The Influence Of Risk Perception, Risk Tolerance, And Overconfidence On Investment Decision Making (Study On Idx Investment Gallery Customers Faculty Of Economics And Business Mataram University)

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ABSTRACT

This study aims to determine the effect of Risk Perception, Risk Tolerance, and Overconfidence on Investment Decision making. These factors are investor psychological behavior that causes a person to behave rationally or irrationally in making an investment decision.

The type of research used is causal associative. The data collection method uses the census method where the population and sample in this study amounted to 94 IDX Investment Gallery Customers, Faculty of Economics and Business, University of Mataram, with data collection techniques through observation and distributing questionnaires. Types and sources of data come from primary data and secondary data. The data analysis tool used is the Structural Equation Model Partial Least Square (SEM-PLS) based on Smart PLS 3 software.

The results of this study indicate that Risk Perception has a positive and insignificant effect on investment decisions. Meanwhile, Risk Tolerance and Overconfidence have a positive and significant effect on investment decisions.

Key : **Investment Decision, Risk Perception, Risk Tolerance, Overconfidence**.

1.   INTRODUCTION

1.1 Background

Various ways are done by each individual to fulfill all their needs. One of the things that can be done to fulfill these needs is by investing. By making this investment, they hope to get benefits in the form of income in the future. According to Tandelilin (2010: 2), investment is a commitment to several funds or other resources made at this time, to obtain a number of benefits in the future. This investment encourages someone to make an investment decision.

The factors that influence a person in making investment decisions are to obtain a rate of return, increase the utility value or use the value of investors in achieving satisfaction. The process of investment decisions has five stages that are continuous and will run continuously until you get the best investment. The stages of investment decisions are; determining investment objectives, determining investment policies, selecting portfolio strategies, and selecting assets.

One of the platforms for investing, especially among students, is the establishment of the Indonesia Stock Exchange Investment Gallery in the campus environment. The establishment of the IDX Investment Gallery of Mataram University aims as a means of disseminating information and socialization about the capital market within the academic community, especially at the Faculty of Economics and Business (FEB), Mataram University. As well as expected to increase knowledge and provide motivation to the academic community about the importance of investing, in addition to expecting the return that will be received. The existence of the Investment Gallery of Mataram University is expected to support competence, develop innovation and build student intellectuality in the field of capital markets and finance.

Table 1.1 Report on Customer Transaction Data and Investor Activity in 2021

No	Month	Transaction Value This Month (IDR)	Accumulated Transaction Value up to this month (IDR)	Number of New Customers this Month (people)	Accumulated Number of Customers New up to this month (people)
1	January	6,679,322,700.00	6,679,322,700.00	1	1
2	February	4,472,770,900.00	11,152,093,600.00	6	7
3	March	3,409,764,200.00	14,561,857,800.00	48	55
4	April	2,546,129,900.00	17,107,987,700.00	19	74
5	May	3,124,411,900.00	20,232,399,600.00	7	81
6	June	3,880,635,300.00	24,113,034,900.00	2	83
7	July	8,282,379,300.00	32,395,414,200.00	2	85
8	August	10,366,612,400.00	42,762,026,600.00	2	87
9	September	12,666,898,200.00	55,428,924,800.00	3	90
10	October	6,131,095,600.00	61,560,020,400.00	1	91
11	November	11,122,162,200.00	72,682,182,600.00	1	92
12	December	8,011,050,700.00	80,693,233,300.00	2	94

Source : IDX Investment Gallery Faculty of Economic and Business, Mataram University.

The table above shows the activity of investors and the accumulation of customers who made transactions during 2021 at the IDX Investment Gallery, Faculty of Economics and Business, Mataram University. Seeing the development of these customers, which continues to increase every month, it is known that the number of accumulated investors until the end of 2021, namely in December, reached 94 customers who came from students of several study programs at the University of Mataram.

Misinterpretation of information will affect investment returns, which in turn affects the wealth of investors. Even though they have become experts in theory from modern investment textbooks, investors will still fail in investing if the decisions taken are still strongly influenced by psychological biases (Bester, 2009). Indicators for measuring investment decisions according to Tandelilin (Landang et al., 2021) are Rate of return, Risk, and Time. Traditional finance theory explains that investors ignore psychological aspects in the investor decision-making process (Ricciardi and Simon, 2000). Therefore, much of investor behavior cannot be explained in the context of traditional finance theory. Recognizing the inability of traditional finance theory to explain the psychological aspects that influence investors in the money market and capital market activities, researchers began to link existing phenomena with aspects of behavioral finance. (Joseph, 2015).

