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The Role of Financial Literacy and Overconfidence in Investment Decision Making (Case Study on Master of Management Students of Diponegoro University, Semarang)

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Abstract : The right investment decision is based on how well financial literacy is owned and controlling financial behavior, namely overconfidence. In general, the higher the level of education, the better. The purpose of this study was to analyze the Role of Financial Literacy and Overconfidence in Investment Decision Making at the Education level of Master of Management Students at Diponegoro University Semarang. With a sample of 127 respondents, from batches 58-63 in 2024. The data analysis method uses the measurement model (Outer Model) and the Struktural Model (Inner Model) in testing the model researchers apply Structural Equation Modeling-Partial, Least Square (SEM-PLS). The results showed the first hypothesis, namely financial literacy has a significant positive effect on investment decisions, the second hypothesis, namely overconfidence has a significant positive effect on investment decisions and overconfidence can moderate (strengthen) the relationship between financial literacy and investment decisions in Master of Management Students at Diponegoro University Semarang in 2024.

Keywords: Investment Decisions, Financial Literacy, Overconfidence

INTRODUCTION

In 2023 during the ongoing modernization period, all countries, both from developed to developing countries, are striving to improve their economies. One of them is Indonesia, which is now listed as one of the developing countries led by President Ir. Joko Widodo. Through the advanced Indonesia program, the Indonesian state targets its economic growth in 2023 at 5.3%. The target is not necessarily an ordinary program,

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but so that the Indonesian nation is good in terms of welfare of life. To realize this dream based on the Harrod-Domar theory is by investing, because there is a positive relationship between investment that will add to national income and also investment can increase economic production capabilities by increasing the supply of capital. The point is that investment can dominate demand and supply for a long period, which is why investment is needed in advancing a country's economy.¹

Investing in this day and age has become a must for everyone, why? Because by doing so, many utilities can be obtained. Simply put, investment is the investment of money in a verified financial institution with the aim of providing profits within a predetermined period of time. These financial institutions provide various instruments for investing, such as stocks, mutual funds, and others. But it should be underlined that it is not easy to invest, due to the risks borne if investment decisions are not taken into account.² According to Investment decisions is the expertise of various investment opportunity preferences and benefit realization. Investment decision making can also refer to the science of overcoming difficult situations when investing, because it relates to the psychology of individuals in choosing the most suitable option from all alternative scenarios. So in making investment decisions, investors should already have reliable information, in the face of investment complexity that will be chosen carefully and most precisely.³ Appropriate investment decisions should be analyzed in detail taking into account returns, risk acceptance and diverse market situations. When looking at data from the Indonesia Stock Exchange (IDX) in 2022, the number of Indonesian investors on the stock exchange, namely stocks, compared to ASEAN countries such as Singapore, Malaysia, Thailand and Vietnam is still low, which can be seen as follows.⁴

¹ Debbi Chyntia Ovami and S Pd, *Pasar Modal Di Era Revolusi Investasi 4.0*, vol. 1 (umsu press, 2022).

² Amos Akims and Ambrose Jagongo, *Financial Literacy And Its Impact On Investment Decisions In Nigeria: A Theoretical Perspective 1*, *International Journal of Scientific Research and Innovative Technology*, vol. 4, 2017, accessed November 12, 2023, <https://ir-library.ku.ac.ke/bitstream/handle/123456789/20104/Financial%20Literacy%20and%20its%20impact%20on%20Investment.....pdf?sequence=3&isAllowed=y>.

³ Rajdeep Kumar Raut, "Past Behaviour, Financial Literacy and Investment Decision-Making Process of Individual Investors," *International Journal of Emerging Markets* 15, no. 6 (April 21, 2020): 1243–1263.

⁴ Purwanti Teti, "Baru 1,5% Warga RI Jadi Investor Saham, Kalah Sama Tetangga," *CNBC Indonesia*, last modified August 30, 2022, accessed November 17, 2023,



According to the Indonesia Stock Exchange (IDX) in 2022, it is clear that stock investors from Indonesia until July 2022 amounted to only 1.5% of the population ratio, who could invest. According to said that it is crucial for investors to have financial literacy knowledge, in order to achieve the most profitable decisions in investing their money. The positive side of having a high level of financial literacy knowledge is being skilled in managing finances which will eventually experience prosperity. Therefore, financial literacy is positioned as the main actor with a large and important role.

