ABSTRACT

This study aims to analyze the influence of financial literacy and overconfidence on investment decisions, by considering the respondent financial knowledge (students and non-students) as a moderating variable. The research was conducted due to the importance of financial understanding and individual psychological factors in rational investment decision-making.

The method used is a quantitative approach with Structural Equation Modeling based on Partial Least Squares (SEM-PLS). The respondents consist of 424 individuals aged between 20 and 40 years, all of whom have prior investment experience. Data were collected through questionnaires designed to measure perceptions of financial literacy, overconfidence levels, and investment decision behavior.

The results show that financial literacy has a positive and significant effect on investment decisions, as does overconfidence, which also exhibits a positive and significant effect. However, the moderation test revealed that respondent financial knowledge does not significantly moderate the influence of financial literacy on investment decisions, but it successfully moderates the influence of overconfidence in a negative and significant manner.

This study implies that financial literacy enhancement remains essential across different groups, while overconfidence needs to be managed through differentiated approaches between students and non-students to encourage more rational investment decisions.

Keywords: Financial Literacy, Overconfidence, Investment Decision, Respondent Financial knowledge, SEM-PLS