

The Role of Financial Literacy in Moderating the Relationship between Financial Behavior and Investment Decisions of Indonesian Women Investors

Nurul Sani¹, Veronika Santi Paramita²

¹²Jenderal Achmad Yani University, Indonesia

Correspondent: veronika.santi@lecture.unjani.ac.id²

Received : September 28, 2024

Accepted : October 18, 2024

Published : October 27, 2024

Citation: Sani, N & Paramita, V, S. (2024). The Role of Financial Literacy in Moderating the Relationship between Financial Behavior and Investment Decisions of Indonesian Women Investors. *Moneta: Journal of Economics and Finance*, 2(4), 269-286.

<https://doi.org/10.61978/moneta.v2i4.438>

ABSTRACT: The investment market in Indonesia has shown significant improvement in recent years, with the participation of female investors dominating. However, this phenomenon is not comparable to the high number of victims of illegal investment, which women also dominate. This study examines how financial literacy affects the relationship experienced by regret, herding behaviour, and risk tolerance when making investing decisions. This study employs a quantitative methodology with a cohort of Indonesian women investors who fit specific requirements. One hundred respondents were selected using the judgmental sampling technique. To analyse the data, Moderated Regression Analysis was used (MRA). The research results show that experienced regret, herding behaviour, and risk tolerance positively influence investment decisions. Apart from that, financial literacy has been proven to moderate the relationship between experienced regret, herding behaviour, and risk tolerance on investment decisions among female investors in Indonesia. These findings shed crucial light on how financial literacy may mitigate the variables influencing Indonesian women investors' investment choices.

Keywords: Financial Literacy, Experienced Regret, Herding Behaviour, Risk Tolerance, Investment Decisions.



This is an open-access article under the CC-BY 4.0 license

INTRODUCTION

Investment plays a vital role in the economic growth of a country, including Indonesia, which has experienced significant development in recent years. Investment is allocating financial resources or assets to obtain future profits (Lubis, 2016). Investment assets are divided into real assets, such as gold and property, and financial assets, such as shares and bonds. The capital market, which deals with long-term assets, and the money market, which focuses on short-term securities, constitute the financial market (Seri Suriani, 2022)(Sutrisno, 2017).

Investment decisions are a complex process influenced by technical and personal factors, such as age, education level, income, and portfolio structure. Investors need accurate information

to make strategic decisions to maximise profits and minimise risks (Fachrudin & Fachrudin, 2016)(Sani & Paramita, 2024).

Based on data from KSEI (2024), the number of investors in the Indonesian capital market has steadily increased, indicating a good trend between 2020 and January 2024. From 3,880,753 investors in 2020 to 7,489,337 investors in 2021, the number of Indonesian capital market investors has been steadily improving. This number will keep rising annually until January 2024, when it will have increased by 12,326,700. According to information from the Indonesian Central Securities Depository (KSEI), in June 2022, men made up 62.97% of capital market investors, while women made up 37.03%. Even so, there is an increase in female investors every year. This continued until July 2024, when the percentage of male investors decreased slightly to 62.08%, while female investors increased to 37.92%. This opens up opportunities for further study regarding the motivations and challenges female investors face.

This study measures financial behaviour through three main variables: experienced regret, herding behaviour, and risk tolerance. These three variables represent psychological and behavioural factors influencing women's investment decisions.

Experience is an important factor in making investment decisions. Experienced regret refers to regret that arises from past mistakes, which can influence wiser investment decisions as experience increases (Pranyoto et al., 2020)(Budiman et al., 2021). However, there are differences of opinion in previous research regarding the significant influence of experienced regret on investment decisions (Fachrudin & Fachrudin, 2016; Fitriyani & Anwar, 2022). In addition, herding behaviour, where investors follow collective action, has contradictory research results regarding its influence on investment decisions. Several studies show that herding behaviour significantly influences investment decisions (Adielyani & Mawardi, 2020) (Ahmed & Noreen, 2021), while other research shows the opposite (Sabir et al., 2019) (Arta et al., 2021).