In Yulianis & Sulistyowati grouping financial literacy into three categories, namely the first less than 60% who mean, someone has low financial insight. Second from 60%–79%, which means that individuals have medium financial skills. Third, more than 80% indicate that someone has high financial knowledge. Looking at the results of a survey conducted every three years where in 2022 the financial literacy rate of Indonesian citizens was 49.68% with 14,634 respondents from 34 Provinces, in 2019 it was 38.03% with 12,773 respondents from 34 Provinces and in 2016 it was 29.70% with 9,680 respondents from 34 Provinces, which were then categorized by age group, gender, education, namely not going to school until graduating from S3 and in the regions⁵.

The question of this study is compounded by the phenomenon of gap and gap research. The gap phenomenon based on the findings is the uneven selection of investment instruments of the Indonesian people which in stock investment products is only 1.5% of the population ratio. ⁶ This means that the number of Indonesian stock investors representing investment decision making based on the selection of investment instruments is still low. So, according to said that financial literacy knowledge is needed for an investor, in order to achieve the most profitable decision in investing. However, in 2022, it was also found that the decline in financial literacy of the Indonesian

<https://www.cnbcindonesia.com/market/20220830171026-17-367833/baru-15-warga-ri-jadi-investor-saham-kalah-sama-tetangga#:~:text=Adapun%20hingga%20Juli%202022%2C%20jumlah,kecil%20dibandingkan%20dengan%20negara%20tetangga.>

⁵ Nur Yulianis and Erna Sulistyowati, "The Effect Of Financial Literacy, Overconfidence, And Risk Tolerance On Investment Decision," *Journal of Economics, Business, and Government Challenges* 4, no. 1 (2021): 61–71.

⁶ Purwanti Teti, "Baru 1,5% Warga RI Jadi Investor Saham, Kalah Sama Tetangga."



people based on education⁷. The specials in college. The problems arising above have an impact on one of the universities on the island of Java, namely Diponegoro University Semarang at the master of management education level, which in 2018 the organizational activities of the Capital Market Study Group (KSPM) began to be inactive and followed in 2019-2022 by the COVID-19 pandemic which made the sustainability of the program not run. Thus, based on data from the Investment Gallery of the Master of Management of Diponegoro University Semarang from the active year 2014-2017, students who invested amounted to only 220 students. Then from 2018-2023 there are no students registered in the Investment Gallery⁸.

According to said that there is a behavior that is overconfidence that can influence investment decisions. Because, in fact, an investor has the ultimate goal is to make a profit, so investors will desire to be too confident in taking high risks. In addition, overconfidence can also strengthen the relationship between financial literacy and investment decisions. Where, when an investor with the knowledge and financial ability makes an overconfident investment decision will always be present and solidify that relationship. ⁹ However, among students who are relatively young, sometimes overconfident financial behavior is found to be low. Because, students feel that the financial knowledge mastered is not enough in making the right investment decisions. Therefore, usually students will invest in low-risk investment products such as mutual funds¹⁰.

This research was also carried out by a number of *research gap* Where there are variables that can influence investment decisions and

⁷ Hassan Alaaraj and Ahmed Bakri, "The Effect of Financial Literacy on Investment Decision Making in Southern Lebanon," *International Business and Accounting Research Journal* 4, no. 1 (January 3, 2020): 37.

⁸ Otoritas Jasa Keuangan, "Infografis Hasil Survei Nasional Literasi Dan Inklusi Keuangan," last modified November 24, 2022, accessed November 17, 2023, <https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Infografis-Survei-Nasional-Literasi-dan-Inklusi-Kuangan-Tahun-2022/Infografis%20Hasil%20Survei%20Nasional%20Literasi%20dan%20Inklusi%20Kuangan%20Tahun%202022.pdf>.

⁹ Abdullah Hamoud Ali Seraj, Elham Alzain, and Ali Saleh Alshebami, "The Roles of Financial Literacy and Overconfidence in Investment Decisions in Saudi Arabia," *Frontiers in Psychology* 13 (September 30, 2022).

¹⁰ Annabella Claudia Kurniadi, Timotius FCW Sutrisno, and Irantha Hendrika Kenang, "The Influence of Financial Literacy and Financial Behavior on Investment Decision for Young Investor in Badung District, Bali," *Matrik: Jurnal Manajemen, Strategi Bisnis dan Kewirausahaan* (August 1, 2022): 323.



variables that can moderate the relationship so that it can be used as a reason for further research.

