Determinants of Investments Decisions in Economics and Business Faculty Students at Pelita Bangsa University

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Abstract
The present study endeavors to undertake an in-depth analysis of the impact of financial literacy, overconfidence, and risk tolerance on investment decisions in a structured manner by employing the conceptual framework of prospect theory. The research methodology is based on quantitative research utilizing primary data obtained through the distribution of questionnaires to all the students of the business economics faculty at Pelita Bangsa University. A sample of 101 respondents was used in the research, and the data was processed using the smart-pls 3 software program with a partial least squares approach. The research findings indicate that financial literacy has a significant positive influence on investment decisions, whereas overconfidence has a positive but insignificant influence on investment decisions. Furthermore, risk tolerance has a positive and significant effect on making investment decisions. The most prominent implication of the study is found in the financial literacy section, which suggests that a deeper understanding of financial literacy can lead to more accurate investment decisions. Additionally, an investor's overconfidence and risk tolerance also play a role in making investment decisions.

Keywords: Financial Literacy; Overconfidence; Risk Tolerance; Investment Decisions.

How to cite (APA 6th style)
DOI: https://doi.org/10.24036/jea.v6i3.1626

INTRODUCTION
Capital markets play a dominant role in driving the economy of a country. This is becoming increasingly important in Indonesia due to its growing population and economy. The capital market serves as a platform for investors and companies to engage in buying and selling various financial instruments. Therefore, investors need to consider these conditions while determining their investment activities (Gunawan & Wiyanto, 2022). It is essential to note that investment objectives tend to prioritize short-term gains (Rona & Sinarwati, 2021), while the availability of funds for investment is often not aligned with future projections. However, investors must take responsibility for their investments (Sutikno & Ramadani, 2021).

Individuals who invest with the expectation of future returns have become more common during the last four years. To encourage more people to invest, the Indonesia Stock Exchange (IDX) and other stakeholders have conducted various initiatives, including socialization, campaigns, education, and public literacy. In May 2023, the number of investors in the
capital market increased significantly by 92.99%, rising from 3.88 million to 7.49 million. The number of investors continued to increase, with a rise of 37.68% in 2022, reaching 10.31 million. Finally, in May 2023, the number of investors increased to 11.06 million, with a percentage increase of 7.28%.

Furthermore, the majority of capital market investors in Indonesia are members of the millennial and generation Z cohorts, which includes students. As of August 2023, the Indonesian capital market has over 11.5 million individual investors, with 57.04% of them being under 30 years old, according to data from the Indonesian Central Securities Depository (KSEI). This represents the dominance of generations including young students in the world of investment in Indonesia (Annur, 2023). Seeing the dominant role shown by Generation Z and Millennials who are included in the student group. Pelita Bangsa University, with its large number of students, numbering more than 2000 students from the business economics faculty, has the opportunity to have strong involvement in investment, especially regarding investment decisions.

Regarding the phenomenon as explained, it can be said that investment decisions are an issue that is still very important to discuss in the current era because it has a significant impact on various economic and financial aspects. The right investment decisions can increase the efficiency of resource allocation in the economy, which in turn can encourage economic growth and financial stability (Farooq, 2022).

The investment decision making process is also an important aspect in financial asset management, especially when viewed from an accounting and finance perspective. Investment decisions not only involve the distribution of capital to potential investments but also have a significant impact on the financial health of the entity and its financial reports (Ardiana & Chamidah, 2020). Investment decisions that take into account aspects of financial literacy, overconfidence and risk tolerance are still very relevant in the current era because these three factors influence the way individuals understand, assess and act based on financial information (Bannier & Neubert, 2016).

Based on the relationship between investment decisions influenced by financial literacy, business people and investors must have a comprehensive understanding of the impact of their investment decisions from both an accounting and financial perspective. Because, a decision must not only be profitable but must also help achieve long-term financial goals. The importance of financial literacy as an important effort to support economic development, especially in the aspect of human resources, and to achieve this goal (Budiman et al., 2021).

Research conducted by Saputri et al. (2023) shows that individuals with higher levels of financial literacy are more likely to make the right investment decisions and exhibit good financial judgment. Mursyidan & Syaipudin's (2023) study highlights the importance of financial literacy as a developmental process. Investment decisions, from an accounting perspective, require proper measurement of asset value, accurate revenue recognition, and appropriate handling of associated costs. Investment valuation plays a vital role in financial statement items and is crucial to financial analysis.