In making investment decisions, one is likely to make wrong decisions or biased forecasts. Deviation or bias results in investor error in predicting, because it can make investors wrong in calculating the risks that can occur. This is of interest to discuss the psychological factors of investors in making investment decisions. The factors that underlie a person in making investment decisions when viewed from psychological factors in behavioral finance theory are Risk Perception, Risk Tolerance, and Overconfidence.

Some people when faced with the same decision-making situation will make different decisions depending on each person's perception and understanding of risk and its impact (Bahri, 2018). Indicators of Risk Perception according to Silvia (2013) are Investment without consideration, Investment without guarantee, and Use of income for risky investments. The results of researchs by Ainia & Lutfi (2019) prove that Risk Perception has a significant negative effect on investment decision-making. The results of research conducted by Wulandari & Iramani (2015) state that risk perception has a significant effect on investment decision-making.

Investment decisions are not only influenced by perception factors but tolerance factors can also influence investors in making investment decisions. Investors will expect certain benefits at specific risks, whether the investment chosen or the number of funds invested will depend on the investor's tolerance for or can be called Risk Tolerance. Indicators of Risk Tolerance according to Grable, JE & Lytton, RH (1998) are Probability of profit, Probability of loss, Investment situation, and Tolerance that is consistent and not excessive. The results of research conducted by researchers Ainia and Lutfi (2019) that Risk Tolerance has a significant positive effect on investment decision-making.

In addition to perception and risk tolerance factors, Overconfidence also affects investors in making investment decisions. When an investor has succeeded and is comfortable with the investment they have made, their confidence level will increase to make other investments in the future. The level of confidence that continues to increase is what causes a person to behave Overconfidence. Investors who have overconfidence also tend to have an optimistic view of their trading. This means that Overconfidence here does not always have a negative interpretation. Indicators to measure Overconfidence according to Budiarto and Susanti (2017) include Accuracy of investment selection, Confidence in one's abilities, Confidence in one's knowledge, and Confidence in investment selection. The results of Ainia and Lutfi's (2019) research prove that Overconfidence has a significant positive effect on investment

decision-making, while the results of Wulandari & Iramani's (2014) research prove that Overconfidence has an insignificant effect on investment decision-making.

1.2 Recearch problemes

Some investors often make irrational investment decisions. Much of investor behavior cannot be explained in the context of traditional finance theory. Therefore, some researchers associate existing phenomena with behavioral finance aspects such as Risk Perception, Risk Tolerance, and Overconfidence. The results of research by Ainia & Lutfi (2019) prove that Risk Perception has a significant negative effect on investment decision-making. However, in contrast to the results of research conducted by Wulandari & Iramani (2015), it states that risk perception has a significant effect on investment decision-making. Furthermore, the results of Wardani and Lutfi's research (2016) prove that Risk Tolerance has a positive and significant effect on investment decision-making. The results of Khan, Azeem, and Sarwar's (2017) research prove that Overconfidence has a positive and significant effect on investment decision-making.

1.3 Research question

Based on the background described above, the formulation of the problem in this study is as follows:

1. Does Risk Perception Influence Customer Investment Decision-making of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University?
2. Does Risk Tolerance Influence Customer Investment Decision-making of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University?
3. Does Overconfidence Influence Customer Investment Decision-making of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University?

1.4 Research purposes

1. To determine the effect of Risk Perception on Customer Investment Decision Making of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University.
2. To determine the effect of Risk Tolerance on Customer Investment Decision Making of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University.
3. To determine the effect of Overconfidence on Customer Investment Decision Making of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University.

2.   LITERATURE REVIEW
2.1   Behavioral Finance

Behavioral finance is the study of the influence of psychological factors on financial behavior and the impact on markets (Sewell, 2007).Behavioral finance explains and improves understanding of investors' reasoning patterns, including the emotional patterns involved and the extent to which they influence investment decisions. Specifically, behavioral finance tries to find answers to the what, why, and how of finance and investment from a human perspective.