In answering the research problems that have been described, this study aims to analyze the influence of financial literacy on investment decisions, the impact of overconfidence on investment decisions, and the potential for overconfidence as a moderator between financial literacy and investment decisions in Master of Management Students of Diponegoro University Semarang. The benefits of this research include theoretical aspects with contributions to enrich the understanding of financial literacy and investment behavior, while the practical benefits include implications for educational institutions, readers, and the general public in increasing awareness and knowledge regarding investment and correct financial management.

LITERATURE REVIEW

1. The Influence of Financial Literacy on Investment Decisions

Financial Literacy concretizes the combination of skills, cognitions, insights, attitudes, and traits that individuals need in making financial decisions so that their financial decisions are efficient and can subsequently elevate financial security (*financial well-being*) personal and citizen, as well as contributing to the economy. The benefits obtained if proficient in financial literacy are to avoid financial problems such as no savings, loans that are not settled, deceived by fraudulent investments, and others.

In 2024, there have been many studies investigating financial literacy from various views. Even companies and governments in various countries conduct surveys to assess the level of financial literacy. This shows that financial literacy is very important, especially for the younger generation in universities (students). The result of financial knowledge that students have is to develop their money by investing, of course, it is necessary to first understand financial products properly. There have been a number of previous studies that have found financial literacy to have a significant positive effect on investment decisions, such as explaining how an investor with a level of financial literacy influences his right investment decisions from a wide selection of investment instruments. The selection of investment instruments is certainly in accordance with the needs and abilities. Making profits, investing is based on more knowledge because of



the desire to know and learn. Furthermore, investors will use it to interpret the assets held to the best option and lead to minimizing risk¹¹.

Based on the explanation of previous studies related to financial literacy and investment decisions, so that in this exploration the first hypothesis is:

H1: Financial literacy has a positive effect on students' investment decisions

2. The Influence Of Overconfidence On Investment Decisions

Overconfidence is a financial behavior, which explains that investors to certain limits can behave irrationally. Financial behavior is essentially how investors with their knowledge understand investment decision making. The behavioral finance approach links classical financial and economic theories of decision-making that demonstrate market effectiveness¹².

Overconfidence in investors is meant as a valuable trait because it can continue to add motivation and stimulate to achieve definite goals. Overconfidence makes an investor understand that he is smarter and more knowledgeable in any case. Some studies that explain it, such as those conducted by showing when students as investors who are too confident by exaggerating knowledge and skills about trends or purchasing investment products will make the right investment decisions. The more confident an investor is, the courage to make decisions is also high, especially in investment products with great risk such as stocks and believe that by investing will always get profits¹³. All of that is experienced by every investor when making investment decisions.

Based on the explanation of previous research related to overconfidence and investment decisions, the second hypothesis is:

H2: Overconfidence positively affects investment decisions Student

3. Overconfidence Moderates Financial Literacy On Investment Decisions

According to Plous Scott developing intellectual judgment helps in decision making despite many choices. Based on their financial knowledge,

¹¹ Alaaraj and Bakri, "The Effect of Financial Literacy on Investment Decision Making in Southern Lebanon."

¹² Daniel Fonseca Costa, Francisval de Melo Carvalho, and Bruno César de Melo Moreira, "Behavioral Economics and Behavioral Finance: A Bibliometric Analysis of the Scientific Fields," *Journal of Economic Surveys* 33, no. 1 (2019): 3–24.

¹³ Marija Vukovic, "Personality As A Predictor Of Students' heuristic And Herding Biases In Determining Their Predispositions For Long-Term Investment Decisions," *Economic and Social Development: Book of Proceedings* (2022): 53–62.



an investor will feel more confident. Financial literacy makes investors make the right investment decisions, and when doing so there is a stronger self-confidence behavior.¹⁴

As mentioned Seraj et al., and some relevant research, when investors use an approach with financial behavior that is overconfident, which is validated by financial literacy, then returns take precedence in the return of investment decisions.¹⁵ At this time, students with weighty financial literacy, in moderation of financial behavior, namely too confident, able to influence well. Because students, especially students at the master's level, get enough education, so they can be responsible for their own financial determination and believe that they will benefit.¹⁶ According to Audini overconfidence, it is shown as a major role in the nature of an investor with financial mastery that ends in investment decisions¹⁷. Panjaitan & Listiadi also said when investors are confident, and supported by a lot of financial knowledge, will be more motivated to make investment decisions as savings in the future¹⁸.

