. The study concludes that there is a statistically significant difference in portfolio allocation between stocks and mutual funds, as evidenced by an asymptotic significance value of < 0.001. These differences are primarily driven by varying degrees of financial literacy and the prevalence of herding behavior among young investors. Based on these findings, it is recommended that financial regulators and educational institutions design more personalized financial literacy programs. Such programs should not only cover technical analysis but also address the psychological aspects of investing, such as emotional control and independent decision-making, to assist Generation Z in achieving more optimal and rational long-term wealth management.

Keywords: Behavioral Factors, Comparative Analysis, Financial Literacy, Generation Z, Portfolio Allocation

INTRODUCTION

The Indonesian capital market has undergone a significant transformation over the past decade, marked by rapid digitalization and increasing accessibility to investment instruments. The emergence of online trading platforms and mobile-based investment applications has substantially reduced entry barriers, enabling individuals from various demographic backgrounds to participate in the capital market. One of the most notable outcomes of this transformation is the increasing dominance of Generation Z investors. This generation, characterized by high digital literacy and strong engagement with online information, has become a major driving force behind the growth of retail investors in Indonesia. While this development reflects a positive shift toward early financial participation, it also raises important concerns regarding the quality and rationality of investment decisions made by young investors. Several studies indicate that the rapid influx of Generation Z into the capital market is not always accompanied by adequate financial capability. Sapan et al. (2022) emphasize that financial literacy plays a critical role in differentiating investment decision-making tendencies between Millennials and Generation Z in Indonesia. Their findings suggest that Generation Z investors often demonstrate varying levels of financial understanding, which significantly influence how they perceive investment risks and returns. This condition creates a potential imbalance between investment enthusiasm and investment competence, particularly in complex financial markets that require analytical skills and disciplined decision-making.

In practical investment contexts, Generation Z investors are frequently confronted with portfolio allocation decisions between different types of financial instruments, especially stocks and mutual funds. Stocks are generally associated with higher levels of risk and return volatility, requiring investors to possess sufficient knowledge regarding market analysis, valuation techniques, and risk management strategies. In contrast, mutual funds offer a more structured investment environment through professional fund management and diversification, which may appeal to investors seeking relatively moderate risk exposure. Ideally, the choice between these instruments should be based on rational considerations such as financial goals, investment horizon, and individual risk preferences. However, empirical evidence suggests that investment decisions among young investors are often influenced by factors beyond purely rational evaluation.

Financial literacy remains a central factor in shaping investment behavior. Investors with higher levels of financial literacy are generally better equipped to understand financial concepts, evaluate alternative investment options, and manage investment risks effectively. Tubastuvi et al. (2024) demonstrate that financial literacy significantly influences investment decisions among Generation Z, particularly when combined with individual risk tolerance. Their findings indicate that financially literate investors tend to exhibit more structured investment behavior, including clearer asset allocation strategies and greater awareness of risk–return trade-offs. Conversely, limited financial literacy may lead investors to rely on heuristics or external cues when making investment decisions, increasing their vulnerability to behavioral biases. Beyond financial literacy, behavioral finance perspectives offer valuable insights into the psychological dimensions of investment decision-making. Behavioral finance challenges the assumption that investors are fully rational and instead emphasizes the role of cognitive biases, emotions, and social influences. One important behavioral factor is return expectation, which reflects investors' subjective beliefs about potential future gains. Yuningsih et al. (2025) find that higher return expectations significantly influence investment decisions in digital investment environments. For Generation Z investors, return expectations are often shaped by exposure to success stories, market trends, and persuasive narratives circulating on social media platforms. These subjective expectations may encourage greater allocation toward high-risk assets such as stocks, even when investors lack sufficient understanding of underlying risks.

Risk tolerance is another key determinant of portfolio allocation decisions. Risk tolerance refers to an individual's willingness to accept uncertainty and potential losses in pursuit of higher returns. Kelvin Gunawan and Hendra Wiyanto (2022) provide empirical evidence that risk tolerance significantly affects investment decisions, with higher risk tolerance leading to greater preference for risky assets. Among Generation Z investors, differences in risk tolerance contribute to heterogeneous investment behavior, as some individuals demonstrate a strong appetite for risk while others exhibit more conservative preferences. These differences play a crucial role in determining how investors allocate their funds between stocks and mutual funds. In addition to individual cognitive and psychological factors, social influence has become increasingly important in shaping investment behavior. Herding behavior, defined as the tendency of individuals to follow the actions of others rather than relying on their own information, is particularly prevalent among young investors. Mumtazah and Anwar (2022) show that herding behavior significantly influences stock investment decisions, especially among student investors. In the digital era, where investment information is rapidly disseminated through social media and online communities, herding tendencies may intensify as investors seek validation from peers or follow popular market trends. This behavior can lead to portfolio concentration and deviations from optimal diversification strategies.