Another important element influencing investment choices is risk tolerance. Risk-tolerant investors are frequently more inclined to take risks (Sani & Paramita, 2024; Ainia & Lutfi, 2019). However, other research shows different results, where risk tolerance does not significantly influence investment decisions (Nur Yulianis, 2020) (Sari, 2021). The differences in research results related to experienced regret, herding behaviour, and risk tolerance indicate the need for further research. In this instance, financial literacy is regarded as a pertinent moderating element. A high degree of financial literacy enables investors to make more informed choices, such as avoiding the dangers of harmful internet loans or illicit investment activities (Utami & Kartini, 2017) (Putri & Ishanah, 2020).

The level of financial literacy is a key factor in wise investment decisions. Data from the Financial Services Authority (OJK) shows a significant increase in women's financial literacy levels from 36.13% in 2019 to 66.75% in 2023, surpassing men's financial literacy levels which are at 64.14% (OJK, 2024). This illustrates how more Indonesian women realise how crucial financial literacy is to handling personal money and choosing investments. However, even

though the level of women's financial literacy has increased, women's involvement in fraudulent investment practices and illegal online loans remains high. Data from the Indonesian Stock Exchange (BEI) shows that women are the dominant victims in illegal investment cases, reaching 37.55% of total capital market investors in 2023. In addition, women also dominate online loan users at 54.95% compared to men, which is 45.05% (OJK, 2021).

Women's involvement in illegal investments and online loans shows that increasing financial literacy has not completely prevented women from the risk of detrimental financial practices. Factors such as economic pressure, urgent needs, and the responsibility of managing family finances are often the main reasons women get trapped in this situation; increasing financial literacy through programs such as BUNDAKU by OJK predicts that women who manage the finances for their families will be able to make better investment choices.

The purpose of this study is to analyse the role of financial literacy in moderating the relationship between financial behaviour and investment decisions of women. This research aims to understand how psychological and behavioural factors, namely experienced regret, herding behaviour, and risk tolerance, influence women's investment decisions and how financial literacy can impact this relationship. Therefore, this research is entitled "The Role of Financial Literacy in Moderating the Relationship between Financial Behavior and Investment Decisions of Indonesian Women Investors".

Behaviour Finance Theory

The limitations of conventional financial theory led to the rise of behavioural finance, providing a fresh perspective on financial markets. In general, behavioural finance argues that certain financial phenomena can be better understood through models involving multiple actors who are not completely rational (Seri Suriani, 2022)(Sandalia & Butar, 2016).

Behavioural finance is a branch of science that studies how individuals respond and react to information or knowledge received, focusing on making decisions to maximise investment returns while considering existing risks. This science explores how psychological factors influence investment decisions. On the other hand, financial behaviour relates to individual responsibility in managing their finances effectively. This includes the management or funding process as well as managing assets productively. In this case, financial management is the process of controlling and using financial assets to achieve financial stability and success (Achmad Choerudin et al., 2023).

Investment Decisions

According to (Lindananty & Angelina, 2021), stock investment decisions involve investing capital in one form of asset, namely shares, with the hope of making a profit in the future. Furthermore, investment decisions are defined as a strategic process in determining the placement of capital in one or more assets to obtain profits in the future. This process involves

an in-depth evaluation of various investment options' potential returns and risks. In addition to considering possible profits, investment decisions require a thorough analysis of factors such as market stability, asset liquidity, and long-term impact on the investment portfolio. These decisions are important in achieving set financial goals regarding quick short-term profits and sustainable wealth growth (Tandelilin, 2010) (Wulandari, 2014).

From the explanation above, the author can conclude that investment decisions are part of financial management, which involves making strategic decisions regarding capital placement in various assets to generate future profits.

In this study, several indicators are used to measure investment decisions. According to (Tandelilin, 2010), the indicators of investment decisions are as follows: 1) Expected Return, 2) Risk, and 3) The Relationship Between Risk and Return.

Experienced Regret

Experienced regret is the remorse that arises from past mistakes or unsatisfactory investment decisions. These regrets often influence how a person makes future decisions, as individuals try to avoid similar mistakes and adopt more cautious strategies to avoid further losses (Wulandari, 2014) (Pranyoto et al., 2020).

Furthermore, experienced regret is a feeling of disappointment and regret arising from unsatisfactory investment decisions in the past. This experience can influence future investment decisions by making a person more cautious and reluctant to take risks.