Based on the explanation of previous research where overconfidence strengthens the relationship between financial literacy and investment decisions, the third hypothesis in this study is:

H3: Overconfidence reinforces financial literacy on decisions Student Investment

4. Theoretical Framework of Thought

Based on the previous presentation, the reviewer used the dependent variable, namely investment decisions, while the independent variable was financial literacy and the moderation variable, namely overconfidence.

The authors chose overconfident financial behavior as a moderation variable in this study, compared to other behaviors such as *Loss Aversion*

¹⁴ Plous Scott, *The Psychology of Judgment and Decision Making* (Mcgraw-Hill Book Company, 1993).

¹⁵ Nutia Feby Hanes Panjaitan and Agung Listiadi, "Literasi Keuangan Dan Pendapatan Pada Keputusan Investasi Dengan Perilaku Keuangan Sebagai Variabel Moderasi," *Jurnal Ilmiah Akuntansi Dan Humanika* 11, no. 1 (2021): 142-155.

¹⁶ Audini, Mus, and Sjahrudin, "Pengaruh Literasi Keuangan Terhadap Keputusan Investasi Dengan Perilaku Keuangan Sebagai Variabel Moderasi."

¹⁷ A. F Audini, A. M, Mus, and H Sjahrudin, "Pengaruh Literasi Keuangan Terhadap Keputusan Investasi Dengan Perilaku Keuangan Sebagai Variabel Moderasi," *Niagawan* 9, no. 2 (2020): 102.

¹⁸ N. F. H Panjaitan and A Listiadi, "Literasi Keuangan Dan Pendapatan Pada Keputusan Investasi Dengan Perilaku Keuangan Sebagai Variabel Moderasi," *Jurnal Ilmiah Akuntansi dan Humanika* 11, no. 1 (2021).



(loss avoidance), *risk perception* (risk assessment), and *Herding* (following people) according to the Qur'an et al., (2016). Because in fact, the natural instinct of an investor is to get large profits or high returns. The desire to obtain profits tends to be based on excessive self-confidence (exaggerating), so investors dare to take risks and invest in many instruments¹⁹. According to Seraj et al investors with financial literacy make the right investment decisions, and when they are overconfident when investing, this relationship becomes stronger²⁰. This indicates that, investors are very entrusting their knowledge and skills and feel confident that the results will be as expected. In addition, the existence of this overconfidence, can make investors optimistic in planning their finances in the future²¹.

The following theoretical framework is shown in Figure 2.1.

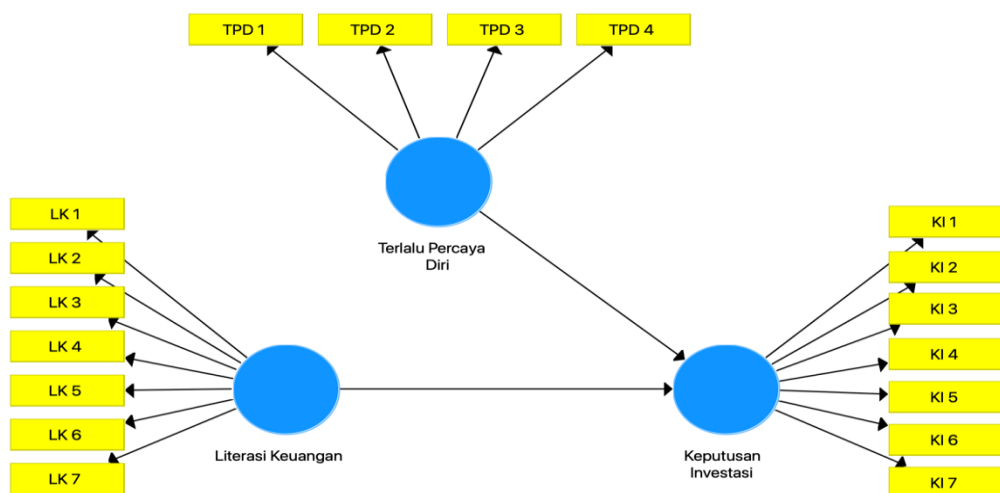


Figure 2.1

Theoretical Framework of Thought

The hypotheses interpreted in this research are:

- H1: Financial literacy has a positive effect on students' investment decisions
- H2: Overconfidence positively affects investment decisions student
- H3: Overconfidence reinforces financial literacy on decisions Student investment

¹⁹ Audini, Mus, and Sjahrudin, "Pengaruh Literasi Keuangan Terhadap Keputusan Investasi Dengan Perilaku Keuangan Sebagai Varaibel Moderasi."