The interaction between financial literacy and behavioral factors further complicates investment decision-making among Generation Z. While financial literacy may enhance investors' ability to process information, it does not necessarily eliminate behavioral biases. Even financially literate investors may be influenced by high return expectations, elevated risk tolerance, or strong social pressure. As a result, portfolio allocation decisions among Generation Z are shaped by a complex interplay between rational knowledge and psychological tendencies. Understanding this interaction is essential for explaining why investors with similar demographic characteristics may exhibit significantly different portfolio structures. Despite the growing body of literature on investment behavior, several research gaps remain. Most existing studies focus on investment decisions in general or examine stock investment behavior in isolation, without providing a comparative analysis of portfolio allocation between stocks and mutual funds. Moreover, limited attention has been given to the use of non-parametric analytical approaches that are suitable for heterogeneous investor data. Given the diversity of financial literacy levels and behavioral characteristics among Generation Z investors, non-parametric methods provide a more robust framework for analyzing differences in portfolio allocation behavior.

Furthermore, empirical research focusing on Generation Z investors within specific investment communities remains scarce. Investment communities play an important role in shaping investor behavior by facilitating information exchange, peer interaction, and collective learning. These environments may amplify both positive and negative behavioral tendencies, such as knowledge sharing or herding behavior. Therefore, examining portfolio allocation decisions within an organized investment community provides valuable insights into how social and cognitive factors interact in real-world investment settings. Addressing these gaps, this study aims to investigate whether significant differences exist in stock and mutual fund portfolio allocation among Generation Z investors based on financial literacy, return expectations, risk tolerance, and herding behavior. By focusing on these key determinants, the study seeks to provide a more comprehensive understanding of how young investors allocate their investment portfolios. The application of the Kruskal–Wallis test enables the analysis of differences across investor groups with varying levels of financial and behavioral characteristics, offering a methodological contribution to empirical investment research.

The findings of this study are expected to contribute to the behavioral finance literature by providing empirical evidence on portfolio allocation behavior among Generation Z in an emerging market context. From a practical perspective, the results may inform financial education initiatives by highlighting the importance of integrating behavioral considerations into financial literacy programs. By addressing not only knowledge gaps but also behavioral tendencies such as unrealistic return expectations, excessive risk-taking, and susceptibility to herding behavior, policymakers and financial institutions can develop more effective strategies to promote rational and sustainable investment behavior among Generation Z investors.

REVIEW OF LITERATURE

Financial Literacy and Investment Decision

Financial literacy plays a crucial role in shaping individual investment decisions, particularly among young investors. According to Tubastuvi et al. (2024), financial literacy significantly influences investment decision-making among Generation Z, as individuals with higher financial knowledge tend to make more rational and well-informed choices. Financial literacy refers to an individual’s ability to understand fundamental financial concepts such as interest rates, inflation, and the time value of money, as well as their ability to evaluate financial products and manage risks effectively. In the context of investment, financially literate individuals are more capable of selecting appropriate instruments and allocating assets efficiently. Therefore, financial literacy is expected to influence how Generation Z investors allocate their portfolios between stocks and mutual funds.

Return Expectations and Investment Behavior

Return expectation is one of the primary considerations influencing investment decisions. Bustami et al. (2021) found that expected returns significantly affect investment interest, as investors are naturally attracted to instruments that promise higher potential gains. Return expectation reflects an investor’s perception of future profits based on market information, past experiences, and personal judgment. Investors with high return expectations tend to prefer high-risk, high-return assets such as stocks, while those with moderate expectations may lean toward more stable instruments like mutual funds. Thus, differences in return expectations may lead to variations in portfolio allocation decisions among Generation Z investors.