The next factor that is still relevant for assessing investment decisions is overconfidence, which is the tendency of individuals to exaggerate their knowledge, skills or abilities in making investment decisions (Adielyani & Mawardi, 2020). Research by Alsemgeest (2015) shows that overconfidence can influence investment decisions by increasing the frequency of transactions and taking risks that are disproportionate to actual analytical abilities. Another study conducted by Ahmad & Shah (2022) shows that overconfidence bias can worsen the quality of investment decisions and performance, then Bihari et al, (2022) emphasizes that heuristic bias, including overconfidence, often does not
have a significant impact on investment decisions when factors -other factors, such as experience and financial capabilities, are considered.

Regarding the next factor risk tolerance, investors' attitude towards risk greatly influences investment choices and the amount of funds invested. Investors can choose, avoid, or ignore certain risks they face (Wulandari & Iramani, 2014). According to Mahardhika & Asandimitra (2023), risk tolerance refers to an individual's capacity to accept investment risk. Investment opportunities increase with higher risk tolerance. Lathifatunnisa & Nur Wahyuni (2021) found that risk tolerance can significantly influence investment decision making at productive age. This is because investor risk tolerance and investment levels have a positive correlation, where higher risk tolerance leads to higher investment levels.

The present study aims to identify the most significant factors that influence investment decisions among Pelita Bangsa University students. Prior empirical studies have produced conflicting results regarding the factors that impact investment decisions. Wulandari & Iramani (2014) suggest that when an investor achieves success and gains confidence in their investments, they tend to plan to make more types of investments in the future. However, Theressa & Armansyah (2022) propose that overconfidence is the result of having too much confidence in one's ability to make accurate predictions and can lead to overconfidence. This increase in confidence can affect the investor's capacity to make decisions, particularly in the case of young investors whose cognitive processes are still erratic and can produce illogical choices (Lathifatunnisa & Nur Wahyuni, 2021). Overconfidence is considered significant in the investment decision-making process, according to Dewi and Krisnawati (2020). On the other hand, the research findings of Mahardhika and Asandimitra (2023) show that overconfidence has no significant effect on investment choices.

To achieve our research objectives, we will consider three key variables, namely financial literacy, risk tolerance, and overconfidence. Our focus on these variables is based on their relevance to the investment decision-making process. Researchers at Pelita Bangsa University, particularly those in the business economics faculty, have focused on this topic as well. This is due to the previously described phenomenon, which states that investors are primarily Millennials and members of Generation Z, who are also among the student body. In this instance, the large number of economics faculty members at Pelita Bangsa University also share similar behavioral and demographic traits, such as age, education, and social influence. This makes it possible to apply study findings from one university to students at other universities, resulting in results that are representative over a larger range.

THEORETICAL BASIS AND HYPOTHESIS FORMULATION

Prospect Theory

In financial studies, especially behavioral economics, As a substitute for anticipated utility theory, Kahneman & Tversky (1979) presented prospect theory. Prospect theory describes how people make decisions in risky and acute situations. Kahneman & Tversky (1979) in prospect theory highlighted that individuals tend to prefer certain outcomes over outcomes that are only possible, even though these possible outcomes offer a higher expected value. How people exercise judgment in unusual circumstances with unexpected outcomes is explained by prospect theory (Hartono et al., 2020). According to Pradikari and Isbanah (2018), prospect theory explains why people do not always use theoretical understanding of financial factors when facing risks. This is largely due to psychological problems and ambiguous attitudes that arise when making decisions. However, when someone experiences a loss, Pradhana (2018) argues that they will be more willing to take risks. This results in a
person or group tending to be braver and willing to take risks and threaten (risk taker) when they are more likely to experience financial difficulties. Scientists state that psychological elements have a significant influence on a person's decision making in investing.

**Investment Decision**

According to Sutikno & Ramadani (2021), investing involves evaluating and selecting an option from the various options available to solve a problem. When someone chooses one of several options available to solve the problem at hand, they make a decision-based on careful consideration. According to Budiarto & Susanti (2017), an investment decision is a decision where a person invests capital in the hope of getting profits or dividends on that capital in the future. Choosing between two complementary investments is a possibility or a step in the process of converting inputs into outputs is the process of arriving at a conclusion or making a decision on an issue or problem. Therefore, before investing, one must have a strong financial understanding (Mulyadi, 2017).