In this study, the indicators of experienced regret, as proposed by (Wulandari, 2014), are as follows: 1) The experience of loss in making investments. 2) Feelings of regret while investing. 3) The impact of investment losses on subsequent investment decisions.

Negative experiences encountered by investors after making investment decisions can lead them to become more willing to invest in higher-risk types of investments. They have learned to calculate and consider potential risks when making investment decisions (Pranyoto et al., 2020).

Based on previous research, studies conducted by (Putra et al., 2016), (Budiman et al., 2021) and (Putra, 2015) suggest that experienced regret positively influences investment decisions. This finding is also supported by (Wulandari, 2014). These statements form the basis for the formulation of the first hypothesis in this study:

H1: Experienced regret positively influences investment decisions among female investors in Indonesia.

Herding Behaviour

((Fitriyani & Anwar, 2022) Explains that herding is behaviour in which someone follows the actions of another person because they feel doubtful about their abilities or information. This

behavioural bias often occurs in investors who follow the majority's decisions. Pressure from the environment or influence from their peers is often the main reason investors engage in this herding behaviour. This herding behaviour is an irrational action by investors, where they make investment decisions based on noise or irrelevant information circulating in the capital market while ignoring valid data and fundamental values (Afriani & Halmawati, 2019).

From the explanation above, the author can conclude that herding behaviour is a person's tendency to follow the actions of a large group, whether consciously or unconsciously because they are uncertain about their abilities or information.

In this study, the indicators of herding behaviour, as defined by (Putri & Ishanah, 2020), are as follows: 1) Transaction decisions, 2) Stock selection, 3) Trading volume, and 4) Holding duration.

Investors tend to exhibit herding behaviour when they believe that the investment decisions of most investors are correct, and this behaviour is undertaken to protect themselves from risk. This is similar to a situation where an investor wants to buy a specific stock and immediately reacts when another investor changes their decision. When investors allocate a large amount of capital to their investments, they follow the actions of others to reduce risk. Moreover, group preferences also depend on the nature of the investor. For instance, individual investors are likelier to follow the crowd in investment decisions than stock investors (Fitriyani & Anwar, 2022) (Pranyoto et al., 2020).

Furthermore, research by (Suresh G, 2024) and (Elhussein & Abdelgadir, 2020) explains that biased behaviour influences investment decisions. Other studies have found that herding behaviour has a positive impact on investment decisions, such as those by (Adielyani & Mawardi, 2020)), and consistent with the research conducted by (Robin & Angelina, 2020), (Ahmad, 2022), and (Ishanah, 2020). Based on this, the hypothesis proposed is:

H2: Herding behaviour positively influences investment decisions among female investors in Indonesia.

Risk Tolerance

Risk tolerance is the level to which an individual or organisation is willing and ready to accept risks to achieve predetermined goals. This includes evaluating and balancing potential profits and acceptable levels of risk, both in the context of investment decision-making and risk management (Sari, 2021) (Wulandari, 2014).

Risk-neutral investors often take maximally aggressive positions by buying high-potential assets and selling low-potential assets, which creates conditions of interest rate parity. The characteristics of investment behaviour are generally divided into three types. Investors who avoid risk or are risk averse, who are very careful and avoid decisions that could pose risks, are often referred to as safety players. Investors who are careful about risk or risk indifferent are careful in considering the impact of decisions and are often referred to as doubters in the business world. Meanwhile, investors who seek risk or risk seekers tend to like risk and

speculation, often become leaders or big business people and are known as risk lovers (Sari, 2021); (Kusumaningrum et al., 2019).

According to Wulandari and Iramani (2014), the aspects that serve as indicators of risk tolerance are 1) Investment choices under risky conditions, 2) The use of income for speculative investments, 3) The purchase of assets without consideration, and 4) Investment in activities that offer high returns.

Theoretically, risk tolerance is expected to influence an individual's investment decisions. With a high-risk tolerance, an individual is likelier to make bold investment decisions than someone with a low-risk tolerance (Mandagie et al., 2020) (Sani & Paramita, 2024). Research by Adielyani & Mawardi (2020) and Sani & Paramita (2024) suggests that risk tolerance influences investment decisions. This finding is also supported by the study conducted by Mubaraq et al. (2021). Furthermore, similar results were found (Ainia & Lutfi, 2019), indicating that risk tolerance significantly positively affects investment decision-making. Based on this, the hypothesis proposed is:

H3: Risk tolerance positively influences investment decisions among female investors in Indonesia.