Standard finance differs from behavioral finance in several ways. Statman (2014: 1) describes four differences between standard finance and behavioral finance:
1. Standard finance assumes that investors are rational, while behavioral finance assumes that investors are normal.
2. Standard finance assumes that markets are efficient, while behavioral finance assumes that markets are inefficient and even hard to beat.
3. In constructing a portfolio, standard finance suggests that investors use mean-variance the
4. ory, while behavioral finance suggests using behavioral portfolio theory.
5. Standard finance explains the expected return on investments using standard asset pricing theory, while behavioral finance explains the expected return on investment using behavioral asset pricing theory.

The psychological literature finds that people make systematic errors in thinking (cognitive) overconfidence in their abilities or skills and over-reliance on experience. According to Pompian (2006), bias in behavioral finance is divided into two types: cognitive and emotional:

1. Cognitive Bias

Cognitive bias is a deviation, prejudice, or tendency to think unobjectively caused by information processing errors, general assumptions that are not necessarily accurate, and misunderstandings. Some examples of cognitive biases include:
a. Representativeness Bias
b. Anchoring & Adjustment Bias
c. Availability Bias
d. Confirmation Bias (Selection Bias)

2. Emotional Bias

Emotional bias is a decision-making error due to ignoring facts and prioritizing the emotional side. The following are some kinds of emotional biases, among others:
a. Overconfidence Bias
b. Loss Aversion Bias
c. Self-Control Bias
d. Regret-Aversion Bias

2.2 Prospect Theory

Prospect theory was developed by Kahneman and Tversky in 1974, where prospect theory deals with the idea that humans do not always behave rationally. The theory assumes that there are inherent and persistent biases motivated by psychological factors that influence people's choices under conditions of uncertainty. Tversky also concluded that investors tend to evaluate events at a certain reference point, and they become very sensitive to changes that occur around the reference point.

Prospect theory can be used to look at many phenomena of human behavior in various fields of life, especially in the process of making decisions that sometimes do not make sense. Prospect theory states that investors will be more willing to bear the risk of loss or being in a bad condition. Investors will tend to be irrational to be more reluctant to risk profit (gain) than (loss). This causes when investors are in high potential financial difficulties, they tend to be more aggressive and dare to take risks and uncertain things.

2.3 Overconfidence Theory

Overconfidence theory explains the behavior of someone who tends to overestimate their abilities, including overestimating the knowledge they have. Ricciardi and Simon (2000) define overconfidence as "an overestimation of the probabilities for a set of events". Meaning, overconfidence is an overestimation of one's ability or a condition. Overconfidence can be said to be a condition where an individual has a positive rating that is too high about personal characteristics and has unlimited optimism about the future or has a feeling of being able to control events.

2.4 Investment Decision

Decision-making theory is based on the concept of satisfaction, that individuals can determine the increase or decrease of utility to increase satisfaction. Based on this concept, every individual action aims to maximize the amount of utility to achieve satisfaction. Likewise, investment decision-making by investors is carried out rationally to maximize their utility. Investment decisions are decisions that involve investing capital in the present to get results or profits in the future. Making investment decisions is an important challenge faced by investors.

2.5 Risk Perception and its Influence on Investment Decision Making

Risk perception can be defined as a subjective assessment of the uncertainty of possible events that can occur in making investment decisions. A person defines a risky situation if they experience a loss due to a bad decision, especially if the loss has an impact on their financial situation. Since risk perception is a person's assessment of a risky situation, it is highly dependent on the person's psychological characteristics and circumstances.

2.6 Risk Tolerance and its Influence on Investment Decision Making

Risk Tolerance is how far investors tolerate the risks that will be taken when deciding to invest. Risk Tolerance can also be associated with an uncertainty that causes the birth of an unwanted loss event, if the risk tolerance is ignored, then planning and implementation can make investors uneasy due to risks that are not by their risk profile. Tolerance of risk is one of the factors that can influence a person to make investment decisions. An investor's tolerance for risk greatly influences the choice of investment and the amount of funds to be invested.

2.7 Overconfidence and its Influence on Investment Decision Making

The concept of Overconfidence comes from several psychological studies that found that people overestimate their abilities and the truth of the information they provide. The consequence of Overconfidence is that investors will overestimate their ability to evaluate companies as potential investments, tend to overtrade, and underestimate risk. Barber and Odean (2001) found that some Overconfidence investors are more aggressive in buying securities that are worth less than they expect.
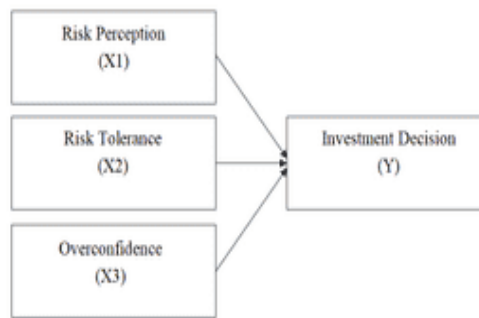
Figure 2.1 Conceptual Framework

Hypothesis

Based on the theory that has been described, the hypothesis in this study can be formulated, namely :

H1 : Risk Perception has a positive and significant influence on investment decision-making for customers of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University.

