

Effect Of Financial Literation And Financial Bias On Investment Decisions

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Effect Of Financial Literation And Financial Bias On Investment Decisions

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ABSTRACT

At this time human awareness to have a decent life is very high, so financial planning is needed. One of the financial planning is an investment decision. In investing, many variables are thought to influence the decision. The purpose of this study is to examine several variables that influence a person's decision to invest. The variables studied were financial literacy and financial need which consisted of Overconfidence, Representativeness, Familiarity, and Risk Perception. The number of respondents in this study were 156 people who live in the Special Region of Yogyakarta, they consisted of students, university students, and working. The data were collected using a questionnaire with a Lichkert scale. Data analysis used multiple regression analysis with a significance level of 0.05. The results of the study found that financial literacy has a positive and significant effect, as well as Overconfidence, Representativeness, Familiarity and Risk Perception have a positive effect on investment decisions.

Keywords :

Financial Literacy, Overconfidence, Representativeness, Familiarity, Risk Perception

INTRODUCTION

Most of the Indonesian people have carried out investment activities with the aim of having a decent and sufficient life. However, Indonesian people usually allocate money or income in several forms, such as consumption, savings and investment. Of these funds, the type of distribution that is most preferred in the future is the type of investment. According to (Pritazahara & Sriwidodo, 2015), personal financial management investment planning is vital for everyone today, because investment is also included in the learning process in studying current and future finances. Investment can be interpreted as sacrificing a source of income or funds to buy a stock or product now in the hope of getting a profit in the future. Joko Salim (2010: 7) states that a person's goals in investing are as follows: first, just in case, second, to get a profit, third to beat inflation, fourth to have a wrong life in the future, and fifth to prepare a pension fund.

Based on (Trinugroho & Roy, 2011), there are several investors in the capital market who tend to show irrational behavior which is influenced by psychological factors that are contrary to classical theory. Meanwhile, Monowar's (2013) study found that investors in the decision-making process show high or irrational opportunism. In research conducted by (Carolynne L J Mason & Richard M S Wilson: 2000) regarding financial literacy which only makes a person able to make decisions based on relevant information. Financial literacy does not guarantee that the right decisions are made, because a person does not always make decisions based on economic rationale. Then it can allow an investor to make decisions that

are not quite right. An investor who is prone to biased behavior causes systematic errors and choices of investment decisions that only satisfy but do not maximize benefits and this event is known as behavioral finance. When making an investment, it is necessary to make the right decisions where each of the decisions can affect the investment results. In determining a decision, each individual will behave rationally and irrationally, depending on the information obtained. Someone with good financial literacy tends to have better control in determining a diversified investment because they have a lot of financial information. For example, knowing the range of interest rates and conditions on the market, understanding how their credit risk profile and personal situation correspond to interest rates so that they can determine which investment is best for them (Hilgert et al., 2003).

Basically, investment decisions that are made will affect success in the future, but there are several factors that influence investment decisions, one of which is Behavioral finance, the definition of Behavioral finance is a theory that focuses on the psychological influence of investors in financial decision making and the investor market sometimes makes a decisions when market conditions are bobbing or floating full of uncertainty. The psychological literature finds that a person can make mistakes both systematically in thinking such as being too sure of one's abilities or too dependent on past experiences (Ritter, 2003). Irrational investment decisions occur under certain conditions of uncertainty and risk. In an uncertain investment world, investors tend to take overconfidence decisions (Im & Oh, 2016). The content of behavioral finance consists of Overconfidence, Representativeness, Familiarity bias, and risk perception.

In general, overconfidence bias is often associated with and equated with optimism, however, there is a difference between overconfidence bias and optimism bias. For Malmendier (2005), overconfidence bias is related to the expertise of investors, on the other hand, optimism bias is related to results originating from aspects outside the system (exogenous). Overconfidence research on investment decisions carried out by (Bulent & Yilmaz, 2015) generally involves male investors, young investors, investors with low portfolios and low income investors. For Lakshmi (2016) Overconfidence is described as a belief that is too much in reasoning, evaluation and cognitive skills. The concept of Overconfidence comes from a part of psychological research that creates when people overestimate the expertise and truth of the data they share. Some investors believe and think their expertise is above the average of other investors and can complete tasks well and have an unrealistic level of self-assessment (Pompian, 2006).