Financial Literacy

The capacity to properly comprehend and use information and skills to manage financial matters is known as financial literacy (Achmad Choerudin et al., 2023). To enhance personal well-being, financial literacy also encompasses a range of information, abilities, attitudes, behaviours, and awareness that affect financial decisions (Kusumaningrum et al., 2019). According to OJK regulations, financial literacy is a series of activities that increase an individual's understanding (knowledge), skills, and self-confidence in managing finances effectively and optimally. Financial literacy is a fundamental asset for individuals in managing their finances effectively. Every person must avoid financial issues, as they often face challenging decisions that require sacrificing one benefit to gain another (BriLatifa Paramita & Santi Paramita, 2024; Hidayat & Paramita, 2024).

Awareness of financial literacy has a long-term impact that can keep financial conditions normal, stable, safe and prosperous. Financial literacy is very important for individual interests but also influences a country's economic and business progress. Therefore, progress in a country's development is often marked by public awareness of the important role of financial literacy in the financial sector (Sandalia & Butar, 2016) Choerudin et al., 2023).

Furthermore, financial literacy is an individual's ability to understand, apply, and manage basic financial concepts such as savings, investment, debt, and insurance. It includes knowledge and skills in short—and long-term financial planning as well as the confidence to manage finances effectively.

There are several indicators used to measure financial literacy in this study, according to (Kojo Oseifuah, 2010), as follows: 1) Financial Knowledge, 2) Financial Attitudes, and 3) Financial Behaviour.

Investors who experience regret tend to have a better understanding in the future because they learn from and comprehend the mistakes made in previous investment decisions, leading to improved decision-making in subsequent investments. Furthermore, financial literacy can moderate herding behaviour's effect on investment decisions by strengthening or weakening it. Investors with higher financial literacy are better equipped to evaluate and understand market information. They can more effectively utilise signals from herding behaviour, filter relevant information, and make more accurate investment decisions (Fitriyani & Anwar, 2022; (Amir Hayat, 2018). Additionally, adequate financial knowledge can offset the boldness that arises from high-risk tolerance, allowing investors to manage risks more effectively and make better investment decisions.

H4: Financial literacy moderates the relationship between experienced regret and investment decisions among female investors in Indonesia.

H5: Financial literacy moderates the relationship between herding behaviour and investment decisions.

H6: Financial literacy moderates the relationship between risk tolerance and investment decisions.

METHOD

This study employs both primary and secondary data sources and quantitative research methodologies. Primary data in this research was obtained directly from respondents through questionnaires filled out by individuals who were the units of analysis according to the research sample. Furthermore, secondary data was collected from various sources, including websites such as www.idx.co.id and www.ksei.co.id, as well as other supporting data. This secondary data includes information regarding the number of investors, investor demographics, and capital market returns. This research focuses on female Indonesian investors actively participating in the capital market. The research sample was selected using a non-probability sampling method with a sampling approach based on judgmental sampling techniques with 100 respondents. IBM SPSS Statistics version 27 was used to analyse the data. The data were processed using Moderated Regression Analysis (MRA), a multiple linear regression technique that considers the relationships between variables. The following is the structure of the regression equation utilised in this study:

$$ID = \alpha + \beta_1 ER + \beta_2 HB + \beta_3 RT + \beta_4 X_4 + \beta_5 ER*FL + \beta_6 HB*FL + \beta_7 RT*FL + e....$$

Information:

ID = Investment Decision

ER = Experienced Regret

HB = Herding Behaviour

RT = Risk Tolerance

FL = Financial Literacy

α = Constant

β = Regression Coefficient

e = Error Term, namely the error rate in research.

RESULT AND DISCUSSION

Respondents in this research are investors who live in Indonesia, are active as capital market investors and are female. The data obtained is taken by filling out a questionnaire. The number of respondents collected was 100 people, female (100%) and predominantly aged 17-27 years (68%). All respondents live in Indonesia (100%), and the majority are students (52%) with a monthly income of less than Rp. 5,000,000 (53%). Furthermore, most respondents have been investing for less than 1 year (51%). This explanation provides an overview of the Indonesian capital market's demographic, geographic and female investment characteristics.