H2 : Risk Tolerance has a positive and significant influence on investment decision-making for customers of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University.

H3 : Overconfidence has a positive and significant influence on investment decision-making for customers of the IDX Investment Gallery, Faculty of Economics and Business, Mataram University.

3. RESEARCH METHODS

The type of research used is causal associative research. The location of this research is in the IDX Investment Gallery, Faculty of Economics and Business, University of Mataram. The data collection method used is the Census method, a method that observes the entire population. The population in this study were customers of the IDX Investment Gallery, Faculty of Economics and Business, University of Mataram in 2021 totaling 94 customers, with data collection techniques through observation and distributing questionnaires. Types and sources of data come from primary data and secondary data. The data analysis tool used is the Structural Equation Model Partial Least Square (SEM-PLS) based on Smart PLS 3 software.

4. RESULTS AND DISCUSSION
4.1 Research Data

In the data description, the author describes the condition of the respondents who were sampled in the study seen from the characteristics possessed by these respondents.

Table 4.1 Characteristics of Respondents

No	Information	Frequency	Percentage (%)
Gender			
1	Man	55	58.5%
2	Woman	39	41.5%
Age			
1	19-22	40	42.6%
2	23-26	54	57.4%
3	>27	-	-
Education level			
1	Diplomas	6	6.4%
2	Undergraduate (S1)	88	93.6%
3	Strata 2 (S2)	-	-

	Studi Program		
No	Information	Frequency	Percentage (%)
1	Mangement	25	26.6%
2	Accounting	65	69.1%
3	Development Economics	4	4.3%
	Amount	**94**	**100%**

4.2 Results of Data Analysis
4.2.1   Outer Model Analysis
Model Evaluation of the measurement model or outer model is carried out to assess the validity or reliability of the model. Outer models with reflexive indicators are evaluated through convergent and discriminant validity of latent construct forming hands and composite reliability and Cronbach alpha for the indicator block. This test includes convergent validity, discriminant validity, and reliability.

4.2.1.1 Convergent validity
Convergent validity aims to determine the validity of each relationship between indicators and their constructs or latent variables. The convergent validity of the measurement model with reflexive indicators can be seen from the correlation between the item/indicator score and the construct score. Each item/indicator is considered valid if it has a correlation value above 0.70. However, in the research stage of scale development, a loading factor value of 0.50 to 0.60 is still acceptable.
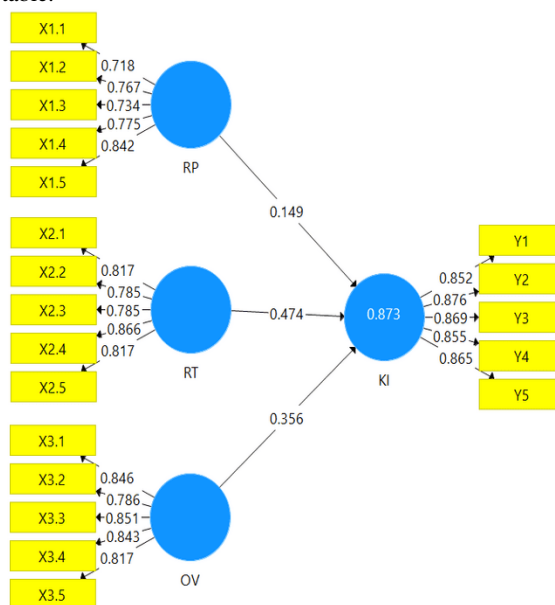

Figure 4.2 Outer Loading Values

Based on figure 4.2, it can be concluded that all indicators or items on the Risk perception, Risk Tolerance, and Overconfidence variables have a loading factor value> 0.70, so it concludes that all indicators are valid indicators to measure their constructs.

4.2.1.2 Discriminat Validity
Discriminant validity testing can be assessed based on the Fornell-Larcker criterion and cross-loading. Discriminant validity can be said to be good if cross-loading must show a higher indicator value from each construct compared to indicators on other constructs. The correlation between the indicator and its latent variable> compared to the correlation between the indicator and other latent variables (outside its block).