**Financial literacy**

According to Huston (2010), financial literacy includes dimensions of knowledge and application, which means that a person must not only understand financial information, but must also be able to apply it in everyday financial decisions. Furthermore, Lusardi and Mitchell (2014) define financial literacy as essential in helping individuals to navigate various financial choices and avoid costly mistakes.

Financial literacy is a set of activities aimed at increasing an individual's understanding of financial institutions, services and information. The main goal of financial literacy is to equip consumers and the general public with the knowledge, confidence, and skills to manage their funds effectively (Gayal & Kumar, 2020). Financial literacy on the other hand, refers to the ability to understand, assess, monitor, and communicate one's financial situation, which ultimately influences financial stability. This includes the ability to differentiate between various financial options, engage in financial discussions, make plans, and manage daily financial choices (Fadila et al., 2022).

**Overconfidence**

Overconfidence is defined as a person's excessive self-confidence or the extent to which their personal beliefs dominate when assessing their skills and knowledge (Pradhana, 2018). Overconfidence, according to Antony & Joseph (2017), indicates irrational behavior on the part of investors who place more emphasis on their abilities and optimistic assessments. According to Madaan & Singh (2019), Overconfidence is a psychological trait that significantly affects how a person decides which investments to make. The conclusion that can be drawn about overconfidence in the context of financial activities is that it is a psychological bias that can result in poor judgment, which is represented in high volatility and variation in investment returns.

**Risk Tolerance**

A person's capacity to tolerate investment risk is called risk tolerance. According to Grable and Lytton (1999), risk tolerance is a person's desire to take financial risks, which reflects attitudes and behavior towards uncertainty in financial markets. They developed a measurement scale to evaluate risk tolerance that includes factors such as financial knowledge, investment experience, and attitudes toward risk. Hallahan et al (2004) stated that risk tolerance involves psychological and behavioral dimensions that reflect an individual's level of comfort with the risks associated with investment and financial decision making. Their research shows that demographic factors, such as age, income, and education, can
influence a person's level of risk tolerance. According to Mahardika and Asandimitra (2023), the possibility of investing increases as risk tolerance increases.

**The Relationship between Financial Literacy and Investment Decisions**

With regard to the context of students' financial literacy and investment decisions, prospect theory helps explain why students with different levels of financial literacy may make different investment decisions. Students with better financial literacy tend to have a deeper understanding of the risks and rewards of investing, and they can use this information to make more rational decisions (Mahardikaningsih & Darmawan, 2023). Meanwhile, individuals with low financial literacy may be more affected by the cognitive biases described in prospect theory, such as loss aversion and the tendency to judge investment decisions based on perceived outcomes rather than objective probabilities (Lusardi & Mitchell, 2014).

Studies have shown that adequate financial knowledge can have a positive impact on investment decisions. As evidenced by Mahardhika & Asandimitra (2023), a person’s decision to invest is directly proportional to their degree of financial literacy. Furthermore, Geriadi (2023) research has demonstrated that financial literacy has a positive influence on students’ investment decisions. Previous research also indicates a significant correlation between financial literacy and investment choices.

**H1:** Financial literacy significantly affects investment decisions is based on earlier empirical findings that have established a link between financial literacy and investment decisions.

**The Relationship between Overconfidence and Investment Decisions**

Prospect theory, introduced by Kahneman & Tversky (1979), explains how overconfidence influences student investment decisions. This theory emphasizes that individuals tend to make irrational decisions under risk because of the way they perceive gains and losses. Overconfidence refers to an individual's tendency to overestimate their knowledge, ability, or control over the outcome of an event. In an investment context, students who are overconfidence may feel too confidence in their judgment, which can lead to greater risk taking and less than optimal investment decisions (Barber & Odean, 2001). Overconfidence students may set an unrealistic frame of reference or be overly optimistic regarding their investment outcomes, which makes them more likely to take unnecessary risks (Glaser & Weber, 2007).