Validity Test

Validity testing in this research was carried out using the product moment correlation technique. The criterion is that if the calculated r -value $\geq r$ table, then the statement item is considered valid. For this research, the r table value is 0.3610.

Reliability Test

The reliability test shows that Cronbach's alpha value is declared reliable because it is greater than 0.6. According to Sekaran & Bougie (2017), this value guarantees consistency of measurements even though they are carried out at different times.

Table 1. Reliability Test Results

Variable	Cronbach's Alpha	N of Items	Description
Experience regret (X1)	.918	5	Reliable
Herding behaviour (X2)	.868	4	Reliable
Risk tolerance (X3)	.900	8	Reliable

The Role of Financial Literacy in Moderating the Relationship between Financial Behavior and Investment Decisions of Indonesian Women Investors

Sani & Paramita

Financial literacy (Z)	.907	6	Reliable
Investment decision (Y)	.845	6	Reliable

Normality Test

The table below shows that the Kolmogorov-Smirnov test results show an Asymp.sig (2-tailed) value of 0.148, which is greater than 0.05, so H0 is accepted. Thus, the residual data is normally distributed.

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters ^b	Mean	.0000000
	Std. Deviation	1.92854599
	Absolute	.077
Most Extreme Differences	Positive	.047
	Negative	-.077
Test Statistic		.077
Asymp. Sig. (2-tailed)		.148 ^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Multicollinearity Test

According to the data in Table 3, the Experienced Regret variable has a tolerance value of 0.969 and a VIF of 1.032. Similarly, the Herding Behaviour variable has a tolerance of 0.973 and a VIF of 1.028. The Risk Tolerance variable shows a tolerance of 0.982 and a VIF of 1.019, while the Financial Literacy variable has a tolerance of 0.945 and a VIF of 1.058. These values indicate that all variables have tolerance values greater than 0.100 and VIF values less than 10.00, confirming the absence of multicollinearity issues.

Table 3. Multicollinearity Test Results

		Collinearity Statistics	
		Tolerance	VIF
1	Experience regret	.969	1.032
	Herding behaviour	.973	1.028

The Role of Financial Literacy in Moderating the Relationship between Financial Behavior and Investment Decisions of Indonesian Women Investors

Sani & Paramita

Risk tolerance	.982	1.019
Financial literacy	.945	1.058
a. Dependent Variable: investment decision		

Heteroscedasticity Test

The results of the heteroscedasticity test show that the significance values for all variables exceed 0.05, indicating the absence of heteroscedasticity symptoms.

Table 4. Heteroscedasticity Test Results

		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	1.092	2.881		.379	.706
	Experience regret	.026	.074	.036	.354	.724
	Herding behaviour	.003	.072	.004	.037	.971
	Risk tolerance	.064	.060	.109	1.071	.287
	Financial literacy	-.095	.069	-.143	-1.371	.173
a. Dependent Variable: ABS_RES						

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Test Results

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	2.455	1.279		1.920	.058
	Experienced regret	.362	.093	.323	3.898	.000
	Herding behaviour	.216	.109	.160	1.992	.049
	Risk tolerance	.346	.073	.445	4.713	.000
a. Dependent Variable: Investment decision						

Based on Table 5, it can be concluded that the multiple regression equation is as follows:

$$Y = 2.455 + 0.362X_1 + 0.216X_2 + 0.346X_3$$

The equation above shows that the constant is 2,455, indicating that the investment decision will be valued at 2,455 units if all variables are set to zero. Additionally, the multiple linear regression analysis results reveal that Experienced Regret, Herding Behaviour, and Risk Tolerance positively and significantly affect the dependent variable. This is evident from the coefficient values (B) of 0.362, 0.216, and 0.346, respectively

Coefficient Of Determination (R^2)

Table 6. Results of the Coefficient Of Determination (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.838 ^a	.702	.693	1.9666990
a. Predictors: (Constant), Risk tolerance, Herding behaviour, Experienced regret				

Based on Table 6, the R-value is 0.838. This means that the correlation between variable X and variable Y is 0.838, and it shows a very strong relationship between variable significance for variable Y at 69.3%. The remaining 30.7% is influenced by other variables not examined in this research.

