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Sustainable Investment Decisions: The Role of Environmental Accounting Information in the Psychology of Gen Z Investors in Indonesia

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Abstract

This study aims to analyze the impact of Environmental Accounting Information on investment decisions and to examine the role of overconfidence—as a psychological factor—in moderating this relationship among Generation Z investors. A quantitative approach was employed, utilizing a survey method involving 80 Generation Z investors selected through purposive sampling. Data were collected via Likert-scale questionnaires and analyzed using linear regression and Moderated Regression Analysis (MRA) with the aid of SPSS. The results indicate that Environmental Accounting Information has a positive and significant effect on investment decisions, with a coefficient of 1.195 and a significance level of 0.000. Overconfidence also exerts a positive and significant influence on investment decisions, with a coefficient of 1.398 and a significance level of 0.000. Furthermore, the interaction between Environmental Accounting Information and overconfidence yielded a coefficient of -0.026 with a significance level of 0.003, demonstrating that overconfidence significantly weakens the impact of Environmental Accounting Information on investment decisions. These findings suggest that Generation Z investment decisions are influenced not only by available information but also by the investors' psychological characteristics in interpreting and utilizing that information. This study reinforces the behavioral finance perspective that psychological biases can influence investor responses to corporate information.

Keywords Environmental Accounting Information; Overconfidence; Investment Decisions; Gen Z Investors; Behavioral Finance

INTRODUCTION

The relevance of environmental information has been demonstrated in several previous studies. Adawia and Atmadiredja (2025) found that the implementation of green accounting is significantly associated with stock returns. This finding indicates that environmental aspects integrated into corporate accounting practices may have consequences for the economic responses received by companies. From an investment perspective, this finding suggests that information regarding a company's environmental practices may be considered by investors when assessing the potential and risks of an investment.

Similar results were reported by Damayanti et al. (2024), who found a positive effect of ESG practices on corporate investment decisions. Further evidence was provided by Chrzan and Pott (2024), who found that the disclosure of environmental information through more standardized indicators can influence investment assessments. Their study also demonstrated differences in responses between professional investors and private investors toward environmental information presented using EU Taxonomy indicators. This condition indicates that environmental information can have value in the investment process, although the responses may not always be uniform across different groups of investors.

Empirical findings regarding the relationship between environmental aspects and investment responses remain inconsistent. Agustin et al. (2025) found that ESG scores, both individually and in aggregate, did not have a significant effect on the stock returns of Islamic stocks in Indonesia. This finding indicates that the quality or availability of sustainability information is not necessarily followed directly by changes in investment outcomes. Thus, environmental information may have different meanings for investors depending on the context, market characteristics, and the manner in which the information is used in the decision-making process.

Differences in investor responses to information become increasingly relevant when the decision-making process is viewed as not being entirely rational. Daniel et al. (1998), through their investor psychology model, demonstrated that excessive confidence in the accuracy of private information and the tendency to attribute success to one's own abilities can lead to both underreaction and overreaction to information. These conditions may ultimately be associated with momentum, price reversals, and market volatility.

The role of excessive confidence in investment behavior has also received empirical support from Abdin et al. (2022). Their study showed that self-attribution, optimism, and illusion of control are positively associated with risk-taking tendencies and investment performance. Among the factors examined, illusion of control was identified as one of the strongest predictors. Bouteska et al. (2023) also demonstrated that positive return shocks can be followed by an increase in trading volume, which is considered an indication of investor overconfidence.

The context of Generation Z has become increasingly important because this group is becoming more actively involved in investment activities and has greater access to information through digital channels. Fauzi (2026) showed that Islamic financial literacy can strengthen the effect of overconfidence on the investment decisions of Generation Z. This finding is consistent with Firdausi et al. (2026), who found that overconfidence bias has a positive and significant effect on the investment decisions of Generation Z.

Ahmad and Shah (2022) found that excessive confidence can reduce the quality of decisions and investment performance, particularly when investors rely too heavily on their own judgments and fail to assess risks proportionately. Their study also demonstrated the role of risk perception as a mediator and financial literacy as a moderator.

This condition becomes increasingly interesting when associated with environmental accounting information. Information disclosed by companies concerning environmental activities and responsibilities essentially still requires evaluation by investors before being used as a basis for decision-making. Therefore, the relationship between environmental accounting information and investment decisions deserves consideration as a relationship that may vary according to investors' level of overconfidence.

Positioning overconfidence as a moderating variable is relevant based on these considerations. Investors with high levels of overconfidence tend to place greater trust in their analytical abilities and personal judgments. This condition may cause environmental accounting information to be used with different intensity compared with investors who have lower levels of overconfidence. However, the direction of this moderating effect cannot be determined solely through conceptual arguments. Therefore, this relationship requires empirical testing.

A mapping of previous studies shows that research on environmental issues and research on investor psychology have largely developed along two separate directions. Studies by Adawia and Atmadiredja (2025); Agustin et al. (2025); Chrzan and Pott (2024); Damayanti et al. (2024); and Mulyana and Wodyaningsih (2025) primarily explain the relationships between green accounting, ESG, environmental information, stock returns, firm value, and investment decisions. Meanwhile, studies by Abdin et al. (2022); Ahmad and Shah (2022); Fauzi (2026); Firdausi et al. (2026); and Maheshwari et al. (2025) primarily position overconfidence in relation to investment decisions, investment performance, risk perception, and financial literacy.