²⁰ Seraj, Alzain, and Alshebami, "The Roles of Financial Literacy and Overconfidence in Investment Decisions in Saudi Arabia."

²¹ Panjaitan and Listiadi, "Literasi Keuangan Dan Pendapatan Pada Keputusan Investasi Dengan Perilaku Keuangan Sebagai Variabel Moderasi."



RESEARCH METHODS

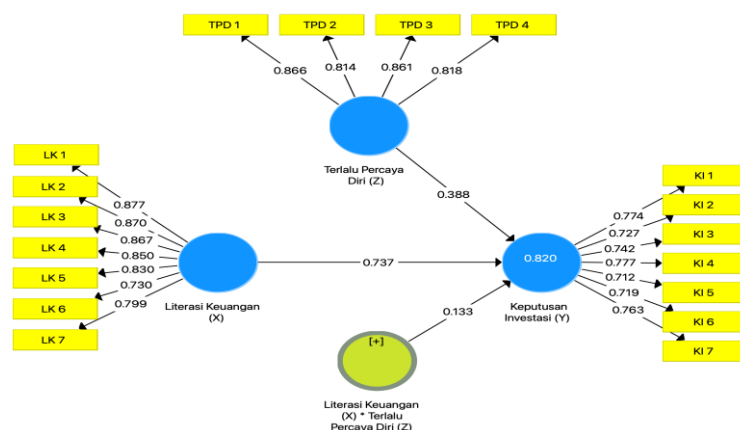
The study used a cross-sectional approach, which attempts to combine information from a group of subjects at a single point in time, with primary data sources to test and complement the study. The study population was master of management students of Diponegoro University Semarang, while the sample was selected by convenience sampling technique, covering 127 respondents. This study has three variables to focus on, namely financial literacy (independent variable), investment decision (dependent variable), and overconfidence (moderation variable). The data collection method was carried out through the division of online questionnaires with Likert scales, while data analysis used Structural Equation Modeling-Partial Least Square (SEM-PLS) to test the proposed model.

This research also involves testing the validity, reliability, and analysis of structural models as well as hypothesis testing to see the effect of independent variables on dependent variables, the effects of overconfidence moderation, and the interaction between financial literacy and investment decisions. The results of this study are expected to contribute to the theoretical understanding of financial literacy and investment behavior, while providing practical benefits for educational institutions, readers, and the general public in increasing awareness and knowledge about investment and correct financial management.

RESEARCH RESULT

Results of Measurement Model Analysis (Outer Model)

Validity Test



Source: Processed research data, 2024
Figure 1. Validity Test Model Results



Exemplifying in figure 4.1 it is known that the highest coefficient value for the financial literacy variable with the financial literacy dimension is LK1 of 0.877, the situation shows that LK1 has the strongest correlated construct among others. LK1 here is quite familiar with market activities, which means that master of management students of Diponegoro University Semarang understand stocks, this is in line with their level of education. The following is about the investment decision variable with the investment decision dimension, it was found that KI4 bears the highest coefficient value of 0.777, which illustrates master of management students of Diponegoro University Semarang investing a larger amount in stocks. Then the overconfident variable with the overconfident dimension obtained TPD1 as a high coefficient value compared to the other three dimensions of 0.866. Thus, these results imply that master of management students of Diponegoro University Semarang are confident in making the right investment decisions.

