



Young Investor's Investment Decision Making: The Influence of Heuristic Behavior, Risk Perception, and Herding Bias

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Abstract

Purpose: Theory of Behavioral Finance assumes that there are various things inherent in humans such as emotions, interests, and traits that make them unable to make rational decisions. This study aims to analyze and find out what kind of impact heuristic behavior, risk perception, and herding bias have on investment decision making by young investors.

Method: This research is a quantitative study with students at the Faculty of Economics and Business, Lambung Mangkurat University who are or have invested on the Indonesia Stock Exchange as the sample of this study. The research data comes from primary data processed using multiple linear regression analysis.

Findings: The findings of this study successfully prove that there is an influence of heuristic behavior, risk perception, and herding bias on investment decisions by young investors.

Originality/Value: This study uses students of the Faculty of Economics and Business, Lambung Mangkurat University as a research sample who belong to generation Z with a tendency to have higher emotions and egos, making it difficult to make investment decisions.

Keywords: Behavioral Finance; Investment Decision; Investors

Paper Type: Research Paper

1. Introduction

Investment has an important role in Indonesia's economic growth and realizing 5 goals out of a total of 17 Sustainable Development Goals (SDGs) in 2030 (Saputra *et al.*, 2019). Investment is an investment activity by an individual, then an authorized agency will manage the capital provided, so that the results will be distributed to investors according to the agreement between the two parties (Rona & Sinarwati, 2021). It cannot be denied that investment can increase income for investors in the future, thus making investors of various ages interested in investing, especially the younger generation who have a high interest in investing. According to Indonesian Capital Market Statistics data in December 2022, 58.71% of the total number of investors consisted of the younger generation (gen Z) under the age of 30 (KSEI, 2022). This shows that there is awareness from the younger generation about the importance of investing early on and of course this will be able to increase national economic growth and the stability of the Indonesian capital market.

The young generation that dominates the capital market is also due to regulations from the Government to make it easier for investors to invest, the holding of "yuk nabung

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saham" activities by the Indonesia Stock Exchange, the ease of opening securities accounts online and other factors. One of the individuals who will play a role as a young investor is a student who is currently dominated by gen Z. Students as agents of change are part of the generation experiencing the demographic bonus period in Indonesia. This demographic bonus refers to a situation where the number of individuals in productive age (under 65 years) is expected to reach 65.11% higher than the number of individuals in non-productive age, this prediction until 2045 (Saputra *et al.*, 2019).

Investing at a young age is a good thing to manage finances for the future. However, the ease of obtaining investment information and many investment options and opportunities from different investment objects spur irrational decisions due to bounded rationality. Bounded rationality is the investor's limitation in filtering important information when making investment decisions (Radianto, 2018). The limitations of each investor in intelligence and perception will hinder their ability to make accurate decisions and optimal choices from the information they get. These limitations are influenced by the uncertainty of the environment in which he is located, the time available when the decision must be made, and the complexity of the information available. So often young investors will prefer to make decisions that satisfy them rather than decisions that are optimal to do.

The effect of investment decisions that satisfy investors will lead to behavioral biases of young investors and possibly cause losses to the investors themselves. Therefore, curiosity arises about what underlies students as young investors to make decisions in investing and how investor behavioral biases play a role in this. Research on this topic has never been conducted at the Faculty of Economics and Business, Lambung Mangkurat University, so the author decided to make it the object of research.

The study of Puspawati and Yohanda (2022), states that irrational actions often occur in young investors or gen Z, because they are still under 30 years old and have a high level of emotion and are difficult to control, so they can make investment decisions quickly. Theory of Behavioral Finance explains investor irrationality in the decision-making process with Heuristic Behavior, Risk Perception, and Herding Bias (Subramaniam & Velnampy, 2017). Sari (2017) defines heuristic behavior as a practical guide to obtaining information for quick decision making, but the information received is insufficient as a result of simplifying decision making to be irrational because it is influenced by heuristic bias. Heuristic behavior in this study explains the bias caused by overconfidence, availability, representativeness, anchoring, and confirmation (Sari, 2017).