The research gap becomes clearer when the position of the moderating variable is considered. Ahmad and Shah (2022) used financial literacy as a moderator in the relationship between overconfidence and investment decisions and performance, while risk perception was positioned as a mediator. Maheshwari et al. (2025), in contrast, used overconfidence bias as a mediator in the relationship between financial literacy and investment decisions. Firdausi et al. (2026) positioned financial literacy as a moderator in the relationship between overconfidence and herding bias and the investment decisions of Generation Z.

The novelty of this study lies in its focus on Generation Z investors in Indonesia. Previous studies concerning overconfidence among Generation Z have primarily examined the direct influence of this bias on investment decisions or its interaction with financial literacy. Meanwhile, studies discussing environmental information have mostly associated it with stock returns, ESG, firm value, or investor assessments in general. This study brings together these two research streams by examining how environmental accounting information is translated into investment decisions when the level of overconfidence among Generation Z investors differs.

Thus, the study entitled "Sustainable Investment Decisions: The Role of Environmental Accounting Information in the Psychology of Generation Z Investors in Indonesia" offers novelty in three main aspects: the integration of environmental accounting information and behavioral finance, the positioning of overconfidence as a moderating variable, and the use of Generation Z investors in Indonesia as the research context. This model is expected to provide a more comprehensive explanation of investment decisions because it considers not only the information provided by companies but also the psychological characteristics of investors who receive and interpret such information.

METHODS

This study employs a quantitative approach with an explanatory research design to examine the effect of Environmental Accounting Information on Investment Decisions and the role of overconfidence as a moderating variable. The research object consists of Generation Z investors who have experience in making investments. The sample was selected using purposive sampling with the following criteria: respondents must belong to Generation Z, have previously made or currently be making investments, and complete the questionnaire in full. Based on these criteria, 80 respondents were obtained. The research data consist of primary data collected through a questionnaire using a Likert scale. The study uses three variables: Environmental Accounting Information (X), consisting of 8 items; Overconfidence (M), consisting of 9 items; and Investment Decisions (Y), consisting of 8 items. Instrument quality testing was conducted through validity and reliability tests. Data analysis was performed using SPSS, including descriptive statistics, classical assumption tests, simple linear regression, and Moderated Regression Analysis (MRA). The effect of Environmental Accounting Information on Investment

FINDINGS AND DISCUSSION

The Effect of Environmental Accounting Information on Investment Decisions

The results of the study show that Environmental Accounting Information has a positive and significant effect on Investment Decisions. This result is indicated by a regression coefficient of 0.807, a t-value of 10.099, and a significance value of 0.000 < 0.05. Thus, improvements in the quality and availability of environmental accounting information tend to be followed by an increased tendency among investors to make investment decisions. This finding indicates that information related to corporate environmental activities and responsibilities has become relevant information in the investment evaluation process.

This finding can be explained through Signaling Theory. Signaling Theory views companies as possessing more internal information than investors, thereby requiring communication mechanisms to reduce information asymmetry. Environmental accounting information can function as a signal conveying an overview of a company's commitment to environmental management, ability to control environmental risks, and orientation toward sustainability (Jumliana, Ramly, et al., 2024). When investors perceive such information as a positive signal, it can increase their confidence in the company's prospects and subsequently influence investment decisions.

Support for this perspective can be found in the study by Adawia and Atmadiredja (2025), which showed that the implementation of green accounting can increase stock returns. The study explicitly employed Signaling Theory to explain that companies communicate information regarding environmental activities to stakeholders and that transparency of environmental information can receive a positive market response. This finding is relevant to the present study because stock returns and investment decisions both reflect investor responses to information received from companies. When environmental information is perceived as providing an overview of corporate sustainability and management quality, investors have an additional basis for assessing whether a company has attractive prospects as an investment choice.

The findings of this study are also supported by Damayanti et al. (2024), who found that ESG practice dimensions have a positive effect on corporate investment decisions. This finding demonstrates that environmental and sustainability aspects are becoming increasingly relevant to decisions related to investment.

In addition, the investor perspective is further supported by the experimental study of Chrzan and Pott (2024), which examined how various forms of environmental information affect investor judgment and demonstrated that the type and level of environmental disclosure can influence the investment assessments of both professional and private investors.

Thus, the findings of this study demonstrate that Environmental Accounting Information has relevance to investment decisions, particularly among Generation Z investors. Environmental information is no longer viewed merely as supplementary information outside financial statements but can become part of the information used by investors to form assessments of companies.

These findings become even more interesting when associated with developments in sustainable investment research. In the Indonesian context, ESG information is increasingly related to market perceptions and responses. Agustin et al. (2025) found that certain ESG practices are associated with stock market volatility, indicating that ESG aspects can have consequences for capital market dynamics. Based on the overall findings, it can be concluded that Environmental Accounting Information is relevant to the formation of investment decisions among Generation Z investors. The better the environmental information received by investors, the stronger their tendency to consider the company in their investment decisions.