Table 1. Validity Test Results

Dimension	Loading Factor	Cross Loading	Level Standard	Information
LK1	0.877	0.877	0.7	Valid
LK2	0.870	0.870	0.7	Valid
LK3	0.867	0.867	0.7	Valid
LK4	0.850	0.850	0.7	Valid
LK5	0.830	0.830	0.7	Valid
LK6	0.730	0.730	0.7	Valid
LK7	0.799	0.799	0.7	Valid
KI1	0.774	0.774	0.7	Valid
KI2	0.727	0.727	0.7	Valid
KI3	0.742	0.742	0.7	Valid
KI4	0.777	0.777	0.7	Valid
KI5	0.712	0.712	0.7	Valid
KI6	0.719	0.719	0.7	Valid
KI7	0.763	0.763	0.7	Valid
TPD1	0.866	0.866	0.7	Valid
TPD2	0.814	0.814	0.7	Valid
TDP3	0.861	0.861	0.7	Valid
TPD4	0.818	0.818	0.7	Valid

Source: Processed research data, 2024



Based on table 1 validity testing results for each dimension i.e. financial literacy, investment decision and overconfidence, showed all loading factor values greater than standard 0.7, according to the specification. As well as all indications can be considered reliable for use in this study. Furthermore, further testing was carried out *Convergent Validity* on all variables, to see the value *Average Variance Extracted* (AVE) that is worth maintaining or not, with a value of > 0.5. The test results of the AVE value are as follows:

Table 2. Hasil Uji Convergent Validity Average Variance Extracted (AVE)

Variable	BIRD	Level Standard	Information
Financial Literacy	0.694	0.5	Valid
Investment Decisions	0.555	0.5	Valid
Overconfidence	0.706	0.5	Valid
Financial Literacy* Overconfidence	1.000	0.5	Valid

Source: Processed research data, 2024

Based on table 2 above, the AVE values of all variables are greater than 0.5 or qualify for advanced Convergent Validity testing.

Reliability Test

Table 3. Reliability Test Results

Variable	Composite Reliability	Cronbac's Alpha	Level Standard	Information
Financial Literacy	0.941	0.926	0.7	Valid
Investment Decisions	0.897	0.867	0.7	Valid
Overconfidence	0.906	0.861	0.7	Valid
Financial Literacy* Overconfidence	1.000	1.000	0.7	Valid

Source: Processed research data, 2024

Table 3 shows the reliability test results on *composite reliability* exceeds 0.7 of the prerequisites. Then *Cronbac's alpha* all variables are above 0.7 and the AVE value of all variables is greater than the standard 0.5. So, it can be



said that all research variables can be relied on in accordance with reliability testing.

Results of Structural Model Analysis (Inner Model)

Table 4. Hasil Uji Ra-Squire

	R Square	R Square Adjusted
Investment Decisions	0.820	0.815

Source: Processed research data, 2024

Based on Table 4 the dependent variable, namely investment decisions, has a coefficient point of 0.820 for *R_s-square* and 0.815 for *R-square adjusted*, where the points in the according criteria are in the larger valid category $R=0.75^{22}$.

Table 5. Hasil Uji F-Squire

	Investment Decisions
Financial Literacy	1.349
Overconfidence	0.326
Financial Literacy* Overconfidence	0.270

Source: Processed research data, 2024

Next: F testing-*square* For the independent variable of financial literacy on investment decisions amounted to 1,394, where the criteria according to Ghazali & Latan were in the strong category, which was more than 0.35²³. While the variables of overconfidence of 0.317 and financial literacy* of overconfidence of 0.261 are in the greater moderate category of 0.15.

Table 6. MV Prediction Summary

PLS				
	RMSE	THERE ARE	MAP	Q2predict
KI1	0,452	0,267	7,340	0,507
KI2	0,664	0,369	11,282	0,261

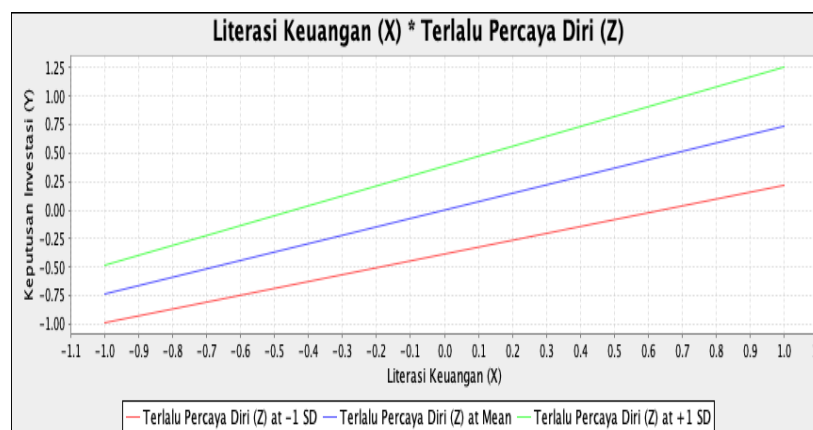
²² Imam Ghazali and Hengky Latan, "Partial Least Squares Konsep, Teknik Dan Aplikasi Menggunakan Program Smartpls 3.0 Untuk Penelitian Empiris," Semarang: Badan Penerbit UNDIP (2015).