Overconfidence can have a significant impact on investors' investment choices. Overconfidence was also found to have a significant impact on investment decisions by Addinpujoartanto & Darmawan (2020) in another study. This is further strengthened by Sutikno & Ramadani’s (2021) research found that investors use their emotions and skills more when they have strong confidence in their investments, indicating that investors' overconfidence can be a significant and beneficial factor in driving investment decisions. This is because investors, especially students, have different responses regarding overconfidence. Large financial reserves allow investors to absorb risks more easily without becoming overconfidence. This finding contradicts the results obtained by Sutikno & Ramadani (2021) who found that investors use their emotions and skills more when they have strong confidence in their investment. This shows that investors' excessive self-confidence can be a significant and useful factor in encouraging investment decision.

**H2:** Overconfidence has a positive and significant influence on investment decisions.
The Relationship between Risk Tolerance and Investment Decisions

Prospect theory, introduced by Kahneman & Tversky (1979) helps explain how individuals make decisions under risk and uncertainty. Prospect theory states that individuals evaluate investment outcomes based on certain reference points, rather than final wealth (Weber et al., 2002). Students may have various reference points such as initial investment capital or specific profit targets, which influence how they assess risk. Prospect theory suggests that individuals often overestimate the probability of rare events and underestimate the probability of more common events (Faff et al., 2011). Students may take unnecessary risks based on inaccurate probability assessments.

According to previous research by Wulandari & Iramani (2014) on the left, user decision-making tolerance can influence Surabaya economics teachers' decision making in terms of investment. Results from an additional study (Pradikasari & Isbanah 2018) have corroborated these findings, showing that university students in Surabaya City will make more investment decisions the more risk they are willing to take. Another study conducted by Budiarto & Susanti (2017) stated that investors’ risk tolerance affects their investment choices. According to research by Lathifatunnisa & Nur Walyuni (2021), a person’s risk tolerance significantly affects the decisions he makes in investing. This is because an investor will make more investments when making decisions about their investment the higher the risk tolerance. Several previous empirical findings show that a person’s risk tolerance and investment decisions are positively and significantly correlated.

H3 : Risk tolerance has a positive and significant influence on investment decisions.

RESEARCH METHODOLOGY

This study aims to comprehensively examine the role of financial literacy, risk tolerance, confidence, and financial technology in encouraging investment decisions among college students based on the theory of investment decision prospects. This study uses an analytical descriptive research design with a quantitative approach. The target population of this study is students who are registered as active students and studying at the Pelita Bangsa Faculty of Economics and Business, which is around 2,500 students. The sample size of this study was 101 samples, and the technique used in determining this sample was purposive sampling technique with the following criteria:

1) Pelita Bangsa University Faculty of Economics and Business students
2) Aged between 19-25 years old
3) Have ever invested or are currently investing in the capital market

The present study employs a questionnaire instrument that utilizes a 5-Likert scale ranging from 1 (strongly disagrees) to 5 (strongly agrees) to collect primary data. The study places a high premium on research ethics by ensuring the confidentiality of data and providing sufficient information to respondents regarding the research objectives. A structured questionnaire was designed to measure the level of financial literacy, risk tolerance, and overconfidence, as well as to gather information related to the respondents' investment decisions. The questionnaire has gone through validity and reliability tests to ensure the accuracy and consistency of the data obtained. After collecting primary data, further analysis was carried out using the Partial Least Square (PLS) approach, using the SmartPLS 3 application program for the calculation process. The reason why SmartPLS 3 is suitable for use in research that uses primary data in the form of distributing questionnaires is because SmartPLS 3 supports analysis related to various variables in research that involves distributing questionnaires. Apart from that, processing using SmartPLS with data in the form of questionnaires using a Likert scale allows researchers to test the relationship between
latent variables represented by constructs from the Likert Scale. This allows a model to be produced that is considered feasible. In the PLS-SEM analysis framework, two sub models are required, namely the measurement model (outer model) and the structural model (inner model), both of which make a significant contribution to understanding the relationship between variables in research.

Research Model

![Diagram of Research Model]

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Definition</th>
<th>Indicator</th>
</tr>
</thead>
</table>
| 1.  | Financial Literacy | Lusardi and Mitchell (2014) define financial literacy as essential in helping individuals to navigate various financial choices and avoid costly mistakes | 1. Knowledge of basic financial concepts.  
2. Ability to create a budget  
3. Debt management skills  
4. Long term financial planning  
5. Knowledge of financial products  
6. Financial decision making |
| 2.  | Overconfidence   | Overconfidence is a psychological trait that significantly affects how a person decides which investments to make (Madaan & Singh, 2019) | 1. Self-assessment of knowledge  
2. Prediction accuracy  
3. Confidence in decision making  
4. Perceived control over outcomes  
5. Risk assessment  
6. Comparison with peers |
3. Risk Tolerance

According to Mahardhika & Asandimitra (2023), risk tolerance refers to an individual's capacity to accept investment risk.