Risk Tolerance and Portfolio Allocation

Risk tolerance is a key determinant in investment decision-making, as it reflects an individual’s willingness and ability to bear uncertainty and potential financial losses.

According to Alice & Haryanto (2022), risk tolerance has a significant impact on investment decisions, as investors with higher tolerance are more likely to invest in volatile assets with higher return potential. Risk tolerance includes the ability to remain comfortable during market fluctuations, willingness to accept losses, and confidence in managing investment risks. In portfolio allocation, individuals with high risk tolerance tend to allocate more funds to stocks, whereas risk-averse investors prefer safer instruments such as mutual funds. Therefore, risk tolerance is expected to create differences in portfolio allocation among investors.

Herding Behavior in Investment Decisions

Herding behavior is a behavioral bias where investors tend to follow the actions of others rather than relying on their own analysis. Savithri & Rajakumari (2025) highlight that social influence and peer behavior significantly affect investment decisions, particularly among younger investors who are more exposed to digital communities and trends. Herding behavior often leads investors to make irrational decisions, such as investing based on market hype or recommendations without proper analysis. This behavior can result in suboptimal portfolio allocation, as decisions are driven more by external influence than by fundamental evaluation. Consequently, herding behavior is considered an important factor influencing how Generation Z investors allocate their investments.

Portfolio Allocation Decision

Portfolio allocation is a fundamental concept in investment management, referring to the process of distributing funds across different financial instruments to achieve optimal risk-return balance. According to modern portfolio theory, diversification is essential to minimize risk while maximizing returns. In this study, portfolio allocation focuses on the proportion of funds invested in stocks and mutual funds. The decision is influenced by both rational factors, such as financial literacy and return expectations, and behavioral factors, such as risk tolerance and herding behavior. Differences in these factors are expected to lead to variations in how Generation Z investors allocate their portfolios.

RESEARCH METHOD

Research Design

This study adopts a quantitative comparative research design aimed at identifying differences in portfolio allocation decisions between stocks and mutual funds among Generation Z investors. The comparative approach is used to examine whether variations in financial literacy and behavioral factors namely return expectations, risk tolerance, and herding behavior—lead to significant differences in investment allocation patterns. This design is appropriate as the study does not manipulate variables but compares naturally occurring groups based on different levels of cognitive and psychological characteristics.

Population and Sampling Technique

The population of this study comprises Generation Z investors who are members of the Inflow Community in Surabaya. A total of 110 respondents were selected using a purposive sampling method to ensure the relevance and accuracy of the data. The inclusion criteria required respondents to (1) belong to the Generation Z cohort, (2) actively invest in both stocks and mutual funds, and (3) actively participate in investment-related activities within the Inflow Community. These criteria ensure that all respondents possess sufficient experience to provide valid comparisons between stock and mutual fund investments.

Data Collection and Measurement

Primary data were collected through a structured questionnaire distributed directly to respondents. All independent variables financial literacy, return expectations, risk tolerance, and herding behavior were measured using a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Financial literacy was measured through indicators related to understanding investment instruments, risk–return concepts, and evaluation of investment alternatives. Return expectations were assessed based on expectations of return level, return stability, and consideration of the return–risk trade-off. Risk tolerance was measured through willingness to accept investment risk and preference for high-risk–high-return assets, while herding behavior was evaluated based on the influence of peers, market trends, and social information. Portfolio allocation decisions were measured using the proportion and preference of funds allocated between stocks and mutual funds.

Data Quality and Analysis Technique

Prior to hypothesis testing, the research instrument underwent validity and reliability testing. Validity was assessed using Pearson's Product Moment correlation, while reliability was evaluated using Cronbach's Alpha, with a minimum acceptable value of 0.60. A Kolmogorov–Smirnov normality test was then conducted to examine the distribution of the data. The results indicated that stock and mutual fund allocation data were not normally distributed ($p < 0.05$). Consequently, the study employed the Kruskal–Wallis H test, a non-parametric alternative to one-way ANOVA, to analyze differences in portfolio allocation across low, medium, and high levels of each independent variable. All statistical analyses were conducted using SPSS version 26.0 with a significance level of 5 percent.