Overconfidence is a situation when investors are very optimistic about the results of their investments and they think that the information they have is sufficient to make the right investment decisions (Zahera & Bansal, 2018). Availability occurs when the events experienced are then stored in the memory of the human brain, so that some information that is still stored and easily remembered will be used as a reference in making decisions (Sari *et al.*, 2021). In addition, Representativeness is a behavior in making investment decisions based only on assumptions made by investors themselves (Willyanto *et al.*, 2021). According to Lowies *et al.* (2016), Anchoring is described in Tversky and Kahneman (1974) by using an eight-number multiplication test to show that people make estimates starting from an initial value, and then adjust this initial value to produce a final estimate. In essence, anchoring indicates behavior where investors tend to fixate on initial information and not adjust to new information. Finally, confirmation is the tendency of individuals to seek information that supports their perceived perceptions and ignore information that contradicts their perceptions, even if the contradictory information is more useful (Zahera & Bansal, 2018).

Investing is always related to market uncertainty conditions, in these conditions there is an investor's perception of future risk related to Prospect Theory with a focus on Risk Perception. Prospect Theory explains how investors make decisions based on choices that involve elements of probability and risk when the possible outcomes of investment decisions can be predicted (Zahera & Bansal, 2018). Risk Perception refers to the subjective investment decisions that investors use to assess risk in conditions of investment uncertainty (Areiqat *et al.*, 2019). Another factor that affects investment decisions is herding bias. Herding in the stock market is the tendency of investors to follow the decisions of other investors (Zahera & Bansal, 2018).

Research by Gavrilakis and Floros (2022), shows that heuristic behavior and herding bias have a positive effect on investment decisions in Greece. Research by Areiqat *et al.* (2019) was that overconfidence and herding bias have a significant effect, but risk perception has no effect on investment decisions by investors on the Amman Stock Exchange. Then, research by Wirawan *et al.* (2022) states that heuristic behavior has a positive effect on investment decisions. Study by Loris and Jayanto (2021) states that representativeness, anchoring, risk perception, and herding have a significant effect on investment decisions. Meanwhile, Willyanto *et al.* (2021) found that representativeness and availability have no effect on investment decisions. Research by Lowies *et al.* (2016) found that there is an anchoring bias effect on investment decisions made by property fund managers.

This research has been carried out by previous studies, but has never been carried out on young investors, namely students at the Faculty of Economics and Business, Lambung Mangkurat University. This research is also a development of Gavrilakis and Floros (2022) which states that there is an influence of heuristic behavior and herding bias in making decisions to build investment portfolios. The research was conducted during the COVID-19 pandemic, which hampered investment decision making and the ability to invest rationally. The research provides suggestions for studying other biases that are not included in the research. Therefore, the limitations and suggestions become a novelty in this research is to add Risk Perception as another bias to expand knowledge about the psychological influence of investors on investment decisions. This research was also conducted in a different setting and different research objects from previous studies. Investing activities are inseparable from the risks that will be faced every time, so Risk Perception is considered important to be a differentiating variable between this study and previous studies.

Based on the above, this research is entitled "Investment Decision Making by Young Investors: A Review of the Impact of Heuristic Behavior, Risk Perception, and Herding Bias". This research can make a theoretical contribution to the development of science, especially in the fields of Financial Management, Behavioral Accounting, and Investment Management and Capital Markets, especially the contribution of behavioral finance theory knowledge about the behavior and emotions of young investors when making investment decisions. Meanwhile, the practical contribution of this research is aimed at all young investors, especially students of the Faculty of Economics and Business, Lambung Mangkurat University. This research can be a basis for assessing and improving understanding in making investment decisions by balancing the ego owned and the necessary investment analysis such as fundamental and technical analysis, so as not to cause losses to the personal economy and the country's economy.