Another aspect that affects the attitude of investment decisions is Representativeness. Representativeness is investment decision making based on stereotype thinking (Shefrin, 2007: 14). A stereotype is an investor's decision-making attitude based on past experiences and data that match his mental reflection. A person with large Representativeness tends to overreact when obtaining financial data or other data from colleagues or family who have invested in the industry. Investors tend to be very vigilant in ensuring investment decisions. In the research of Ravindra, et navy (AL) (2015), it is shown that human representativeness tends to be based on decisions about equality. Not only that, for research from Ackert and Deaves (2010: 142) the Representativeness aspect affects investment decisions because they think most investors comment on good company, good investment.

Meanwhile, Familiarity is the behavior of investors who tend to choose an investment based on something familiar or familiar (Nofsinger, 2005: 64). (Huberman, Gur, 2001) argue that "Familiarity is associated with a general sense of comfort with the known and discomfort with — even dislike for and fear of — aliens and distant." For example, when presented with the option to choose between Apple and Synaptics stocks, investors are more likely to choose Apple. In research (Redhead, 2008: 551) familiarity can cause investors to prefer investing in whatever they think and investors know and understand so that what is on their mind will be

chosen. Because they are familiar with the company and use the products more often. Familiarity bias prevents investors from analyzing the actual potential of lesser known companies and stocks, which may turn out to be more profitable than known options.

The investment decision is also influenced by another aspect, namely the perceived risk. Everyone is certainly different in calculating and seeing the risk of an investment. For Siti and Wiwik (2013), the interpretation of Risk Perception is an evaluation of investors in a risky atmosphere, where the evaluation is very dependent on the psychological characteristics and condition of the person. Hung et al (AL) research. (2010), show that data on risk and return have a significant influence on decisions about investment allocation, but the effect of data clarity does not apply to investors who have different levels of financial knowledge and risk aversion. Research by Cho & Lee (2006) shows that perceived risk increases the number of searches for data and the frequency of transactions if the invested legacy is low.

THEORETICAL REVIEW AND HYPOTHESIS

Investment decisions

According to Eduardus Tandelilin (2010: 9), the fundamental thing in the investment decision process is understanding the relationship between return and risk of an investment. An investment decision is a policy or decision taken to invest in one or more assets for future benefits (Dewi Ayu Wulandari and Rr. Iramani, 2014). This is a significant challenge that investors must face. When making investment decisions, investors have 2 behaviors, namely rational and irrational. Rational behavior is the behavior of a person who thinks based on healthy ideas based on the analysis of the data obtained, on the other hand, irrational behavior is the behavior of a person who is not based on healthy ideas and is based on future predictions.

Financial literacy and investment decisions

Financial literacy is the knowledge of managing personal finances, namely the ability to use financial literacy appropriately in the process of making financial decisions to achieve prosperity and avoid financial problems. This index variable comes from Chen and Volpe (1998) who argue that there are several important aspects of financial knowledge, namely: basic financial concepts (understanding of interest rates, inflation and currency exchange rates), savings and loans (for savings and loans, such as credit), insurance (knowledge of insurance, such as life, health and motor vehicle insurance products), investment (knowledge of market interest rates, stocks, bonds, and investment risk). This is because by having a high level of financial knowledge, a person will learn more and be able to minimize the risks they face. Financial literacy (financial knowledge) will further influence the way people save, borrow, invest and manage finances (Widdowson and Hailwood 2007). Financial literacy emphasizes the ability to understand basic economic and financial concepts and apply them in an appropriate manner.

H₁: Financial literacy has a positive effect on investment decisions.

Behavioral finance

Behavioral finance is the study of psychological factors on the behavior of financial actors and their impact on the market (Sewell, 2007). Meanwhile, according to Pompian (2006), behavioral finance is defined as an integrated relationship between classical economic theory and finance as well as psychology and the science of decision making. Behavioral finance explains and improves understanding of investors' reasoning models, including the emotional models involved and their level of influence on investment decisions (Ricciardi & Simon, 2000). In particular, behavioral finance tries to find answers to the content, reasons, and methods of finance and investing from a human perspective. The purpose of behavioral

finance is to understand and predict the systematic meaning of financial markets from a psychological perspective.