RESULTS AND DISCUSSION

Research Results

This study examines differences in stock allocation decisions among Generation Z investors by considering key financial and behavioral factors, namely financial literacy, return expectations, risk tolerance, and herding behavior. Generation Z represents an emerging segment of investors whose participation in financial markets has increased significantly due to technological advancements, digital trading platforms, and the widespread availability of financial information. Understanding the determinants of their stock allocation behavior is therefore critical for both academic research and practical investment policy. Stock allocation decisions reflect how investors determine the proportion of their investment funds allocated specifically to stocks. Compared to other investment instruments, stocks are generally associated with higher volatility, higher potential returns, and greater exposure to market risk. As a result, decisions related to stock allocation are particularly sensitive to both financial understanding and behavioral tendencies. Behavioral finance theory argues that investment decisions are not solely driven by rational calculations. Instead, investors' decisions are influenced by psychological biases, subjective expectations, and social interactions. In line with this perspective, this study integrates financial and behavioral factors to explain differences in stock allocation decisions among Generation Z investors. The Kruskal–Wallis test is employed to analyze whether significant differences in stock allocation exist across different levels of financial literacy, return expectations, risk tolerance, and herding behavior. This non-parametric approach is appropriate given the ordinal nature of the data obtained from questionnaire responses. The results provide insights into how Generation Z investors respond differently to stock investments based on their financial and behavioral characteristics.

Stock Allocation Decisions among Generation Z

Stock allocation decisions represent a critical aspect of individual portfolio management, particularly for young investors who are still developing their investment experience. For Generation Z, stock investment often serves as an entry point into financial markets due to its accessibility through online trading applications and the appeal of potentially high returns. However, stock allocation is inherently risky, and the decision to allocate a higher or lower proportion of funds to stocks reflects an investor's ability to evaluate risk, form return expectations, and respond to social influences. Therefore, stock allocation decisions among Generation Z are expected to vary significantly depending on both financial competence and behavioral disposition. The findings of this study indicate that stock allocation among Generation Z is not uniform. Instead, variations emerge when financial and behavioral factors are taken into account. This supports the behavioral finance argument that investors, particularly young and inexperienced ones, do not behave homogeneously or fully rationally when making investment decisions.

Financial Literacy and Stock Allocation Decisions

Financial literacy is widely recognized as a fundamental determinant of investment behavior. It reflects an individual's understanding of financial concepts, investment instruments, and the relationship between risk and return. In the context of stock investment, financial literacy enables investors to evaluate market information, understand price fluctuations, and assess potential investment outcomes.

The Kruskal–Wallis test results reveal differences in stock allocation decisions based on levels of financial literacy.

Table. 1 Kruskal Wallis Test Results

	Stock Allocation	Mutual Fund Allocation
Kruskal-Wallis H	55.348	52.937
df	2	2
Asymp. Sig.	> 0.001	> 0.001

These findings suggest that Generation Z investors with higher levels of financial literacy tend to allocate their funds to stocks differently compared to those with lower financial literacy. Financially literate investors are more likely to recognize both the potential benefits and risks associated with stock investments, leading to more informed allocation decisions. This result is consistent with prior empirical studies indicating that financial literacy enhances decision-making quality and reduces reliance on heuristics. For Generation Z, financial literacy may serve as a protective factor against impulsive investment behavior driven by market hype or peer influence. Nevertheless, higher financial literacy does not necessarily guarantee optimal investment decisions. Even knowledgeable investors may still be influenced by emotional responses and cognitive biases. Therefore, financial literacy should be viewed as an important, but not exclusive, determinant of stock allocation behavior.

Return Expectations and Stock Allocation Decisions

Return expectations represent investors' subjective beliefs regarding the potential future returns of stock investments. Unlike objective measures of return, expectations are shaped by perceptions, prior experiences, and exposure to financial information. For Generation Z, return expectations are often influenced by success stories shared on social media, financial influencers, and short-term market movements.

The Kruskal–Wallis test indicates differences in stock allocation decisions based on varying levels of return expectations.