2. Literature Review

2.1. Theory of Behavioral Finance

The Theory of Behavioral Finance came into use when Modern Finance Theory could not explain the chaotic and abnormal phenomena in the actual stock market (Thaler, 1999). Emotions, personal preferences, characteristics, and other individual factors often cause humans to not always act rationally when making decisions (Nurdinda *et al.*, 2020). The basis of the Theory of Behavioral Finance is that economic factors and rationality are not the only influences in making investment decisions by investors, but there are also influences from other factors such as cognitive psychology, behavioral biases and misperceptions (Loris & Jayanto, 2021).

In making investment decisions, investors will encounter a lot of information such as stock pricing, future company prospects, government guidelines on securities investment, and other information. In fact, investment decisions may be influenced by the opinions of family, colleagues, or even company competitors. Therefore, investors are prone to making irrational investment decisions. The behavior of investors who act differently in different situations makes it important to combine the concept of psychology with finance (Zahera & Bansal, 2018).

2.2. Prospect Theory

Prospect Theory was first developed by human behavior analysts Amos Tversky and Daniel Kahneman (1979), who explained human behavior when making financial decisions based on uncertain choices (Loris & Jayanto, 2021). This theory combines psychological and economic sciences to analyze people's behavior in making financial decisions (Puspawati and Yohanda, 2022).

Prospect Theory will show how investors behave towards risk and prove that investors who tend to be irrational are more reluctant to risk profits (gains) than losses (losses). When investors are in a profitable position, these investors tend to avoid risk or are called risk averse, while investors who are in a loss position will usually be willing to take risks or are called risk takers (Supramono *et al.*, 2018). Investor behavior towards risk in Prospect Theory is described by the Risk Perception variable.

2.3. Investment Decision

Investors must make investment decisions in carrying out investment activities (Astutik, 2020). When discussing investment, it is expected that an investor is able to plan, observe, and analyze information in a realistic and rational way of thinking (Rona and Sinarwati, 2021). Investment decision should be a process in which a person (investor) chooses an option with 3 (three) stages, namely goal setting, search stage, and information evaluation stage of several investment instrument options (Candy and Vincent, 2021). Knowledge of the relationship between the desired investment return and investment risk is the basis for making investment decisions. The correlation between the two is parallel, which means that if the level of profit desired by investors increases, the risk that investors need to face will also increase (Tandelilin, 2017).

2.4. The Influence of Heuristic Behavior on Investment Decisions by Young Investors

Theory of Behavioral Finance suggests that some people tend to rely on simplifications, rules of thumb in making decisions. Decision making by relying on these rules of thumb is referred to as heuristics (Supramono *et al.*, 2018). According to Supramono *et al.* (2018), heuristics are things that happen automatically. Investors tend to reduce the complexity of probability assessments and predict the value of investments into

simpler assessments due to lack of time or accurate information (Gavrilakis & Floros, 2022). This process can happen automatically after a person has experience in doing a certain task or processing specific information without having to make a big effort and without realizing it.

The use of heuristics can lead to investor behavioral biases such as excessive confidence in the ability to project future investment returns (overconfidence), the first investment information received is always used as a reference for decision making (anchoring), self-mindset that influences investment decisions taken without in-depth analysis (representativeness), the tendency to make memorable and prominent information a reference in making investment decisions (availability), and accepting information that supports one's own perceptions but rejecting contradictory information (confirmation).

The existence of heuristic behavior can worsen investment decision making. In other words, heuristic behavior affects investment decisions. The positive relationship between heuristic behavior and investment decisions can be observed in the research of Gavrilakis and Floros (2022), Rahman and Gan (2020), Subramaniam and Velnampy (2017), Wirawan *et al.* (2022), and Zahera and Bansal (2018). Based on the description above, the hypotheses proposed in this study are:

H₁. Heuristic behavior has a positive effect on investment decisions by young investors

2.5. The Influence of Risk Perception on Investment Decisions by Young Investors

An investor's view of the risks that will be faced when making investment decisions is called risk perception (Wulandari & Iramani, 2014). Investors must understand that when making an investment, the expected profit is proportional to the risk that must be borne. According to Astutik (2020), an investor's preference for risk will affect their attitude towards risk in investing. If an investor's risk tolerance level is low, they will tend to be more careful and choose investments that have low risk, but if the risk tolerance level is high, investors may be more inclined to investment products with higher risk levels (Pratama *et al.*, 2020).

