

Article

Young Investors and the IDX: A Psychological Perspective on Decision Making

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Abstract: Investment psychology is a factor that can control an investor's emotions when making an investment. An investor will invest well if his investment psychology can be mastered or is stable. On the other hand, if an investor does not have good investment psychology, then making an investment will have a negative impact and can even disturb the investor's mentality. This research was conducted to analyze each variable, namely overconfidence (X1), emotion (X2), and considering the past (X3) on investment decisions (Y) in the @Saham_fess autobase community on Twitter. This kind of study has a sample size of 100 respondents and is quantitative in nature. Purposive sampling was the method of sampling that was employed in this study. methods of gathering data were mostly through questionnaires. Data instrument testing, multiple linear analysis, hypothesis testing, coefficient of determination, and classical assumption testing are the data analysis techniques that are employed. After that, the data was examined using linear regression with SPSS's assistance. The study's findings indicate that the factors overconfidence, emotion, and considering the past significantly influence the investment decisions made by members of the @Saham_fess autobase Twitter community.

Keywords: Overconfidence, Emotion, Considering The Past, Investment Decisions

1. Introduction

The new paradigm in finance is behavioral finance. Investor decision making is influenced by several psychological factors, which lead to financial behavior. Some psychological factors that can influence a person's investment decisions are overconfidence, emotion, considering the past. Investing in shares is an investment alternative that has significant risks but also promises high income (Auruma S., et al. 2013). According to the Indonesian Securities Custodian (KSEI), the number of investors in the capital market increased to 11.88 million investors in October 2023. Of this number, 56.73% or around 6.74 million investors were young investors or aged 30 years. down. The increase in young investors is due to the characteristics of the younger generation who master information technology and have a global outlook. This technological sensitivity is reflected in the very high use of smartphones and daily activities which are almost entirely carried out online. The technological sensitivity of the millennial generation is aided by innovation in the capital markets sector (Supeni R., et al. 2023) .

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Increasing Number of Young Investors

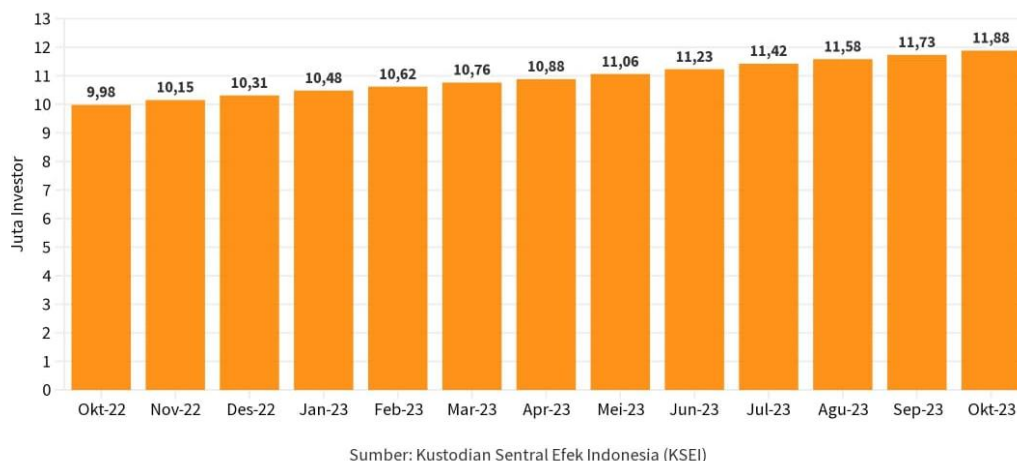


Figure 1. Increase in Number of Investors in the Last 1 Year
Source: Indonesian Central Custodian 2024