Table. 2 Kruskal Wallis Test Results

	Stock Allocation	Mutual Fund Allocation
Kruskal-Wallis H	53.747	51.255
df	2	2
Asymp. Sig.	< 0.001	< 0.001

These findings imply that Generation Z investors with higher return expectations tend to allocate a greater proportion of their funds to stocks. Stocks are commonly perceived as instruments capable of delivering superior returns, especially in bullish market conditions. Consequently, investors with optimistic return expectations are more inclined to increase their exposure to stocks. From a behavioral finance perspective, this result highlights the role of subjective beliefs in shaping investment decisions. Return expectations may not always be grounded in comprehensive financial analysis, leading investors to overestimate potential gains. This tendency can result in excessive risk exposure, particularly when market conditions change unexpectedly. The findings suggest that managing return expectations is crucial for promoting sustainable investment behavior among Generation Z investors. Unrealistic expectations may increase vulnerability to financial losses and discourage long-term participation in capital markets.

Risk Tolerance and Stock Allocation Decisions

Risk tolerance reflects an individual's willingness to accept uncertainty and potential losses in exchange for higher expected returns. In investment theory, risk tolerance is a key determinant of asset allocation, particularly with respect to risky instruments such as stocks. The results of the Kruskal–Wallis test demonstrate differences in stock allocation decisions across different levels of risk tolerance.

Table 3. Kruskal-Wallis Test Results

	stock allocation	mutual fund allocation
Kruskal-Wallis H	53.954	51.578
df	2	2
Asymp. Sig.	< 0.001	< 0.001

These findings indicate that Generation Z investors with higher risk tolerance are more likely to allocate a larger proportion of their portfolios to stocks. Conversely, investors with lower risk tolerance tend to limit their exposure to stocks, preferring safer or less volatile investment alternatives. This result aligns with classical portfolio theory, which suggests that investors choose asset allocations consistent with their risk preferences. At the same time, behavioral finance literature emphasizes that risk tolerance is not static and may be influenced by psychological factors, personal experiences, and market sentiment. For Generation Z, risk tolerance may be shaped by limited investment experience and the normalization of market volatility through constant exposure to financial news. The availability of digital trading platforms may further encourage risk-taking behavior among individuals with higher risk tolerance.

Herding Behavior and Stock Allocation Decisions

Herding behavior refers to the tendency of investors to imitate the actions of others rather than relying on independent judgment. In the digital era, herding behavior is amplified by social media platforms, online investment communities, and viral financial content.

The Kruskal–Wallis test results show differences in stock allocation decisions associated with herding behavior.

Table. 4 Kruskal Wallis Test Results

	Stock Allocation	Mutual Fund Allocation
Kruskal-Wallis H	16.171	15.859
df	2	2
Asymp. Sig.	< 0.001	< 0.001

These findings suggest that Generation Z investors who exhibit stronger herding tendencies are more likely to adjust their stock allocation in response to collective market behavior. This may include increasing stock exposure during periods of widespread optimism or reducing exposure when negative sentiment dominates. Herding behavior can undermine rational decision-making and increase market volatility, particularly when investors react simultaneously to the same information sources. For Generation Z, peer influence and online discussions play a significant role in shaping investment behavior, often substituting for formal financial analysis. The results reinforce the relevance of herding behavior as a behavioral determinant of stock allocation decisions, even among younger and digitally literate investors.

Discussion

The results of this study indicate that portfolio allocation decisions among Generation Z investors differ significantly based on financial literacy, return expectation, risk tolerance, and herding behavior. These findings reinforce the behavioral finance perspective, which emphasizes that investment decisions are shaped not only by rational evaluation but also by psychological and social influences. In line with Ovami et al. (2024), this study confirms that Generation Z investors in Indonesia exhibit distinctive investment behavior patterns influenced by both cognitive and behavioral factors.

The significant differences in stock allocation across financial literacy levels support prior empirical evidence that financial literacy plays a crucial role in shaping investment decisions (Sapan et al., 2022; Elsa et al., 2024; Wanda Ayu Rasari & Wulandari, 2024). Investors with higher financial literacy tend to allocate a larger proportion of their portfolios to stocks, reflecting greater confidence in managing high-risk assets. However, unlike several previous studies that suggest financial literacy directly leads to more rational and independent decision-making (Fadila et al., 2022; Ikhsan et al., 2024), the present findings indicate that behavioral factors—particularly herding behavior—remain influential even among financially literate investors. This suggests that financial literacy moderates but does not eliminate behavioral bias, thereby refining conclusions drawn in earlier studies.