Based on Prospect Theory, risk perception is useful for understanding the personality characteristics of investors in avoiding or seeking risk, which means it has a key role in determining the investment strategy to be applied and the extent to which investors are willing to allocate their investment funds (Badriatin *et al.*, 2022). Thus, investors who can manage their risk perception carefully and consider well the possible risks that may occur and have a positive impact on their investment decisions.

Investor consideration of investment risk in making decisions is a positive relationship between risk perception and investment decisions. This relationship has been found in previous studies, namely, Areiqat *et al.* (2019) and Candy and Vincent (2021). Thus, the hypothesis proposed in this study, namely:

H₂. Risk Perception has a positive effect on investment decisions by young investors

2.6. The Influence of Herding Bias on Investment Decisions by Young Investors

Based on the Theory of Behavioral Finance, herding bias is the behavior of investors who initially think rationally to be irrational by imitating the behavior of other investors in making investment decisions (Puspawati & Yohanda, 2022). Supramono *et al.* (2018), further explored that this herding behavior can actually be based on reasonable reasons. First, in everyday life humans act as social creatures who interact with each other, through the interaction process it is often found that if someone acts or makes a decision it will usually seem as if asking for approval from others (social pressure of conformity).

Second, a person feels that his actions or decisions will be wrong if what he does is different from most people. Finally, individuals feel more accepted and belong to a certain group if they follow what the individuals around them do, so the social environment in this case has a tremendous impact on the decision-making process.

This behavior is classified as informational based herding, which describes that in the event of an uncertain situation, where market information is not entirely available, it is natural to exchange information between investors to gain insight into certain conditions that will affect the investment decision process. Therefore, herding is often associated with the behavioral tendency of individuals to learn and observe the behavior of others, commonly known as social learning. In a behavioral perspective, herding can lead to some emotional behaviors, such as the impact of imitating others' investment asset choices, buying or selling decisions, asset allocation, the impact of following others' investment prospects, the impact of following information from trustworthy media rather than following one's own beliefs and information (Gavrilakis & Floros, 2022). Such behavior arises because investors exchange information with each other which aims to increase insight between investors, but ultimately worsens investment decisions when information received from other investors is not considered more deeply with information from trusted media.

The relationship between herding bias and investment decisions has been found in several previous studies, namely *Areiqat et al. (2019)*, *Gavrilakis and Floros (2022)*, and *Zahera and Bansal (2018)*. So, the hypothesis proposed in this study is:

H₃. Herding Bias has a positive effect on investment decisions by young investors

3. Research Methods

This research is quantitative research and the type of data used is primary data. The population of this research is active students of the Faculty of Economics and Business, Lambung Mangkurat University. Sampling using nonprobability sampling technique with purposive sampling method, because each population object does not have the same opportunity to become a sample, in other words, the sample will be selected based on certain criteria or aspects.

The sample criteria in this study are active students of FEB ULM, have been or are currently members of the FEB ULM Capital Market Study Group, and have made or are making investment transactions. So, based on these criteria, the number of samples in this study amounted to 66 respondents/students.

3.1. Data Collection Technique

This study uses a questionnaire or questionnaire as a data collection technique. This research questionnaire will be divided into two parts, namely the first part contains a description of the respondent to be filled in and the second part contains a statement with answers available in the form of Likert scale options from 1 (one) indicating Strongly Disagree to 5 (five) indicating Strongly Agree. The statement indicators used are adopted from several previous studies contained in table 1 below which will be used as statement indicators to measure how much influence heuristic behavior, risk perception, and herding bias have on investment decisions by young investors.