- Comfort with volatility
- Reaction to losses
- Investment horizon
- Risk return trade off
- Past investment behavior
- Financial stability and goals

4. Investment Decisions

Investment decision is a decision where a person invests capital in the hope of getting profits or dividends on that capital in the future. (Budiarto & Susanti, 2017)

- Level of investment knowledge
- Attitude toward risk
- Investment Objectives
- Investment time horizon
- Frequency of investment decisions making
- Source of investment information

RESULT AND DISCUSSION

Analysis Outer Model

In the domain of statistical analysis, convergent validity is a method utilized to establish the relationship between latent variables and their indicators. This process serves as a means to evaluate the extent to which two or more variables are measuring the same concept. By examining the degree of correlation between the indicators of a latent variable, convergent validity enables researchers to ascertain the degree to which the indicators converge. Such analysis is crucial to ensure that the measurement instrument is accurately reflecting the concept it is supposed to measure.

Table 1

<table>
<thead>
<tr>
<th>Investment Decision</th>
<th>Financial Literacy</th>
<th>Overconfidence(OC)</th>
<th>RiskTolerance(RT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID1</td>
<td>0,819</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID2</td>
<td>0,819</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID3</td>
<td>0,896</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID4</td>
<td>0,857</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID5</td>
<td>0,858</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ID6</td>
<td>0,841</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FL1</td>
<td></td>
<td>0,793</td>
<td></td>
</tr>
<tr>
<td>FL2</td>
<td></td>
<td>0,865</td>
<td></td>
</tr>
<tr>
<td>FL3</td>
<td></td>
<td>0,761</td>
<td></td>
</tr>
<tr>
<td>FL4</td>
<td></td>
<td>0,833</td>
<td></td>
</tr>
<tr>
<td>FL5</td>
<td></td>
<td>0,812</td>
<td></td>
</tr>
<tr>
<td>FL6</td>
<td></td>
<td>0,805</td>
<td></td>
</tr>
<tr>
<td>OC1</td>
<td></td>
<td>0,863</td>
<td></td>
</tr>
<tr>
<td>OC2</td>
<td></td>
<td>0,791</td>
<td></td>
</tr>
<tr>
<td>OC3</td>
<td></td>
<td>0,773</td>
<td></td>
</tr>
<tr>
<td>OC4</td>
<td></td>
<td>0,778</td>
<td></td>
</tr>
<tr>
<td>OC5</td>
<td></td>
<td>0,871</td>
<td></td>
</tr>
<tr>
<td>OC6</td>
<td></td>
<td>0,858</td>
<td></td>
</tr>
<tr>
<td>RT1</td>
<td></td>
<td></td>
<td>0,880</td>
</tr>
<tr>
<td>RT2</td>
<td></td>
<td></td>
<td>0,917</td>
</tr>
<tr>
<td>RT3</td>
<td></td>
<td></td>
<td>0,909</td>
</tr>
</tbody>
</table>

983
Following an analysis of the results obtained from the outer model, it has been determined that each of the identified indicators exhibits an outer loading value of greater than 0.7. This outcome serves as an indication that the convergent validity criterion has been satisfied.

| Tabel 2  |
|-------------------|------------------|
| AVE result        |                  |
| InvestmentDecisions(ID) | 0,720 Valid      |
| FinancialLiteracy(LK)   | 0,659 Valid      |
| Overconfidence(OC)      | 0,678 Valid      |
| RiskTolerance(RT)       | 0,778 Valid      |

The values of the Average Variance Extracted (AVE) for the variables of financial literacy, risk tolerance, and excessive self-confidence are presented in Table 2. Financial literacy has an AVE value of 0.659, risk tolerance has an AVE value of 0.778, and excessive self-confidence has an AVE value of 0.678. The AVE values of all three variables exceed the recommended threshold of 0.5, indicating that each construct variable is valid in terms of discriminant validity. This high level of discriminant validity confirms that the variables accurately measure distinct constructs. Thus, the research findings are reliable for interpreting the relationship between the variables under investigation.