Table 4.2 Cross Loading Values

Item	Risk Perception	Risk Tolerance	Overconfidence	Investment Decision
X1.1	0.718	0.521	0.566	0.487
X1.2	0.767	0.643	0.597	0.622
X1.3	0.734	0.637	0.613	0.650
X1.4	0.779	0.605	0.633	0.645
X1.5	0.842	0.775	0.748	0.779
X2.1	0.696	0.817	0.739	0.713
X2.2	0.637	0.785	0.717	0.748
X2.3	0.649	0.785	0.663	0.719
X2.4	0.753	0.866	0.760	0.799
X2.5	0.673	0.817	0.698	0.714
X3.1	0.733	0.755	0.846	0.800
X3.2	0.641	0.617	0.786	0.664
X3.3	0.767	0.795	0.851	0.813
X3.4	0.574	0.697	0.843	0.695
X3.5	0.669	0.713	0.817	0.781
Y1	0.665	0.728	0.745	0.852
Y2	0.720	0.776	0.774	0.876
Y3	0.747	0.789	0.755	0.869
Y4	0.733	0.777	0.791	0.855
Y5	0.774	0.845	0.775	0.865

Based on table 4.2 above shows the results of the discriminant validity test based on the cross-loading criteria for each indicator in each construct, namely the constructs of Risk perception (X1), Risk tolerance (X2), and Overconfidence (X3) on Investment Decisions (Y). These results show that the cross-loading value of each indicator on its construct is dominantly greater than the cross-loading value of each indicator on other constructs. This means that all latent variables in this study have met the discriminant validity test.

4.2.1.3 Reliabilities

To test reliability, it can be done through composite reliability, a variable can be said to be reliable when it has a composite reliability value ≥ 0.7 (Sekaran, 2014). Then it can also be seen by looking at the reliability of the construct or latent variable as measured by looking at the Cronbach alpha value of the indicator block that measures the construct. A construct is declared reliable if Cronbach's alpha value is above 0.7.

Variable	Cronbach's alpha	Composite Reliability
Risk Perception	0.827	0.878
Risk Tolerance	0.873	0.908
Overconfidence	0.886	0.916
Investment Decision	0.915	0.936

Table 4.3 Reliability Test

Based on table 4.3 shows that each variable has met the composite reliability where the reliability value of the three variables is> 0.60 the overall variable has a high level of reliability. Or looking at Cronbach's alpha value of each variable shows constructed value> 0.70, indicating that each research variable has met the requirements of Cronbach's alpha value so that the overall variable has a high level of reliability.

4.2.2   Inner Model Analysis

The inner model analysis is also known as structural model analysis, which aims to predict the relationship between late variables. In assessing the model with PLS, we start by looking at the R-square value for each dependent latent variable. The interpretation is the same as the interpretation in regression.

4.2.2.1 Coefficient of determination (R Square)

The coefficient of determination (R Square) is a way to assess how much the endogenous construct can be explained by the exogenous construct. The coefficient of determination (R Square) is expected to be between 0 and 1. Changes in the R-square value can be used to assess the effect of certain independent latent variables on the dependent latent variable and whether it has a substantive effect (Ghozali, 2012).

Table 4.4 R Square Value

Variable	R Square	R Square Adjusted
Investment Decision	0.873	0.869

Based on the table 4.4, shows that the R Square value for the Investment Decision variable is 0.873. This achievement explains that the percentage of the size of the Investment Decision is 87.3%. This shows that the Risk perception, Risk tolerance, and Overconfidence variables affect the Investment Decision by 87.3% and the remaining 12.7%% is influenced by other variables outside this study.

4.2.2.2 Hypothesis Testing

To evaluate the relationship between latent constructs as hypothesized in this study, hypothesis testing will be carried out. Hypothesis testing in this study was carried out by looking at the P-Values value. The hypothesis is declared accepted if the P-Values value <0.05.