(Annur, 2023) stated through the We Are Social report, there were 564.1 million Twitter users worldwide as of July 2023. Indonesia itself is ranked 4th with the highest number of Twitter users in the world, namely a total of 25.25 million active users. One emergence of the Twitter phenomenon is the emergence of automatic fanbase (autobase) accounts that use the automenfes feature. The emergence of the autobase account phenomenon on the social media Twitter has become widespread, starting with the sending of automenfess. @Saham_fess is the only autobase account that discusses shares on Twitter. This account is often used by Twitter users in Indonesia to discuss shares and other investments. The ease of exchanging information and the absence of supervision by investment observers can increase the possibility of misinformation regarding stock investments which can lead to psychological investment behavior in an investor. Based on this statement, researchers are interested in knowing the influence of investor psychology on investment decisions among followers of the @Saham_fess account on Twitter. Some research focuses on objects outside social media and rarely conducts research on emotion factors and considering the past. There is no research that focuses on objects on social media, especially Twitter, using the variable boundaries overconfidence, emotion, and considering the past. Therefore, this research focuses on a community that is currently widely used by young people, namely @Saham_fess on Twitter with the aim of finding out the influence of Overconfidence, emotion, and considering the past on investment decisions in the autobase community @Saham_fess on Twitter.

2. Materials and Methods

This research design is quantitative and uses hypothesis testing to understand the causal relationship between dependent and independent variables. This research uses primary and secondary data sources. The main data, which was analyzed using SPSS, came from distributing an online survey to respondents on Twitter, especially those who follow the autobase community @Saham_fess. On the other hand, reference books, magazines and the Indonesian Stock Exchange are secondary data sources. The population for this research is the @Saham_fess account followers with a total of 72,000 and the targets used in this research are young investors who are members of the @Saham_fess autobase community with criteria determined by the researcher. This study's sample strategy combines a purposive sampling technique with non-probability sampling. The determination formula proposed by Slovin was used to the samples utilized in this investigation, with a 10% error limit. This formula yielded a sample size of 99.86,

which was rounded to 100 individuals (Respondents). The sample used is active followers in the Autbase @Saham_fess community with the following criteria:

- a. Investing on the Indonesian Stock Exchange
- b. Age 17-30 years.

Instrument Data

Evaluating the questionnaire's validity in regard to population relationships is the goal of validity testing. The questionnaire is the measuring tool used in this research. If the questionnaire is able to reveal the desired results, then the questionnaire is considered valid. The validity test requirements demonstrate how the score on each indicator item correlates to the overall concept score, and the significance level utilized in the test is 0.05. According to Janna and Herianto (2021): H_0 is accepted if $r_{count} > r_{table}$ and rejected if $r_{count} < r_{table}$.

The reliability test's objective is to demonstrate the degree of consistency and dependability of the measuring tool, namely to ensure whether the tool maintains its consistency over several measurements (Janna & Herianto, 2021). Based on the Cronbach's Alpha value contained in the test results using SPSS software, it can be concluded that the measuring instrument in this study is consistent. If the Cronbach's Alpha value of a research instrument is more than 0.60, it is considered reliable (Ghozali, 2016).

Classic Assumption Tes

To ensure whether the residual values are distributed regularly or not, a data test called the normality test can be carried out. If the value of $Asymp. Sig.$ of a variable is greater than the level of significance, namely more than 5% or > 0.05 , then the variable is normally distributed. Kolmogorov-Smirnov is a research method used to assess whether it is normal or not. Conversely, if the $Asymp. Sig.$ is smaller than the variable significance level, namely 5% or less than 0.05, then the variable is not normally distribute

To find out whether there are independent variables in a model that are comparable to each other, a multicollinearity test is needed. Strong correlation results when independent variables are similar to each other. Furthermore, the goal of this test is to prevent bad habits in the process of deciding how each independent variable will affect the dependent variable in a partial test. By examining the tolerance and Variance Inflation Factor (VIF) values, this study seeks to determine whether multicollinearity symptoms exist. There is no multicollinearity if the tolerance value is greater than 0.1, and does not exist if the Variance Inflation Factor (VIF) value is < 10 .