²³ Ibid.



KI3	0,555	0,344	10,863	0,357
KI4	0,495	0,273	8,533	0,535
KI5	0,652	0,329	13,793	0,335
KI6	0,609	0,322	13,276	0,491
KI7	0,604	0,317	11,749	0,379
LM				
	RMSE	THERE ARE	MAP	Q2predict
KI1	0,338	0,144	4,223	0,726
KI2	0,805	0,444	13,527	-0,087
KI3	0,632	0,385	12,631	0,168
KI4	0,547	0,316	10,339	0,432
KI5	0,691	0,365	14,636	0,254
KI6	0,801	0,424	15,754	0,121
KI7	0,604	0,344	11,534	0,378

Source: Processed research data, 2024



Source: Processed research data, 2024

Figure 2. Hasil Simple Slop Analysis

Based on table 5, table 6 and figure 2 as the formulation of the hypothesis in chapter III, there are three hypotheses, where each hypothesis shows a positive and significant relationship between independent variables to the dependent variable. As well as showing the existence of overconfident moderation variables, which strengthen the relationship between financial



literacy and investment decisions from PLS results *Predict and Results Simple Slope Analysis*. After that, it also appears that the type of moderation variable in this study is a pseudo-moderation variable.

Furthermore, the explanation of each hypothesis is as follows:

The Effect of Financial Literacy on Investment Decisions

Based on table 5 on path hypothesis 1, get the value of the path coefficient (*original sample*) of 0.737 (positive) and p value-*value* amounted to 0.000. Because of the p value-*value* <0.05 then the first hypothesis **Accepted**, so that it can be concluded that there is a positive and significant influence between Financial Literacy and Investment Decisions.

The results of this study are in line with previous research, namely Weixiang²⁴, Bebasari & Istikomah²⁵, Alaaraj & Bakri²⁶ and Tannady²⁷ where at the postgraduate or master education level, especially in the management study program, students already have an adequate level of financial literacy to be able to make investment decisions according to their needs and abilities.

For Master of Management students of Diponegoro University Semarang, it was found that having financial literacy about investment, especially in stocks, is enough. Judging from his understanding of the stock market, based on the results of dimensional testing. So that in making investment decisions decide to invest in stocks. This answers the problem in chapter 1, that universities master financial literacy but prefer to invest in stocks, because they have the aim of wanting to make a profit.

The Influence of Overconfidence on Investment Decisions

Based on table 5 on path hypothesis 2, get the value of the path coefficient (*original sample*) of 0.388 (positive) and a p value-*value* amounted

²⁴ Sun Weixiang et al., "An Empirical Assessment of Financial Literacy and Behavioral Biases on Investment Decision: Fresh Evidence from Small Investor Perception," *Frontiers in psychology* 13 (2022): 977444.

²⁵ Nataliana Bebasari and Anis Istikomah, "The Effect of Investment Motivation, Financial Literation, and Financial Behavior on Investment Decisions (Studies on Management Students at Pelita Bangsa University)," *Journal of Research in Business, Economics, and Education* 2, no. 4 (2020): 842-851.

²⁶ Alaaraj and Bakri, "The Effect of Financial Literacy on Investment Decision Making in Southern Lebanon."

²⁷ Bebasari and Istikomah, "The Effect of Investment Motivation, Financial Literation, and Financial Behavior on Investment Decisions (Studies on Management Students at Pelita Bangsa University)."



to 0.000. Because of the *p value-value* <0.05 then the second hypothesis **Accepted**, so that it can be concluded that there is a positive and significant influence between Too Confident and Investment Decisions. It's the same with research Vukovic,²⁸ Yulianis & Sulistyowati, and Budiarto A & Susanti When investors have financial behavior that is too confident, they are encouraged to make investment decisions according to their goals²⁹.