Overconfidence and investment decisions

Overconfidence is a condition for investors to believe that they have better skills than other investors (Khan et al., 2016). Pompian (2006) defines "Overconfidence" as the belief that the information held by investors is more accurate than the actual situation, and that overconfidence bias is generated through the accumulation of experiences. In general, investors who are prone to overconfidence bias are those who are male, young, have low income and have low-level investment portfolios (Bulent & Yilmaz, 2015). Investors are faced with Overconfidence prejudice because of the limited information they obtain, making them feel they have the ability and knowledge to surpass other investors (Pompian, 2006). In the research of Khan, et al., (2017) revealed that investors are influenced by preference overconfidence and loss aversion. 70% of people will be affected by Loss Aversion and Overconfidence can have a big impact. Likewise, researchers from Lakshmi & Minimol (2016) assess the level of Overconfidence among investors and determine whether Overconfidence affects investment decisions. The research was conducted in Bangalore, India.

The results of this study indicate that investor activity is influenced by Overconfidence bias, which is against the classical theory and has an impact on investment decisions. Representative deviation is consistent with the independent variable, while younger investors have higher abnormal monthly returns. The study of Sheikh & Riaz (2012) also shows that people who are overconfident can influence financial markets.

H₂: Overconfidence behavior has a positive effect on investment decisions

Representativeness and investment decisions

Representativeness Is a decision based on trusting stereotypes too much (Shefrin, 2007: 14). What is meant by stereotypes here is that investors will make investment decisions based on past experiences and also in accordance with their mental image. Often times this factor makes a person quickly make investment decisions without deeper study, investors tend to rush and this will be dangerous if done. According to Ackert and Deaves (2010: 142), the assumption caused by this factor is that most investors think good company, good investment. Then Toma (2015) analyzes investment decisions and investor behavior on the Romanian Stock Exchange in Bucharest. Researchers used financial transaction data to study some of the most prominent behavioral biases that investors tend to exhibit, including overconfidence and representativeness. The results of this study indicate that Romanian investors are affected by an overconfidence bias as indicated by the average monthly trading frequency, the average monthly turnover and the number of shares held in the portfolio. In line with research conducted by Stephanie Gozalie and Njo Anastasia (2015), it is evident that representativeness has a significant effect on investment decisions.

H₃: Representativeness behavior has a positive effect on investment decisions

Familiarity and investment decisions

Familiarity is the behavior of investors who tend to choose an investment based on something familiar or familiar (Nofsinger, 2005: 64). In research (Redhead, 2008: 551) familiarity can cause investors to prefer investing in whatever they think and investors know and understand so that what is on their mind will be chosen. Because they are familiar with the company and use the products more often. Familiarity bias prevents investors from analyzing the actual potential of lesser known companies and stocks, which may turn out to be more profitable than known options. Wiwik and Iramani's research (2013) shows that familiarity and social interaction are external factors that can influence the choice of investment types, and

respondents agree that in investing, investors will choose well-known investment tools. According to research by Iramani and Dhyka (2008) familiarity is an evaluation bias factor that affects investor behavior in stock trading. When investors value stocks based on what they already know. Meanwhile, research conducted by Vries and Gerber (2017) also shows that familiarity affects a person's investment decisions. (Nofsinger, 2005: 64) research shows that the valuation bias factor is related to the valuation bias that investors have towards stocks traded on the stock exchange. Investors value stocks based on familiarity, namely valuing stocks based on things that are known or familiar.

H4: Familiarity behavior has a positive effect on investment decisions

Risk Perception and investment decisions

Risk Perception is an investor's process of looking at, assessing, and interpreting an investment instrument risk obtained in making investment decisions. Every investor is different in assessing a risk depending on a person's psychological factors. Indicators of this variable come from Dewi and Iramani's research (2014) as well as from research development, the indicators used for this variable are as follows: investing without collateral, buying assets or investing without consideration. In addition, research conducted by Aren and Asiye Zengin (2016) also proves that risk perception also has a significant effect on investment decisions. This relationship proves that if a person has a high level of risk perception, he must be careful in making his investment decisions. The results of Siti's (2013) research show that there is no significant negative relationship between risk perception and entrepreneur's investment decisions. This shows that investors believe that the risk is greater than the medium risk, or tends to be the reverse risk.