One component of the classic assumption test in regression analysis is the heteroscedasticity test. The heteroscedasticity test is used to determine whether the variance of the residual values in each regression model study is the same or not. Spearman's rho method is a reliable way to ensure whether there are symptoms of heteroscedasticity. If there is a significant difference between the independent variable and the residual absolute value of greater than 0.05, then heteroscedasticity is not an issue. The Spearman's rho test was carried out by regressing the residual absolute value on the variables overconfidence (X1), emotion (X2), and considering the past (X3).

Multiple Linear Analysis

Regression analysis is used to quantify the degree of influence that exists between the independent and dependent variables. The multiple linear regression model is used in this research because the aim of this research is to find out how much influence several independent variables in this case, overconfidence (X1), emotion (X2), and considering the past (X3) have on investment decisions (Y). The formula for multiple linear regression is: $Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$

Hypothesis Testing

The regression coefficient was only tested partially with the t test (partial test). Assuming that other independent variables are constant, this test is carried out to ensure the substantial influence of the independent variable and the dependent variable.

- a. The independent variable individually has an effect on the dependent variable if the significance level is < 0.05 .
- b. The independent variable has an individual effect on the dependent variable if the t_{count} is greater than the t_{table} .

Analysis of the Coefficient of Determination (R²)

The coefficient of determination for this research is Adjusted R Square (R²), which measures the extent to which the independent variable can influence the dependent variable.

Table 1. Guidelines for Providing Interpretation of the Determination Coefficient

Proportion (Internal Coefficient)	Information
0% - 19.99%	Very low
20% - 39.99%	Low
40% - 59.99%	Currently
60% - 79.99%	Strong
80% - 100%	Very strong

Source: Junarti

3. Results

Based on the gender of the respondents, the analysis results showed that 41 respondents (41%) were female and 59 respondents (59%) were male. Based on age, it shows that out of 100 respondents the majority were in the age range 21-25 years 63 people (63%), second 17-20 years 23 people (23%), and the age category 26-30 years 14 people (14%).

Validity and Reliability Test

In testing validity and reliability all variables are said to be valid and reliable. This can be seen in the validity test of the variables overconfidence, emotion, and considering the past shows $R_{\text{calculated}} > R_{\text{table}}$ and $\text{Sig} < 0.05$. Meanwhile, the reliability test was carried out using Cronbach's Alpha, showing that the test results were reliable because the variables overconfidence, emotion, and considering the past produced values of alpha greater than 0.60. This proves that the research instrument in the form of a questionnaire is reliable because the r_{alpha} has a larger value.

Classic Assumption Test

The normality, multicollinearity, and heteroscedasticity tests were used to conduct the research's classical assumption test. It can be concluded from the normality test findings that the research variable's significance value is 0.875, which is higher than 0.05, and that the study's data is normally distributed. Apart from that, the results of the multicollinearity test using Collinearity Statistics analysis show a VIF value < 10 and tolerance > 0.1 so it is known that the model does not have multicollinearity. In addition, the results of the heteroscedasticity test indicate that the variables overconfidence, emotion, and considering the past have significance values higher than 0.05, indicating the absence of heteroscedasticity in the tested equation.

Results of Multiple Linear Regression Analysis

Table 2. Results of Multiple Linear Regression Analysis

Variable	Regression Coefficients	Sig.	Information
Constant	1,235	0.535	
Overconfidence (X1)	0.157	0.021	Significant
Emotions (X2)	0.377	0,000	Significant
Considering the past (X3)	0.254	0.031	Significant

Seen from table 2, it can be seen that the variables overconfidence, emotion, and considering the past show a significant value of less than 0.05, which means that the variables X1, X2, X3 have a significant influence on investment decisions.

Hypothesis Test Results

In the results of this hypothesis test, only a t test was carried out, it can be seen that the variables overconfidence, emotion, and considering the past have significant values smaller than alpha 0.05. Thus, the variables overconfidence, emotion, and considering the past partially influence investment decisions.