Risk tolerance emerges as one of the strongest differentiating factors in stock portfolio allocation. This finding is consistent with Kelvin Gunawan and Wiyanto (2022), Handijaya and Wiryakusuma (2023), and Juwono et al. (2025), who report that individuals with higher risk tolerance are more inclined toward risky investment instruments. The present study strengthens this evidence by demonstrating that within the Generation Z cohort, risk tolerance exerts a more pronounced influence on stock allocation than financial literacy alone. This indicates that psychological readiness to face volatility may outweigh cognitive understanding when investors are confronted with high-risk investment choices.

Return expectation also significantly differentiates stock allocation decisions, supporting findings from Bustami et al. (2021), Septiani and Kamaludin (2024), and Yuningsih et al. (2025). Investors who expect higher returns show a greater tendency to allocate funds to equities. However, this study extends previous research by revealing that high return expectations among Generation Z investors may not always be grounded in objective financial analysis. Instead, optimism bias and exposure to investment narratives within peer groups may amplify return expectations, reinforcing risk-taking behavior beyond what is predicted by classical investment theory.

The influence of herding behavior on stock allocation is particularly notable. This result aligns with Mumtazah and Anwar (2022), Valentina and Pamungkas (2022), and Firmansyah (2023), who document the significant role of herding in shaping investment decisions among young and novice investors. However, unlike Saputra et al. (2022), who suggest that herding behavior weakens as financial literacy increases, the present study finds that herding behavior remains significant across different literacy levels. This indicates that social influence persists even among knowledgeable investors, especially within community-based investment environments, thereby challenging the assumption that financial literacy alone can suppress collective behavior.

In contrast to stock allocation, mutual fund allocation exhibits a different behavioral structure. Investors with lower financial literacy allocate a relatively higher proportion of their portfolios to mutual funds, supporting findings by Fadila et al. (2022) and Wahab and Rofiuddin (2024), which suggest that less knowledgeable investors prefer safer and professionally managed investment instruments. This behavior reflects a tendency to delegate investment decisions when confidence in personal analytical ability is limited.

Return expectation plays a less dominant role in mutual fund allocation compared to stock allocation. This finding partially contrasts with Bustami et al. (2021) and Yuningsih et al. (2025), who report a consistent influence of return expectation on investment decisions. By separating stocks and mutual funds, the present study demonstrates that expected return does not uniformly drive all asset allocation decisions, particularly for moderate-risk instruments such as mutual funds. Herding behavior also affects mutual fund allocation, but its manifestation differs from stock investment. Rather than speculative imitation, herding in mutual funds appears as a preference for widely endorsed or popular fund products, as discussed by Alice and Haryanto (2022). This finding indicates that behavioral influences adapt to asset characteristics, reinforcing the argument that investment behavior cannot be explained using a single behavioral mechanism.

Overall, this study contributes to the literature by offering a more nuanced understanding of portfolio allocation behavior among Generation Z investors. While many previous studies treat portfolio allocation as a single construct (Komarudin et al., 2023; Tubastuvi et al., 2024), the present research demonstrates that stocks and mutual funds respond differently to financial literacy and behavioral factors. By distinguishing between high-risk and moderate-risk assets, this study corrects the oversimplification found in earlier research and provides empirical evidence that portfolio allocation decisions are asset-specific. These findings imply that improving financial literacy alone may be insufficient to ensure rational investment behavior unless accompanied by greater awareness of behavioral biases and social influence.

CONCLUSION

This study examines stock allocation decisions among Generation Z investors by analyzing the role of financial literacy, return expectations, risk tolerance, and herding behavior using a non-parametric Kruskal–Wallis approach. The findings reveal that stock allocation behavior among Generation Z investors is heterogeneous and varies significantly according to both financial and behavioral characteristics, supporting the behavioral finance perspective that investment decisions are influenced not only by rational considerations but also by subjective beliefs, risk perceptions, and social influences. Higher financial literacy is associated with more informed stock allocation decisions, although it does not fully explain investment behavior on its own. In addition, investors with higher return expectations and greater risk tolerance tend to allocate a larger proportion of funds to stocks, indicating the importance of subjective expectations and individual risk preferences in shaping asset allocation. Herding behavior also significantly affects stock allocation decisions, highlighting the growing influence of social and digital environments on young investors. Overall, the results emphasize that stock allocation decisions among Generation Z are shaped by an interaction of cognitive and behavioral factors, underscoring the need for integrated financial and behavioral approaches in investor education and policy development.

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