Hypothesis Test (F-Test)

Table 7. Hypothesis Test Results

Coefficients					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	t
1	(Constant)	2.455	1.279		1.920
	Experienced regret	.362	.093	.323	3.898
	Herding behaviour	.216	.109	.160	1.992
	Risk tolerance	.346	.073	.445	4.713
a. Dependent Variable: Investment decision					

Based on the results in Table 7. above, the following results were obtained:

1) The influence of experienced regret (X1) on investment decisions (Y)

Table 7 indicates a positive link with a coefficient of 0.362 for X1, which stands for experienced regret. The significance value for experienced regret is less than 0.05, at 0.000. Thus, the first hypothesis is confirmed that past regret positively influences investing choices.

2) The influence of herding behaviour (X2) on Investment Decisions (Y)

The research results indicate that the coefficient for herding behaviour is positive at 0.216, indicating a positive relationship. Moreover, the significance value for herding behaviour is 0.049, less than 0.05. Therefore, it can be concluded that the second hypothesis, suggesting that herding behaviour positively influences investment decisions, is supported.

3) The influence of risk tolerance (X3) on investment decisions (Y)

The results in Table 7 indicate a positive association since the risk tolerance coefficient is positive at 0.346. The significance value for risk tolerance is below the 0.05 threshold at 0.000. Thus, the third hypothesis is confirmed according to which risk tolerance positively impacts investment decisions.

Moderated Regression Analysis (MRA)

Table 8. Moderated Regression Analysis Test Results

Coefficients					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	17.067	.459		.000
	Experienced regret	.351	.128	.481	.007
	Herding behaviour	1.146	.041	1.299	.000
	Risk tolerance	.218	.080	.432	.008
	Financial literacy	.044	.019	.071	.021
	Experienced regret*Financial literacy	.018	.006	.866	.005
	Herding behaviour*Financial literacy	.069	.002	1.778	.000
	Risk tolerance*Financial literacy	.011	.004	.802	.006

a. Dependent Variable: Investment decisions

Table 8 shows the significant values for the interaction between Experienced Regret, Herding Behaviour and Risk Tolerance with Financial Literacy, respectively, namely 0.005, 0.000 and 0.006, where this is smaller than 0.05 (<0.05), so it can be concluded that Financial Literacy is capable of moderate the relationship between Experienced Regret, Herding Behaviour and Risk Tolerance with Inventory Decisions.

The first hypothesis in this study is that investment decisions are positively impacted by experienced regret. Therefore, the first hypothesis, which posits that Experienced Regret affects Investment Decisions, is supported. These findings align with behavioural finance theory, which emphasizes that psychological factors, including emotions such as regret, play an important role in financial decision-making. Experienced regret arises when investors experience a discrepancy between expected results and the reality of investments in the past, thus affecting the way they make decisions in the future. Women tend to have more cautious and reflective decision-making characteristics, especially in situations involving risk and uncertainty, such as investments. Experienced regret can trigger women to pay more attention to their decision-making processes, learn from past mistakes, and adopt a more informed and strategic approach in choosing investment instruments. As a result, experienced regret encourages them to increase involvement

in the capital market to minimise potential future losses and achieve better investment results. Thus, the higher the experienced regret, the greater the individual's motivation to learn from past mistakes, ultimately improving the quality of their investment decisions. This is in line with research conducted by (Pranyoto et al., 2020), (Budiman et al., 2021)), (Putra et al., 2016)), and (Edison, 2023), which states that experienced regret has a significant positive effect on investment decisions.

The second hypothesis proposed in this research is herding behaviour regarding investment decisions among female investors in Indonesia. This shows that Herding Behaviour has a significant influence on Investment Decisions. In financial behavioural theory, herding behaviour is an individual's tendency to follow the decisions or actions of others in situations full of uncertainty, including in investment. Women tend to consider the opinions or behaviour of other investors who are considered to have experience or expertise, thereby influencing their investment decisions. This positive influence occurs because herding gives women additional confidence when making investment decisions, especially if they lack in-depth information or understanding. By following the steps of other, more experienced investors, they feel they can reduce the risk of mistakes and increase their chances of success. Herding behaviour is a form of adaptive strategy that helps women to participate more actively in the capital market. These findings align with behavioural finance theory, which states that emotions, biases and social interactions play an important role in financial decision-making. This behaviour also reflects how psychological and social factors can influence women's investment decisions in Indonesia, especially in the face of market complexity that is often difficult for individuals to understand fully. This is in line with research conducted by (Adielyani & Mawardi, 2020), (Ishanah 2020), (Angelina 2020), and (Ahmad2022), which states that herding behaviour has a significant positive effect on investment decisions.