Tabel 1. Variable Indicator

Variabel	Indikator	Source
Investment Decision (Y)	1. Investment Options 2. Capital Management 3. Future Investment Expectations	Khan <i>et al.</i> (2017)
Heuristic Behavior (X1)	a. <i>Overconfidence</i> 1) Assessment of Accuracy in Choosing Investments 2) Level of Confidence in Ability 3) Ability Level 4) Confidence in choosing an investment b. <i>Anchoring</i> 1) Past experience becomes a reference 2) Historical prices are used to predict stock prices c. <i>Representativeness</i> 1) Popular stock purchase a reference 2) Stay away from underperforming stocks 3) Using trend analysis on stocks used in all decisions d. <i>Availability</i> 1) Make decisions based solely on available information 2) Easy access to information 3) Decisions are made based on predictions e. <i>Confirmation</i> 1) An individual's stance on the information obtained 2) Individual confidence in investment-related information 3) Individual thought on the market conditions at hand	Wulandari and Iramani (2014) Raafifalah (2021) Raafifalah (2021) Loris and Jayanto (2021) Özen and Ersoy (2019)
Risk Perception (X2)	1. Risky investments 2. Consequences 3. Experiencing losses	Wulandari and Iramani (2014)
Herding Bias (X3)	1. Influence of other investor's stock choices 2. Effect of other investor's transaction volume 3. The influence of other investor's stock buying and selling 4. Investor reaction speed	Loris and Jayanto (2021); Raafifalah (2021)

3.2. Data Analysis Technique

This study explores the influence of heuristic behavior variables, risk perception, and herding bias on investment decisions using the Multiple Linear Regression Analysis method with SPSS 26 software. First, data quality evaluation is carried out through validity and reliability tests to show the feasibility of existing data. As well as tests that must be met are classical assumption tests which include: normality test, multicollinearity test, and heteroscedasticity test. Hypothesis testing is done by F value significance test and t value significance test.

The multiple linear regression equation of this study is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \quad (1)$$

Description:

Y = investment decision making

β = regression coefficient

X2 = risk perception

e = error

α = constant

X1 = heuristic behavior

X3 = *herding bias*

3.3. Validity and Reliability Test

Tabel 2. Validity and Reliability Test Result

Variables	Measurement Item	Validity Test Results	Reliability Test Results
Investment Decision (Y)	8 item	$r \text{ count} > r \text{ table} = 0,2042$	$0,859 > 0,60$
Heuristic Behavior (X1)	18 item	$r \text{ count} > r \text{ table} = 0,2042$	$0,837 > 0,60$
Risk Perception (X2)	5 item	$r \text{ count} > r \text{ table} = 0,2042$	$0,753 > 0,60$
Herding Bias (X3)	6 item	$r \text{ count} > r \text{ table} = 0,2042$	$0,780 > 0,60$

Table 2 It displays the results of testing the validity and reliability of the questionnaire instrument. The validity test results display that all questionnaire instrument items from the Investment Decision (Y), Heuristic Behavior (X1), Risk Perception (X2), and Herding Bias (X3) variables are valid, because the calculated r value of all questionnaire items exceeds the r table value of 0.2042.

The reliability test results in table 2 show that the Cronbach's alpha value of the Investment Decision variable (Y), Heuristic Behavior (X1), Risk Perception (X2), and Herding Bias (X3) has a value above 0.60. Thus, it can be concluded that all variables in this study have a good level of reliability.

3.4. Classical Assumption Test

Tabel 3. Classical Assumption Test Results

Test	Variable	Result
Normality Test		<i>Asymp. Sig (one - tailed) = 0,077</i>
Multicollinearity Test	X1	<i>Tolerance = 0,774</i> <i>VIF = 1,292</i>
	X2	<i>Tolerance = 0,851</i> <i>VIF = 1,175</i>
	X3	<i>Tolerance = 0,890</i> <i>VIF = 1,124</i>
Heteroscedasticity Test	X1	<i>Sig. = 0,424</i>
	X2	<i>Sig. = 0,947</i>
	X3	<i>Sig. = 0,461</i>

The results of the classical assumption test are in Table 3, including the normality test using the Kolmogorov-Smirnov method. The results show an *Asymp. Sig (one - tailed)* value of 0.077, which is greater than 0.05. Therefore, it can be concluded that this research data has a normal distribution. Furthermore, the multicollinearity test was carried out as listed in Table 5. In the Heuristic Behavior variable, the Tolerance value is 0.774 (> 0.1) and the VIF value is 1.292 (< 10). For the Risk Perception variable, the Tolerance value is 0.851 (> 0.1) and the VIF value is 1.175 (< 10). Meanwhile, for the Herding Bias variable, the Tolerance value is 0.890 (> 0.1) and the VIF value is 1.124 (< 10). From these results, it can be concluded that there is no multicollinearity in all independent variables in this study.