### Discriminant Validity

| Table 3  |
|-------------------|------------------|
| Discriminant validity result |      |
| InvestmentDecision (ID) | FinancialLiteracy(FL) | Overconfidence(OC) | RiskTolerance(RT) |
| InvestmentDecisions (ID) | 0,849           |                  |                  |
| FinancialLiteracy(FL)   | 0,866 0,812     |                  |                  |
| Overconfidence(OC)      | 0,910 0,873 0,823 |                  |                  |
| RiskTolerance(RT)       | 0,929 0,848 0,924 0,882 |                  |                  |

Based on the findings of this analysis, it appears that the indicators used are closely associated with the variables they intend to represent. This result is a positive indication of the discriminant validity of the research instrument. It implies that the measurement tool is capable of distinguishing between different concepts or variables effectively. In essence, the indicators are efficient in differentiating the variables they represent from other variables, thereby strengthening the reliability and validity of the research instrument.
Realibility test

Table 4

<table>
<thead>
<tr>
<th>Composite reliability</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>InvestmentDecision(ID)</td>
<td>0.939</td>
</tr>
<tr>
<td>FinancialLiteracy(FL)</td>
<td>0.921</td>
</tr>
<tr>
<td>Overconfidence(OC)</td>
<td>0.926</td>
</tr>
<tr>
<td>RiskTolerance(RT)</td>
<td>0.954</td>
</tr>
</tbody>
</table>

As shown in Table 4, the composite reliability of all research variables is greater than 0.7. Specifically, financial literacy shows a reliability of 0.921, risk tolerance of 0.954, overconfidence of 0.926, and investment decision of 0.939. This implies that each variable has met the composite reliability criteria, which indicates a good level of reliability across all variables.

Cronbach’s alpha

Table 5

<table>
<thead>
<tr>
<th>Cronbach alpha result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>InvestmentDecision(ID)</td>
</tr>
<tr>
<td>FinancialLiteracy(FL)</td>
</tr>
<tr>
<td>Overconfidence(OC)</td>
</tr>
<tr>
<td>RiskTolerance(RT)</td>
</tr>
</tbody>
</table>

Referring to Table 5 presented above, it can be seen that the Cronbach alpha coefficient value, which indicates internal consistency reliability, for all variables included in this study, exceeds the recommended threshold of 0.6. Thus, it can be concluded that all constructs studied can be considered reliable, in predetermined standards.

Model and hypothesis testing

The research model under consideration must go through a feasibility test consisting of generally recognized tests, the most famous of which is the R-Square (R2) test. This test serves as a reliable indicator of the effectiveness of the model in explaining the variability of the dependent variable based on the independent variables. Its wide use and recognition in the academic and business communities make it a relevant tool for measuring model feasibility.

Table 6

<table>
<thead>
<tr>
<th>R-square result</th>
</tr>
</thead>
<tbody>
<tr>
<td>R Square Adjusted</td>
</tr>
<tr>
<td>InvestmentDecision(ID)</td>
</tr>
</tbody>
</table>

The table presented in this study shows the R-Square value, which is a measure of the level of variance explained by the variables of financial literacy, risk tolerance, and overconfidence in investment decisions. The R-Square value of 0.888 or 88.8 percent indicates that the level of investment decisions can be attributed to these factors, which indicates a strong explanatory power. However, 11.2 percent of the variance remains unexplained by the three independent variables considered in this study. It is important to note that this remaining variance may be influenced by other factors not accounted for in this analysis.
In this research, an analysis was performed through a path coefficient examination to evaluate the direct influence of three distinct variables on the choices related to investments. The findings from this research demonstrate that the capability to understand and utilize financial information plays a crucial role in shaping investment decisions, as evidenced by a p-value of 0.034, which falls below the pre-established significance threshold of 0.05, thus endorsing the initial hypothesis.

Additionally, the research delved into how overconfidence affects these investment choices. The data revealed that the significance level for overconfidence, indicated by a p-value of 0.077, exceeds the threshold of 0.05. This suggests that overconfidence does not play a meaningful role in influencing investment decisions, leading to the rejection of the second hypothesis.

The examination further assessed the effect of willingness to accept financial risks on investment decisions. The findings highlighted that a greater tolerance for risk significantly boosts the likelihood of making informed investment decisions, underscored by a p-value of 0.000, which is notably below the set significance level of 0.05, thereby confirming the third hypothesis.