This is consistent with research conducted by Adielyani & Mawardi (2020), Putri & Ishanah (2020), and Robin & Ange. According to the study's third hypothesis, their risk tolerance influences Indonesian women investors' investment choices. Thus, the third hypothesis, which states that risk tolerance influences investment decisions, is accepted. This positive influence occurs because women with a high-risk tolerance are more open to investment opportunities that offer better returns, even with greater risk. They tend to use information more rationally to evaluate risks and potential profits to make their investment decisions more mature and strategic. These findings align with behavioural finance theory, which emphasizes that psychological factors, such as risk perception and individual tolerance for risk, influence financial decision-making. By understanding their risk tolerance, women can take more confident and optimal investment steps, increasing their participation and the quality of their decisions in the capital markets. Lina (2020) and Ahmad (2022) state that herding behaviour significantly affects investment decisions. This is in line with research conducted by Adielyani & Mawardi (2020), Sani & Paramita (2024), and (Mubaraq et al., 2021), which state that risk tolerance has a significant positive effect on investment decisions.

Table 8 shows that financial literacy moderates the association between investment decisions and regrets among Indonesian women investors. As a result, there is support for H4, which claims that financial literacy can mitigate the association between investment choices and regret. In this case,

financial literacy acts as an enhancer of the influence of experienced regret so that the experience of regret from previous investment decisions becomes more effective in encouraging better decision-making. Female investors with a high level of financial literacy tend to be better able to utilize experienced regrets to improve their investment strategies. Financial literacy helps them understand risks, analyze opportunities, and make more informed decisions based on learning from past mistakes. Financial literacy strengthens the relationship between experienced regret and investment decisions by providing a knowledge framework that allows investors to apply their experiences more strategically. This is in line with research conducted by Pranyoto et al. (2020), Fachrudin & Fachrudin (2016), and Fitriyani & Anwar (2022) obtained results in the form that the role of financial literacy was able to moderate the relationship between experienced regret in making investment decisions.

Based on the results of Table 8, it is known that financial literacy moderates the relationship between herding behaviour and investment decisions among female investors in Indonesia. This shows that financial literacy can moderate the relationship between herding behaviour and investment decisions. Female investors with high financial literacy can filter relevant information from herding behaviour, utilize market signals more effectively, and make more rational investment decisions. They can differentiate between herding behaviour based on valid information and that which goes with the flow without any clear basis. With good literacy, herding behaviour can be a tool to identify promising investment opportunities. Financial literacy helps investors manage social biases, such as herding, by integrating knowledge-based analysis into decision-making. This shows that financial literacy can improve the quality of investment decisions and determine how investors utilize herding behaviour strategically, especially among women in Indonesia. This is in line with research conducted by Fitriyani & Anwar (2022) and Hayat (2018), which obtained results that the role of financial literacy was able to moderate the relationship between herding behaviour in making investment decisions.

Given the above table's results, it is evident that financial literacy moderates the association between risk tolerance and investment choices among Indonesian female investors. Consequently, it is acknowledged that financial literacy can mitigate the correlation between investors' investment choices and their risk tolerance. Financial literacy is important to balance the bravery that comes with high risk tolerance and make more informed and regulated investing decisions. Women investors with good financial literacy can better understand risks thoroughly and evaluate their impact on their investment portfolios. With adequate financial knowledge, investors can courageously manage the risks associated with investing and make more careful decisions based on rational analysis. Financial literacy helps investors avoid making impulsive or excessive decisions, focusing only on potential profits without considering long-term consequences. This is in line with research conducted by Aren & Aydemir (2015) and Sani & Paramita (2024), which obtained results that the role of financial literacy was able to moderate the relationship between risk tolerance and investment decision-making.