Table 4.5 Path Coefficients

Variable	Standard Deviation	T Statistic	P Values
Risk Perception	0.079	1.895	0.059
Risk Tolerance	0.000	4.789	0.000
Overconfidence	0.000	4.467	0.000

Based on the table 4.5 above shows that:

- The P value of the Risk Perception variable is 0.059> 0.05, which concludes that the Risk Perception variable has a positive but insignificant effect on the Investment Decision variable **(H1 Rejected).**

- The P value of the Risk Tolerance variable is 0.000 <0.05, which concludes that the Risk Tolerance variable has a positive and significant effect on the Investment Decision variable **(H2 Accepted).**

- The P value of the Overconfidence variable is 0.000 <0.05, which concludes that the Overconfidence variable has a positive and significant effect on the Investment Decision variable **(H3 Accepted).**

4.3 Discussion

4.3.1 The Effect of Risk Tolerance on Investment Decision Making

Based on the test results that have been carried out, the P value of the Risk perception variable is 0.059> 0.05, it can be concluded that Risk perception has a positive but insignificant effect on investment decisions. This can be possible due to the age factor of the respondents. Most of the respondents belong to a young age. Based on the results of the respondent's answers, the age of 19-22 years reached 40 customers with a percentage of 42.6% and the age of 23-26 years reached 54 customers with a percentage of 57.4%. Young investors can be said to be still classified as beginners to invest so when deciding to invest they do it thoughtfully and very carefully due to lack of experience. Based on research by Fachrudin (2018) states that each age group has an understanding of finance and investment as well as experience in investing so that they have something in common with stock investment decisions, investors will carefully consider future risks and returns. It means that if investors have the perception and think that the risk of an asset investment is dangerous or a high-risk asset, investors tend to avoid allocating funds to high-risk assets and prefer to allocate funds to low-risk assets.

4.3.2 The Effect of Risk Tolerance on Investment Decision Making

Based on the test results that have the P value of the Risk tolerance variable 0.000 <0.05, it can be concluded that Risk tolerance has a positive and significant effect on respondents' investment decision-making. This is related to the respondent's level of education. Based on the results of the respondents' answers, respondents with a Diploma education level reached 6 customers with a percentage of 6.4% and S1 education level reached 88 customers with a percentage of 93.6%. This can be proven in Sulaiman's research (2012) which says that a high level of formal education increases the ability to evaluate risk, causing investors to have higher risk tolerance. The higher a person's education, the more knowledge of the benefits, risks, and types of investments that can be used as basic knowledge to make an investment decision (Wahyuni & Yanti, 2020). Investors who have high-risk tolerance are more willing to bear the risk or loss of an investment as long as the investment provides a profit. It means that respondents can allocate their funds to risky assets and can tolerate the risk.

4.3.3 The Effect of Overconfidence on Investment Decision Making

Based on the test results that have been carried out, the P value of the Overconfidence variable is 0.000 <0.05, it can be concluded that Overconfidence has a positive and significant effect on respondents' investment decision-making. This is made possible by the respondent's gender factor. Based on the results of the respondent's answers, the characteristics of the respondents were male, 55 customers with a percentage of 58.5%, and female, 39 customers with a percentage of 41.5%. Most of the respondents are male. Research conducted by Utami & Kartini (2017) men and women have different traits men are felt to be more confident in their investment decisions, and women always have a cautious attitude which results in women being less confident when making decisions. Barber and Odean (2001) stated that men have a higher sense of overconfidence than women. When an investor has

succeeded and is comfortable with their investment, their confidence level will increase to make other investments in the future.

5. CONCLUSION AND SUGGESTION
5.1 Conclusion
- Risk perception has a positive but insignificant effect on investment decision-making of IDX Investment Gallery Customers, Faculty of Economics and Business, Mataram University. This proves that the higher the level of an investor's perception of risk, the lower the opportunity for an investor to allocate funds to high-risk assets.
- Risk Tolerance has a positive and significant effect on investment decision-making of IDX Investment Gallery Customers, Faculty of Economics and Business, Mataram University. This proves that the higher the level of risk tolerance owned by investors, the higher the tendency of these investors to invest in high-risk assets.
- Overconfidence has a positive and significant effect on investment decision-making of IDX Investment Gallery Customers, Faculty of Economics and Business, Mataram University. This proves that the higher the level of confidence an investor has, the higher the opportunity for that investor to allocate funds to high-risk assets.

5.2 Suggestions
- In further research add other variables that are determinants of investment decisions. Such as Representativeness Bias, or Regret-Aversion Bias, which is part of psychological bias.
- In future studies, researchers are expected to choose the characteristics of respondents who have sufficient experience in investing, to strengthen the research results.
- The statements on the research questionnaire can be further modified so that respondents can easily understand the contents of the questionnaire and get comprehensive answers.

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