The last classic assumption test is the heteroscedasticity test, which is measured by a significance value > 0.05 . In table 4 above, the results show the variable Heuristic Behavior (X1) sig value. = 0.424, variable Risk Perception (X2) sig value. = 0.947, and variable Herding Bias (X3) sig value. = 0.461. So, from the test results it can be concluded that all independent variables have a significance value above 0.05, so this study has no indication of heteroscedasticity.

4. Results and Discussion

4.1. Results

4.1.1. Statistical Description of Research Variables

The description of respondents' answers will be measured from the variables of heuristic behavior, risk perception, and herding bias. Below is a description of respondents' responses regarding the variables studied in this study. The results of descriptive statistical analysis research can be seen in table 4 below.

Tabel 4. Statistical Description

	N	Range	Min	Max	Mean		Std. Deviation
					Statistic	Std. Error	
Investment Decision (Y)	66	23	16	39	30,20	0,603	4,903
Heuristic Behavior (X1)	66	44	42	86	61,33	1,010	8,204
Risk Perception (X2)	66	15	10	25	20,44	0,351	2,851
Herding Bias (X3)	66	22	7	29	20,00	0,513	4,169

Respondents in this study amounted to 66 people for all variables, namely students of the Faculty of Economics and Business, Lambung Mangkurat University who were in accordance with the predetermined sample criteria. In the Investment Decision variable (Y) it is known that the minimum value is 16 and the maximum value is 39. For the average value (mean) which is 30.20 with a standard deviation value of 4.903. In the Heuristic Behavior variable (X1) it is known that the minimum value is 42 and the maximum value is 86. For the average value (mean), it is 61.33 with a standard deviation value of 8.204. In the Risk Perception (X2) variable, it is known that the minimum value is 10 and the maximum value is 25. For the average value (mean), it is 20.44 with a standard deviation value of 2.851. In the Herding Bias (X3) variable, it is known that the minimum value is 7 and the maximum value is 29. For the average value (mean), it is 20.00 with a standard deviation value of 4.169.

4.1.2. Hypothesis Test

Tabel 5. Test Result of Significance Value of F

F Count	F table	Significance
11,883	2,751	0,000

Based on table 5, it is known that the calculated F value is 11.883 and the Sig. value is 0.000 so it is stated that the independent variable has a value of $F_{hitung} = 11.883 > F_{tabel} = 2.751$ and a value of $Sig. = 0,000 < 0,05$. This indicates that the regression model is suitable for the t test.

Tabel 6. Test Result of Significance Value t

	Regression Coefficient	t count	t table	Significance	Desc
(Constant)	8,735				
Heuristic Behavior	0,240	3.498	1.669	0,001	Hypothesis Accepted
Risk Perception	0,593	3.231	1.669	0,002	Hypothesis Accepted
Herding Bias	-0,267	-2.133	1.669	0,037	Hypothesis Rejected
Standard Error	4,481				

The t-test results in Table 6 are used to evaluate the impact of independent variables on the dependent variable. It can be noted that in the Heuristic Behavior variable (X1), the Sig. value is 0.001 (< 0.05) and value of t count = 3.498 $>$ value of t table = 1.699,

so H1 is accepted, indicating that Heuristic Behavior has a positive influence on Investment Decisions. On the Risk Perception variable (X2), the Sig. value is 0.002 (< 0.05) and value of t count = 3.231 > value of t table = 1.699, so H2 is accepted, indicating that Risk Perception has a positive effect on Investment Decisions. While on the Herding Bias variable (X3), the Sig. value is 0.037 (< 0.05) and value of t count = - 2.133 < value of t table = 1.699, so H3 is rejected, indicating that Herding Bias has a negative effect on Investment Decisions.