The Role of Generation Z Investor Psychology (Overconfidence) in Moderating the Effect of Environmental Accounting Information on Investment Decisions

The results of the Moderated Regression Analysis (MRA) show that the interaction between Environmental Accounting Information and overconfidence produces a coefficient of -0.026 with a significance level of 0.003. Since the significance value is less than 0.05, overconfidence is statistically proven to moderate the relationship between Environmental Accounting Information and Investment Decisions. Because the interaction coefficient is negative, the moderation effect is weakening. Thus, the higher the level of overconfidence among Generation Z investors, the weaker the influence of Environmental Accounting Information on Investment Decisions.

This finding illustrates that investment decisions are not determined solely by the quality or availability of information received by investors but are also influenced by how the information is psychologically processed. From the perspective of Behavioral Finance, investors do not always make completely rational decisions because the evaluation process can be influenced by cognitive biases. Overconfidence is one form of such bias, referring to the tendency of individuals to overestimate their abilities, knowledge, predictions, or the accuracy of their decisions. Behavioral finance literature indicates that investors experiencing overconfidence tend to place greater trust in their personal judgments rather than objectively evaluating all available information. Daniel et al. (1998) explained that overconfident investors may assign excessive weight to information or signals perceived to originate from their own analytical abilities, causing their responses to other information to become less proportionate.

In the context of this study, this condition may explain why overconfidence produces a negative moderating effect. Environmental Accounting Information essentially provides investors with additional information regarding corporate attention to environmental issues, environmental impact management, environmental costs, and the sustainability of business activities. Such information can serve as a consideration when evaluating corporate prospects and risks.

However, the availability of such information does not automatically cause all investors to assign the same weight to environmental information. Among investors with higher levels of overconfidence, confidence in personal abilities and judgments may cause investors to rely more heavily on their own interpretations. In other words, investors may feel that they already possess sufficient ability to determine investment choices without giving equal attention to additional information provided by companies. This condition causes Environmental Accounting Information to lose some of its influence on investment decisions.

This finding is consistent with the perspective of Behavioral Finance, which views psychological biases as factors that can cause investors to deviate from the assumption of fully rational decision-making. Daniel et al. (1998) showed that overconfidence can cause investors to assign greater weight to information they believe is relevant to their own judgments and potentially produce disproportionate reactions to market information.

In the context of Generation Z investors, this finding becomes increasingly relevant. Generation Z is a group of investors living in a digital environment with broad and rapid access to information. The ease of obtaining investment information through digital platforms, social media, investment communities, and various online sources enables investors to form their own opinions and beliefs relatively quickly. However, access to abundant information does not necessarily correspond to higher-quality decision-making. When access to information is accompanied by excessive self-confidence, investors may feel that their personal judgments are sufficient to determine their investment choices.

Empirical findings regarding Generation Z investors in Indonesia (Ahmad and Shah, 2022) support the importance of these psychological aspects. Generation Z investment decisions cannot be understood solely through information and fundamental aspects but must also consider the psychological mechanisms that influence how investors process information. Overconfidence should not be understood merely as a factor that increases investment decisions but also as a psychological mechanism that can alter how investors utilize information (Fauzi, 2026).

These findings are consistent with the study by Firdausi et al. (2026), which demonstrated that overconfidence characteristics need to be considered in understanding how investors evaluate information during the decision-making process. The study employed an experimental design and showed that investor characteristics and patterns of information presentation may be associated with the formation of investment judgments (Chrzan and Pott, 2024).

From the perspective of Signaling Theory, Environmental Accounting Information can be viewed as a signal provided by companies to investors regarding the quality of environmental management and their sustainability orientation (Adawia and Atmadiredja, 2025; Damayanti et al., 2024). Investors then interpret this signal as one of the considerations in assessing the company's prospects. However, the findings of this study indicate that the effectiveness of such signals is not uniform across all investors. When investors have high levels of overconfidence, the ability of environmental information to influence their decisions becomes weaker. Thus, this study extends the application of Signaling Theory by demonstrating that responses to corporate signals can be influenced by the psychological characteristics of the recipients of those signals.

Therefore, the findings imply that high-quality information does not necessarily result in optimal decisions when its interpretation is influenced by psychological biases. Generation Z investors need to develop the ability to balance confidence in their personal abilities with an objective evaluation of corporate information. In this regard, Environmental Accounting Information should not merely be viewed as supplementary information but should be positioned as one of the components in evaluating corporate risks, prospects, and sustainability.

CONCLUSION (Palatino Linotype 12, Space 1.15, Justify)

Overconfidence plays a dual role in the investment decisions of Generation Z. Directly, it increases the propensity of investors to make investment decisions. However, acting as a moderating variable, overconfidence actually weakens the influence of Environmental Accounting Information on investment decisions. This indicates that investors who are overly confident in their own abilities and judgment tend to place less weight on a company's environmental information. Thus, the effectiveness of Environmental Accounting Information in influencing investment decisions is also determined by the investor's psychological state.

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