Master of Management students of Diponegoro University Semarang, in the results of dimensional testing have more confidence in making the right investment decisions, and are also confident that they will get big profits. So that this responds to the problems in chapter 1, financial behavior is found in investment decision making.

Overconfidence moderates financial literacy on investment decisions

Based on table 5, table 6 and figure 2 on path hypothesis 3, obtain the path coefficient value (*original sample*) of 0.133 (positive) and a p-value of 0.000 which is <0.05 , this explains that overconfidence as a moderation variable that has a significant positive effect on the relationship of financial literacy to investment decisions.

The second hypothesis found significant positive results, overconfidence in investment decisions, and the third hypothesis also produced a significant positive that overconfidence moderates the relationship of financial literacy with investment decisions. So it means that the moderation variable, which is overconfident, acts as a pseudo-moderation variable (*Quasi moderator*).³⁰ Where in addition to being a moderation variable, overconfidence is also in unison as an independent variable. Compared to other types of moderation variables, overconfidence is said to be more worthy of being a pseudo-moderation variable, because in addition to the emergence of overconfidence due to the ability of financial literacy in making investment decisions. Actually, in this day and age investing is very easy, where the capital owned can be arranged by legal and

²⁸ Budiarto A and Susanti, "PENGARUH FINANCIAL LITERACY, OVERCONFIDENCE, REGRET AVERSION BIAS, DAN RISK TOLERANCE TERHADAP KEPUTUSAN INVESTASI(Studi Pada Investor PT. Sucorinvest Central Gani Galeri Investasi BEI Universitas Negeri Surabaya)."

²⁹ Yulianis and Sulistyowati, "The Effect Of Financial Literacy, Overconfidence, And Risk Tolerance On Investment Decision."

³⁰ Seraj, Alzain, and Alshebami, "The Roles of Financial Literacy and Overconfidence in Investment Decisions in Saudi Arabia."



trusted sales agents, so that investors will remain confident in making investment decisions.³¹

The results of the prediction power of the pls model have rmse and mae values mostly lower than the linear regression (lm) model shows the pls sem model has *medium predictive power*, then the slope line gets a significant result. Hence the third hypothesis accepted, so it can be concluded that there is a role for overconfidence in moderating (strengthening) the relationship of financial literacy to investment decisions. According to seraj, audini, and panjaitan & listiadi, investors who are validated with good financial literacy, usually have financial behavior that is too confident by itself created because they want profits.³²

From the findings above, master of management students of Diponegoro University Semarang were found to master and be able to use their financial literacy and are very confident that with financial literacy they can make decisions. However, because the goal is for the benefit of master of management students of Diponegoro University Semarang prefer investment products that provide large returns, namely stocks.

CONCLUSION

The results of research on the Role of Financial Literacy and Overconfidence in Investment Decision Making in Master of Management Students of Diponegoro University Semarang revealed several significant provisions. Financial literacy positively influences investment decision making, where a deep understanding of financial concepts allows individuals to follow market activity, access financial statements, seek advice, and visit investment platforms. This is especially true for master of management students who tend to invest in stocks. In addition, overconfidence also plays a role in investment decision making, with excessive confidence encouraging individuals to invest, especially in high-risk products such as stocks. Furthermore, overconfidence also moderates the relationship between financial literacy and investment decisions, where students who are proficient in financial literacy tend to be more confident in their investment decisions. The theoretical implications of this study corroborate previous theoretical concepts, suggesting that an understanding of financial literacy and overconfident behavior plays an

³¹ Audini, Mus, and Sjahrudin, "Pengaruh Literasi Keuangan Terhadap Keputusan Investasi Dengan Perilaku Keuangan Sebagai Variabel Moderasi."

³² Panjaitan and Listiadi, "Literasi Keuangan Dan Pendapatan Pada Keputusan Investasi Dengan Perilaku Keuangan Sebagai Variabel Moderasi."



important role in investment decision making. Managerial implications include the need for better education and education on financial literacy among students, as well as the government's focus on improving financial literacy and investment awareness among students. Nonetheless, the study had limitations, including a limited sample size and moderate predictive power. Suggestions for future research are to expand the scope and number of respondents, and consider adding new variables to enrich understanding of investment decision making.

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