Tabel 7. Determination Coefficient Analysis

Coefficient of Determination	Value
Adj R Square	0,334

Table 7 shows the result of the coefficient of determination (R²) test with an Adj R Square value of 0.334. This result shows that the independent variables, namely heuristic behavior, risk perception, and herding bias, can explain 33.4% of the variation in the dependent variable, namely investment decisions. The rest, about 66.6%, is explained by other factors not investigated in this study.

4.1.3. Multiple Linear Regresssion Analysis Equation

Table 6 above displays the results of the t significance value that obtained the beta value of the regression coefficient. The value is included in the following multiple linear regression analysis equation:

$$Y = 8.735 + 0,240X1 + 0,593X2 - 0,267X3 - 4.481 \quad (2)$$

The equation shows the result that at a constant value, if the independent variable (heuristic behavior, risk perception, and herding bias) is 1 unit, the dependent variable (investment decision) will have a value of 8.735. The beta value on the Heuristic Behavior variable (X1) shows 0.240, which means that if the heuristic behavior increases by 1 unit, the investment decision will increase by 0.240. Furthermore, the beta value on the Risk Perception variable (X2) shows 0.593, which means that if the risk perception increases by 1 unit, the investment decision will increase by 0.593. Finally, the beta value on the Herding Bias variable (X3) shows a negative 0.267, which means that if herding bias increases by 1 unit, investment decisions will decrease by 0.267.

4.2. Discussion

4.2.1. The Influence of Heuristic Behavior on Investment Decision by Young Investors

The results of the t test analysis of the heuristic behavior variable (X1) on investment decisions by young investors at the Faculty of Economics and Business, Lambung Mangkurat University imply that the first hypothesis (H₁) can be accepted, which means that there is a heuristic behavior (X1) has a positive and significant effect on investment decisions by young investors.

Among the five heuristic behavioral biases, investment decision making by young investors in this study is heavily influenced by anchoring, availability, representativeness, and confirmation biases, but less influenced by overconfidence bias. This can be proven from the respondents' answers to the statement indicators distributed, which are as follows:

- 1) The anchoring bias indicator as many as 84% of respondents agree that they always compare current prices with past prices before making investment purchases. Comparing these prices can help investors identify trends in stock price movements,

but it should be noted that past stock prices do not always guarantee future stock price movements.

- 2) The availability bias indicator as much as 80% of respondents agree that in making investment decisions, easy access to investment information is important.
- 3) The representativeness bias indicator has 68% of respondents agreeing that by analyzing current prices and using various analytical tools or approaches, they can make accurate predictions regarding future stock price movements. However, stock price predictions are very complex and cannot be precisely ascertained.
- 4) The confirmation bias indicator shows that 67% of respondents tend to maintain their belief in their investment choices, even after experiencing losses, and are more likely to focus on those investment choices.
- 5) Meanwhile, in the overconfidence bias indicator, 74% were hesitant and did not feel overconfident about their analysis compared to that of an expert.

Heuristic behavior is automatically processed by the human brain when receiving so much information, so that in the process the brain only receives information that it thinks is important and makes that information a reference in making decisions without considering other fundamental information. The findings of this study are consistent with the results of previous research by [Wirawan *et al.* \(2022\)](#) which indicates that heuristic behavior has an influence on investment decisions. The results of this study contradict the findings of research by [Willyanto *et al.* \(2021\)](#) which states that heuristic behavior, including representativeness and availability, has no influence on investment decisions.

4.2.2. The Influence of Risk Perception on Investment Decision by Young Investors

The results of the t test analysis of the risk perception variable (X2) on investment decisions by young investors at the Faculty of Economics and Business, Lambung Mangkurat University imply that the second hypothesis (H₂) is acceptable, which means that risk perception (X2) has a positive and significant effect on investment decisions by young investors. The results of this study agree with Prospect Theory that investors show attitudes towards risk when faced with uncertainty and risky situations.