H5: Risk Perception behavior has a negative effect on investment decisions

RESEARCH METHODOLOGY

Population and Sample

The population in this study are investors who are domiciled in Yogyakarta and aged 17 years and over. When specifying a sample, use the following formula:

$$n = \frac{z^2}{4(Moe)^2}$$

Information :

Z = level of confidence required in the sample study

Moe = Margin of error is the maximum tolerable error rate

n = size of sample

The confidence level used was 95% or Z = 1.96 and Moe = 0.1. Then the number of samples in this study are as follows:

$$n = \frac{(1.92)^2}{4(0.1)^2}$$
$$n = 96.04$$

The results of the calculation show that the minimum sample size is 96.04, but the number of samples used in this study is 156. This is because the sample size is closer to the population, so that the respondent's answer is more representative. Samples have been distributed to respondents registered in several securities companies and investment galleries, including the Indonesian Islamic University Investment Gallery, YKPN STIM Investment Gallery, BNI Securities, Phintraco Securities, Mirae Securities, and the Yogyakarta Indonesia Stock Exchange. The sampling technique was random sampling or purposive sampling.

Types and Data Collection Techniques

This research uses primary information sources which are information obtained directly from the initial party or the respondent. The collection of information uses a questionnaire method which is distributed directly to respondents through a questionnaire.

The data measurement scale used in this study is the Likert scale, which is a scale based on the sum of the respondents' attitudes in responding to statements related to indicators of a variable (Abdullah, 2015). In this study using 5 levels of scale, such as.

- 1 = Strongly disagree
- 2 = disagree
- 3 = neutral
- 4 = agree
- 5 = totally agree

Number 1 shows the respondent does not show a tendency of biased behavior in decision making, the closer to number 5, it shows that the respondent has a tendency to biased behavior in decision making.

Research variable

The variables used in this study include the dependent variable, namely financial literacy, Overconfidence, Representativeness, Familiarity, and Risk Perception with the dependent variable, namely investment decisions.

Data analysis

In this research, the researcher used the analysis to test the classical assumptions first so that the research was not biased and to test the regression model errors used in the study. According to (Ghozali, 2011) the regression model used will show a significant and representative relationship (BLUE = Best Linear Ungawai Estimator).

RESEARCH RESULT

Descriptive Analysis

After conducting research, the results of the questionnaire have several sections, such as respondent data and questions that represent each variable. In the respondent data section, there are several questions that must be filled in regarding the respondent's personal data such as age, gender, profession, length of investment, and income. The following data from respondents are shown in the table below:

Table 1. Characteristics of Respondents by Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 20 years	35	22.4	22.4	22.4
	21-30 years	87	55.8	55.8	78.2
	31-40 years	12	7.7	7.7	85.9
	41-50 years	22	14.1	14.1	100.0
	Total	156	100.0	100.0	

Based on table 1 there are 156 respondents consisting of 35 people (22.4%) aged under 20 years, 87 people (55.8%) aged between 21 to 30 years, 12 people (7.7%) aged 31-40 years, and 22 people (14.1 %) aged between 41-50 years. With these data, it shows that the respondents are dominated by young people between the ages of 21 and 30 years.

Table 2. Characteristics of Respondents Based on Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	84	53.8	53.8	53.8
	Female	72	46.2	46.2	100.0
	Total	156	100.0	100.0	

Based on table 2 there are 156 respondents consisting of gender, there are 84 people (53.8%) who are male and there are 72 people (46.2%) who are female, which indicates that the respondents are dominated by men.

Table 3. Characteristics of Respondents by Profession

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Higher Ed	16	10.3	10.3	10.3
	Graduate	111	71.2	71.2	81.4
	Worker	29	18.6	18.6	100.0
	Total	156	100.0	100.0	

Based on table 3, there are 156 respondents consisting of 16 high school students (10.3%), 111 people (71.2%) undergraduate (71.2%), and 29 workers (18.6%). With these data, it shows that undergraduate respondents far dominate when compared to SMA or people who are already working.