Coefficient of Determination Results (R^2)

From the results of the coefficient of determination (R^2), the coefficient of determination r square is 0.382, meaning that the variables are overconfidence, emotion, and considering the past. explains investment decisions by 38.2% and the rest is explained by other variables. The r value shows the direction of the relationship between the variables overconfidence, emotion, and considering the past on investment decisions which have a strong level of relationship because the r value of 0.618 or 61% is in the range of 60%-79.99 %.

4. Discussion

Based on the results that have been carried out using linear analysis in the t test, the significance value is less than 0.05, namely the overconfidence variable with a significant value of 0.021, emotion with a significant value of 0.000 and considering the past with a significant value of 0.031. So it is stated that H1, H2, and H3 are accepted. There are differences in the influence of these three variables on investment decisions. The difference lies in that the overconfidence and considering the past variables have a positive effect on investment decisions, while the emotion variable has a negative effect on investment decisions. This means that young investors who are members of the @Saham_fess community involve high self-confidence, emotions and past lessons as their psychological behavior in investing.

Overconfidence Has a Positive Effect on Investment Decisions

Due to young investors' trust in their investments and their aptitude for financial analysis, overconfidence has a beneficial impact on investment decisions in the @Saham_fess community. Knowledge about the level of risk an investor has can increase confidence in investing in the capital market. The ease of finding information on a company from a broker is also one of the reasons why young investors in the @Saham_fess community are more confident in making investments. The results of this research are in accordance with the theory which states that overconfidence is an action where investors tend to believe that they have made the best decision compared to other people about when, what to do and how to make an investment (Prisiliya and Moeljadi, 2022). The results of this research are in line with research conducted by (Zakiyah ID, et al. 2022), (Leiwakabessy A., et al. 2021), and (Sari, SHP, et al. 2021) which stated that overconfidence has a positive effect on investment decisions. This is different from research conducted by (Esi, EFK, et al. 2023) and (Wahyuni AN, et al. 2022) which states that overconfidence has no effect on investment decisions.

Overconfidence Has a Negative Effect on Investment Decisions

Emotion has a negative influence on investment decisions because young investors in the @Saham_fess community tend to be in a bad mood when investing. This is obtained from 2 factors, namely internal and external. Internal factors occur when investing directly, for example when market conditions are unpredictable. Then external factors occur, for example there is no stability in an investor's economy. Investors cannot make wise decisions if they have bad emotions. Investors will tend to experience a lot of worry so they will not be able to decide on investments in an unstable emotional state. Finally, investors will be excessively careful which can cause investors not to make the right

transactions and even limit themselves from making transactions. This is in accordance with the theory which states that emotion is related to the belief in avoiding losses rather than gaining profits and preferring no change (Hidayati, Wahyulina, and Suryani, 2022). The results of this research are in line with research (Pradhana, 2018) which states that emotion influences investment decisions. The results are different from (Nugroho, 2019) which states that emotion has no effect on investment decisions.

Considering The Past Has a Positive Effect on Investment Decisions

Investment decisions benefit from taking the past into account since younger investors in the @Saham_fess community utilize the past as a lesson for the present. Young investors in the @Saham_fess community tend to invest in shares that have provided dividends in the previous period, so they can maximize the profits they get. This is in accordance with the theory which states that events that occurred in the past are used as experience and learning in the future to assess whether the situation that occurred in the past is desirable to return or avoid in the future (Nosfingner, 2010). The results of research are the same as (Wahyuni AN, et al. 2022 ; Ryshal, et al. 2021) which states that considering the past influences investment decisions. Different are the results of research conducted by (Ulfa, 2022) which states that considering the past has no effect on investment decisions.

5. Conclusion

The research's data analysis results indicate that while emotion has a negative impact on investment decisions made on the Indonesian Stock Exchange in the @Saham_fess Community on Twitter, overconfidence and taking historical variables into account have a positive impact. The sample used was 100 respondents, who had experience investing on the Indonesian Stock Exchange. It is hoped that future research can increase the number of respondents to make it more valid. Apart from that, further research can add research variables such as herding behavior, heuristic bias, and availability bias in order to increase the r square value.

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