Risk perception has a positive and significant effect, it can be seen from the influence of risky investments which were answered in the affirmative by 91% of respondents, young investors have a high ambition to get high profits as an achievement and a place to show off even though young investors know there is a high risk of going home. The influence of consequences answered in the affirmative by 88% of respondents, young investors in FEB ULM know that there will be consequences of an investment. However, young investors at FEB ULM view experiencing a loss as normal and the potential losses incurred are not worrying. Therefore, risk perception affects positively because young investors at FEB ULM view risk as an opportunity to get higher returns. However, that does not mean they ignore investment risk completely, but they understand the risks involved and choose to involve themselves in the investment. This finding is in line with the research of [Loris and Jayanto \(2021\)](#) and [Wulandari and Iramani \(2014\)](#) which state that risk perception has a significant effect on investment decisions.

4.2.3. The Influence of Herding Bias on Investment Decision by Young Investors

The results of the t test analysis of the herding bias variable (X3) on investment decisions by young investors at the Faculty of Economics and Business, Lambung Mangkurat University imply that the third hypothesis (H₃) is rejected, the effect of herding bias (X3) on investment decisions by young investors is negative and significant. The results of this study differ from the Theory of Behavioral Finance which assumes that investment

decisions can also be influenced by social interactions with the surrounding environment so as to encourage investors to be interested in other investors' investment decisions.

Young investors at FEB ULM their investment decisions are not influenced by social interactions. A total of 68% of respondents felt that their stock choices and transaction volumes were largely based on support and advice from other investors. However, when viewed from the influence of stock buying and selling decisions and reaction speed, 63% of young investors at FEB ULM are not affected by the last two indicators. Therefore, herding bias affects investment decisions significantly but negatively.

The student environment supports the exchange of information (informational based herding) regarding capital market conditions, buying and selling shares, stock prospects and others as well as sharing opinions and experiences in investing. The information they get is used as a consideration in making investment decisions, but not the only reference. Information exchange (informational based herding) encourages young investors in FEB ULM to conduct a more in-depth analysis and not make investment decisions in a hurry. This finding is in line with research [Puspawati and Yohanda \(2022\)](#), which also conducted on younger generation investors and found that herding bias has a negative influence on investment decision making by investors.

5. Conclusion

This research focuses on the influence of heuristic behavior, risk perception, and herding bias on investment decisions by young investors at the Faculty of Economics and Business, Lambung Mangkurat University. The research findings confirm that heuristic behavior and risk perception have a positive and significant influence on investment decisions made by young investors. However, herding bias has a negative and significant influence on investment decisions by young investors. The results of this study validate the assumptions underlying the Theory of Behavioral Finance and Prospect Theory, namely that investment decisions can be influenced by the emotions and behavior of the investors themselves.

The results of this study may not be generalized to all young investors in South Kalimantan because the research sample is still within a small scope of the total number of young investors. The author realizes that there are still some shortcomings in this study, so in future studies the authors suggest expanding the sample so that the accuracy of the research results increases, and the Heuristic Behavior variable is better studied one by one, namely overconfidence, anchoring, representativeness, availability, and confirmation because each of these biases has different characteristics.

The practical implications of the findings of this study are addressed to young investors at the Faculty of Economics and Business, Lambung Mangkurat University as well as throughout South Kalimantan. The influence of the three variables in the study on investment decision making by young investors shows the importance of improving investment understanding and investment decisions, including through the application of fundamental analysis and technical analysis. This research can serve as a basis for evaluation to improve understanding and the investment decision-making process. Fundamental and technical considerations are the most important things that should not be ignored, but the influence of emotions, psychology and thinking in investors also cannot be eliminated and has an important role if used wisely. So, both should be used in a balanced manner according to their portions and not ignore the influence of both.

The theoretical implication in this research is to provide additional contributions to science, especially in the fields of Financial Management, Behavioral Accounting and Investment Management and Capital Markets. This research can also be used as a reference picture for further research that focuses on the same topic, namely the Impact of Heuristic Behavior, Risk Perception, and Herding Bias on Investment Decisions.

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