Descriptive statistics

Statistical analysis is used to describe the state of the research variables statistically. This study uses the maximum value, minimum value, average and standard deviation to describe the descriptive analysis of each variable. This descriptive analysis uses the SPSS Statistic 21 application.

Test instrument

Validity test

The validity test is used to determine whether or not the questionnaire distributed to respondents is valid. Researchers measured the validity of this study using the Pearson bivariate (Pearson Product Moment), namely the correlation technique, by calculating the correlation between the scores of each question item and the total score. The validity test can be said to be valid if $r_{count} > r_{table}$ then the question is considered valid. This validity test uses the SPSS Statistic 21 application. The following are the results of the validity test

Table 4. Validity test

Variable	Item	Rhitung	Rtabel	Keterangan
Financial Literacy	X1.1	0,823	0,157	Valid
	X1.2	0,858	0,157	Valid
	X1.3	0,868	0,157	Valid
	X1.4	0,786	0,157	Valid
	X1.5	0,852	0,157	Valid
	X1.6	0,862	0,157	Valid

Representativeness	X2.1	0,797	0,157	Valid
	X2.2	0,860	0,157	Valid
	X2.3	0,829	0,157	Valid
	X2.4	0,886	0,157	Valid
	X2.5	0,860	0,157	Valid
	X2.6	0,829	0,157	Valid
	X2.7	0,886	0,157	Valid
Risk Perception	X3.1	0,798	0,157	Valid
	X3.2	0,803	0,157	Valid
	X3.3	0,806	0,157	Valid
	X3.4	0,831	0,157	Valid
	X3.5	0,810	0,157	Valid
	X3.6	0,877	0,157	Valid
Familiarity	X4.1	0,774	0,157	Valid
	X4.2	0,773	0,157	Valid
	X4.3	0,812	0,157	Valid
	X4.4	0,845	0,157	Valid
	X4.5	0,823	0,157	Valid
	X4.6	0,835	0,157	Valid
	X4.7	0,777	0,157	Valid
	X4.8	0,831	0,157	Valid
Overconfidence	X5.1	0,716	0,157	Valid
	X5.2	0,777	0,157	Valid
	X5.3	0,795	0,157	Valid
	X5.4	0,772	0,157	Valid
	X5.5	0,649	0,157	Valid
Investment Decision	Y1	0,843	0,157	Valid
	Y2	0,868	0,157	Valid
	Y3	0,874	0,157	Valid
	Y4	0,831	0,157	Valid

(Sumber: data diolah 2021)

By looking at table 4, it can be seen the magnitude of the correlation coefficient of all the items in the research variables. Based on the results of the calculation of the correlation coefficient, all questions have a value of $r_{count} > r_{tabel}$. Therefore, it can be concluded that the questions can be used as an instrument for further research.

Reliability Test

Reliability test is a test to show the extent to which a measuring device is reliable. In this study, reliability testing was carried out to determine whether the questionnaire distributed to respondents met the reliable requirements. A questionnaire can be said to be reliable if the Cronbach alpha value is greater than 0.6 or 60%. This reliability test uses the SPSS Statistic 21 application. The following are the results of the reliability test.

Table 5. Reliability test

Variabel	Cronbach's Alpha	Keterangan
Financial Literacy	0,918	Reliable
Representativeness	0,936	Reliable
Risk Perception	0,903	Reliable
Familiarity	0,925	Reliable
Overconfidence	0,797	Reliable
Investment Decision	0,877	Reliable

Based on table 4.5, it can be concluded that all variables in this study can be said to be reliable because the Cronbach alpha coefficient is greater than 0.6. Therefore, it can be concluded that the questions can be used as an instrument for further research.