In conclusion, the research underscores that both financial literacy and a willingness to embrace risks are pivotal in guiding investment decisions, whereas overconfidence is seen to have negligible influence. These insights are invaluable for investors and financial consultants aiming to navigate investment strategies more adeptly.

Discussion
The Role of Financial Literacy on Investment Decisions
The investigation has revealed, via thorough examination, that the understanding of financial concepts significantly influences the investment choices of students within the Faculty of Economics and Business at Pelita Bangsa University. Confirming the initial hypothesis, there exists a positive link between students' financial literacy levels and the investment choices they make. The outcomes of the study indicate that students at the university demonstrate a high degree of financial knowledge, enabling them to make well-informed investment decisions. Furthermore, the participants showed a comprehensive grasp of financial principles and displayed both proficiency and confidence in their ability to manage their finances, encompassing decisions that affect their immediate financial needs as well as their strategic financial planning for the future. The results in this study are reinforced by Mursyidan & Syaipudin's (2023) which states that there is a significant impact of financial literacy on investment decisions. Similar research conducted (Mahardikaningsih & Darmawan, 2023) also revealed that students with better financial literacy tend to have a deeper understanding of the risks and benefits of investments, and they can use this information to make more rational decisions.

The role of Overconfidence on investment decisions
After conducting a series of tests, it has been determined that the influence of overconfidence does not significantly affect the investment decisions of Pelita Bangsa
University students. As a result, the second hypothesis has been invalidated. This outcome may arise from the fact that students, as investors, possess a comprehensive understanding of portfolio diversification, which allows them to distribute their assets and minimize the risk of making erroneous investment decisions. The results in this study are reinforced by Mahardhika and Asandimitra (2023) which state that there is an insignificant impact of overconfidence on investment decisions. This is because investors, especially students, have different responses regarding overconfidence. Investors who have large financial reserves may more easily accept risks without being influenced by overconfidence. This finding contradicts the results obtained by Sutikno & Ramadani (2021) who found that investors use their emotions and skills more when they have strong confidence in their investment. This shows that investors' excessive self-confidence can be a significant and useful factor in encouraging investment decisions.

The role of Risk Tolerance on investment decisions

The findings of the conducted test results indicate that the role of risk tolerance plays a pivotal part in determining investment decisions among students of Pelita Bangsa University. This confirms the acceptance of the third hypothesis. The modern portfolio theory, introduced by Harry Markowitz, postulates that investors with a higher risk tolerance are more inclined towards portfolios with high risk, anticipating higher returns in the future. Conversely, investors with a lower risk tolerance tend to choose portfolios with lower risk and lower potential returns. Therefore, the investors' risk tolerance in investment decisions is contingent upon their objectives, aspirations, vision, and mission toward achieving their financial goals. It is thus of paramount importance for investors to assess their risk tolerance before investing in any portfolio and determine their investment strategy accordingly. The results in this study are strengthened by Lathifatunnisa & Nur Wahyuni (2021) which states that there is a significant impact of risk tolerance on investment decisions. This is because experience and financial knowledge are often related to risk tolerance. More experienced and knowledgeable investors may feel more comfortable with higher risks because they better understand market dynamics and risk mitigation strategies.

Conclusions

The present study draws conclusions based on its results and discussion. It reports three primary findings that highlight the significant influence of risk tolerance and financial literacy on investment decisions. Conversely, overconfidence was found to have an insignificant effect on investment choices. The study highlights the complex nature of investment preferences and decisions, which are shaped by a range of factors, including psychological issues and financial knowledge. Therefore, researching investment choice behavior necessitates a comprehensive understanding of these aspects. The study underscores the critical role of financial education in promoting informed investment decisions, which may be leveraged to enhance financial well-being and mitigate potential risks.

Limitation

This research has limitations that might be used as complementary material in future research, especially if it has a similar theme. The limitations in this research include, 1) This research only uses 3 independent variables using direct modeling. 2) This research only uses a population at one university.
Suggestion

Based on the conclusions and limitations that have been explained in the points above, there are suggestions that the author can give for the continuation of further research, especially research that has a similar theme to this research, including, 1) Future researchers are expected to be able to add variables such as mediation and moderation to provide benefits, which is more. 2) Future researchers are also expected to use a wider population, not just take the population from just one university, so as to get more accurate results based on actual conditions.

REFERENCES