RESULT AND DISCUSSION

Hypothesis testing in this study uses the t statistical test. The t test was carried out using the SPSS Statistic 21 application. The results are as follows:

Tabel 6. Hypothesis test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.113	.294		.386	.700
1 Financial Literacy	.244	.068	.252	3.593	.000
Overconfidence	.266	.072	.274	3.708	.000
Representativeness	.147	.062	.145	2.357	.020
Familiarity	.215	.075	.202	2.848	.005
Risk Perception	.144	.065	.133	2.207	.029

a. Dependent Variable: Investment Decision

Financial literacy and investment decisions

Based on the results of calculations using regression, it was found that the financial literacy variable that affected investment decisions had a t-value of 3.593 and a significant value of 0.000 < 0.5. A positive coefficient value of 0.244 also supports that financial literacy has a positive effect on investment decisions. It can also be concluded that H1 is accepted. With these data, it shows that when making investment decisions in Yogyakarta it is influenced by financial literacy.

Of the 156 respondents, 78.2 percent consisted of investors whose age ranged from less than 30 years old and can be said to be young and even many are still students and also students. However, investors who are over 30 years of age they also think about financial literacy to make investment decisions. As it is dominated by young investors, this is good news for education in Indonesia and especially Yogyakarta. The good news is that young investors already understand how important financial literacy is in making an investment decision. This is supported by the large amount of information circulating in the news and social media so that young investors can easily learn how the condition of financial literacy is very influential

in the future, plus it has the potential to make investors feel they have sufficient skills to invest that are not actually available to investors.

The more knowledge about financial literacy, the more investors will be more mature and confident in the plans they have built for their investment and in the future they will be successful and be able to distinguish which investment they deserve to choose. Supported by knowledge of finance, able to manage finances well and able to make decisions quickly and accurately. By mastering this knowledge of finance, understanding financial literacy will have a good impact on investment decisions. This is in line with the research of Klapper and Panos (2011), Lusardi & Mitchell (2011), Al-Tamimi (2009), and Monticone (2010) and Atkinson and Messy (2012).

Overconfidence and investment decisions

In the results of calculations using regression, it was found that the Overconfidence variable affected investment decisions had a t-value of 3.708 and a significant value of 0.000 <0.5. A positive coefficient value of 0.266 also supports that overconfidence has a positive effect on investment decisions, it can also be concluded that H2 is accepted. With these data, it shows when investment decision making in Yogyakarta is influenced by overconfidence.

Most of the respondents were young people and were under 30 years old, so it was dominated by university students and students. Young investors tend to be more prone to overconfidence because young people have not mastered the investment knowledge they have learned so that their enthusiasm and high motivation to teach knowledge about investment does not match the reality they are facing. As a result, those who have studied with enthusiasm and motivation but are not supported by relevant knowledge and information so that they can be misled and also do not have sufficient skills to carry out investing activities. Meanwhile, there are many types of investments, such as mutual funds and bonds, and in the capital market, especially stocks, are long-term investments that have the highest risk (high risk). If you want to get profit when investing, an investor must have skills, strong principles and also a mature investment mindset and have reliable and up-to-date market information. After having all these aspects, young investors will be very vulnerable to experiencing losses from their investments because they have skills, strong principles and mature thinking patterns.

The high level of overconfidence, then it affects the confidence of investors in their investment plans because they feel successful so that they are able to identify and predict which stocks will be profitable in the future. Not only that investment decisions are also supported by skills, strong principles and a mature investment mindset and the most important thing is the investment experience that is above the average of other investors, but this feeling is actually dangerous because overconfidence can make investors wrong in the process. predict so wrong in making investment decisions. This result is in line with the research of Trehan & Sinha (2016), Khan, et al. , (2017), Lakshmi & Minimol (2016), and Sheikh & Riaz (2012).

Representativeness and investment decisions

In the results of calculations using regression, it was found that the Representativeness variable that affected investment decisions had a t-value of 2.357 and a significant value of 0.000 <0.5. A positive coefficient value of 0.147 also supports that Representativeness has a positive effect on investment decisions. It can also be concluded that H2 is accepted. With these data, it shows when investment decision making in Yogyakarta is influenced by Representativeness.

With 156 respondents with the majority of young age, while those over 30 were only 21.8 percent. These young investors have minimal experience when compared to those who are old or have been in the investment world for a long time. So this young investor could easily be influenced by Representativeness to make investment decisions. This makes investors

tend to be unstable and mentally not too strong which will have an impact on ignoring investment risks. In addition, young investors also tend to choose the type of investment and the company they want to invest in based on their similarities or thoughts so that they do not see broadly about the type of investment and the company they want to invest in. Then these young investors also make investment decisions with the knowledge they have and of course with all their limitations so that they don't really understand about the company profile and also how the company's trade record in the business world, if it continues then they will bear a big risk.

With the increasing number of investors experiencing Representativeness in Yogyakarta, it will affect the return on investment because they feel safe and are also in accordance with what they think. However, it is not only in accordance with thought, it must be supported by several aspects such as knowledge and experience. The results of this hypothesis are in line with the research of Ravindra et al. (2015), Toma (2015), and Stephanie Gozalie and Njo Anastasia (2015)

Familiarity and investment decisions

In the results of calculations using regression, it was found that the Familiarity variable affected investment decisions had a t-value of 2.848 and a significant value of 0.000 <0.5. A positive coefficient value of 0.215 also supports that familiarity has a positive effect on investment decisions. It can also be concluded that H2 is accepted. With these data, it shows when investment decision making in Yogyakarta is influenced by Familiarity.

This study is dominated by respondents consisting of young investors who are still students and university students. With a young age these young investors are prone to familiarity because of low emotional stability and also immature way of thinking so that it can make investors experience a tendency to judge something that has been known before is better than something that is not known. Because investing activities are very risky activities, especially stocks, investors must have good knowledge and also a mature way of thinking so as not to make mistakes in seeing the risks that will be faced.

This familiarity greatly influences the investment decisions of young investors in Yogyakarta. In the context of investment, they tend to invest in well-known or known companies or investment products because they will feel safer, but this is not necessarily true. The results of this study are in line with the research of Wiwik and Iramani (2013), Vries and Gerber (2017), and (Nofsinger, 2005: 64).

Risk perception and investment decisions

In the results of calculations using regression, it was found that the variable Risk perception that affects investment decisions has a t-count value of 2.848 and a significant value of 0.000 <0.5. A positive coefficient value of 0.144 also supports that risk perception has a positive effect on investment decisions, it can also be concluded that H2 is accepted. With these data, it shows that investment decision making in Yogyakarta is influenced by risk perception.

This research is dominated by young investors where they are still immature in thinking and emotionally unstable so that they take a lot of risks to get profits. With limited experience, young investors must be supported by information that is relevant to the current situation and begin to hone their mindset in order to view an investment from various perspectives such as risk perception. Because all investment activities have a high risk value, investors need to have a risk analysis and be careful with various types of investments so that they can avoid losses.

By understanding risk perception in the right direction, investors in Yogyakarta will bring profit by itself, but if they do not have the knowledge and misrepresent a risk, it will endanger investors' finances. This is in line with Dewi Ayu Wulandari and Rr. Iramani (2014), Aren and Asiye Zengin (2016), and Siti (2013)

CLOSING

Based on the tests that have been done and the results obtained in this study, it can be concluded that financial literacy has a positive but insignificant effect, as well as Overconfidence, Representativeness, Familiarity and Risk Perception have a positive effect on investment decisions in Yogyakarta.

In carrying out this research, there are several limitations such as the object of research which is only limited to respondents who are difficult to obtain and less serious when filling out the questionnaire, the process of distributing and taking questionnaires takes quite a long time, because the process of finding respondents, and this study the variables Representativeness and Familiarity have not been able to explain behavior that can influence investment decision making properly. However, researchers should come directly or conduct interviews and assist respondents in filling out the ongoing questionnaire to minimize the lack of understanding of the questions and statements on the questionnaire, researchers should also be given a clear time limit to make the questionnaire more structured and better Finally, the researcher is advised to examine other variables about behavior, for example those that can affect investment decisions such as risk tolerance, halo effect, locus of control, and experience regret.

Effect Of Financial Literation And Financial Bias On Investment Decisions

ORIGINALITY REPORT

19%

SIMILARITY INDEX

15%

INTERNET SOURCES

6%

PUBLICATIONS

9%

STUDENT PAPERS

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