CONCLUSIONS

Based on the analysis of the research findings and discussions, it can be concluded that Experienced Regret, Herding Behaviour, and Risk Tolerance positively impact investment decisions. These findings suggest that the dependent variables influence female investors in Indonesia when making investment choices. Additionally, financial literacy plays a moderating role in the relationship between Experienced Regret, Herding Behaviour, and Risk Tolerance in investment decisions

Researchers have limitations in this research process because they only focus on the variables above and female investors. So, for future researchers, it is recommended that the sample be expanded to include male investors or even investors from various countries to test whether the results obtained are universal. In addition, future research can consider other variables that can influence investment decisions, such as investment motivation, demographic characteristics, and investment experience.

Female investors in Indonesia are advised to manage experienced regrets better, make investment decisions rationally, and avoid following group opinions without in-depth analysis. Increasing risk tolerance according to personal profile and financial literacy is also important to manage risk and optimally take advantage of investment opportunities. Apart from that, investors must be selective about social influence, and investment decisions should be based on mature personal data and analysis.

REFERENCE

- Achmad Choerudin, Zulfachry, Widiaswati, R., Warpindyastuti, L. D., Khasanah, J. S. N., Harto, B., Oktaviani, N. F., Sohilauw, M. I., Nugroho, L., Suharsono, J., & Paramita, V. S. (2023). *LITERASI KEUANGAN* (Issue Juni). PT GLOBAL EKSEKUTIF TEKNOLOGI.
- Adielyani, D., & Mawardi, W. (2020). The Influence of Overconfidence, Herding Behavior, and Risk Tolerance on Stock Investment Decisions: The Empirical Study of Millennial Investors in Semarang City. *Jurnal Maksipreneur: Manajemen, Koperasi, Dan Entrepreneurship*, 10(1), 89. <https://doi.org/10.30588/jmp.v10i1.691>
- Ahmad. (2022). Does Herding Behavior Matter in Investment Management and Perceived Market Efficiency? Evidence from an Emerging Market. *Emerald Publishing*.
- Ahmed, Z., & Noreen, U. (2021). Role of behavioral determinants for investment decision making. *Asia-Pacific Social Science Review*, 21(2), 48–62.
- Ainia, N. S. N., & Lutfi, L. (2019). Pengaruh Risk Perception, Risk Tolerance, Overconfidence dan Loss Aversion Terhadap Pengambilan Keputusan Investasi. *Journal of Economics, Business & Accountancy Ventura*, 21(3), 401–413.
- Amir Hayat, M. A. (2018). Impact of Behavioral Biases on Investment Decision Making with Moderating Role of Financial Literacy. *Jinnah Business Review*, 6(2), 34–41. <https://doi.org/10.53369/rkxa7855>

- Arta, I. P. S., Satriawan, D. G., Bagiana, I. K., SP, Y. L., Shavab, F. A., Mala, C. M. F., Sayuti, A. M., Safitri, D. A., Berlianty, T., Julike, W., Wicaksono, G., Marietza, F., Kartawinata, B. R., & Utami, F. (2021). Manajemen Risiko, Tinjauan Teori Dan Praktis. In *Penerbit Widina Bhakti Persada Bandung*. WIDINA BHAKTI PERSADA BANDUNG.
- BriLatifa Paramita, B., & Santi Paramita, V. (2024). The Influence of Financial Literacy, Lifestyle and Financial Planning on Consumptive Behavior In Millennials and Generation Z. *International Journal of Science, Technology & Management*, 5(2), 373–382. <https://doi.org/10.46729/ijstm.v5i2.1074>
- Budiman, I., Maulana, Z., & Kamal, S. (2021). Pengaruh Literacy Financial, Experienced Regret, dan Overconfidence Terhadap Pengambilan Keputusan Investasi Di Pasar Modal. *Jurnal Manajemen Strategi Dan Aplikasi Bisnis*, 4(2), 321–330. <https://doi.org/10.36407/jmsab.v4i2.282>
- Edison, A. (2023). The Effect of Regret Experienced in Investment Decision: an Experimental Study. *International Journal of Asian Business and Management*, 2(1), 85–98. <https://doi.org/10.55927/ijabm.v2i1.3203>
- Elhussein, N. H. A., & Abdelgadir, J. N. A. (2020). Behavioral Bias in Individual Investment Decisions: Is It a Common Phenomenon in Stock Markets? *International Journal of Financial Research*, 11(6), 25. <https://doi.org/10.5430/ijfr.v11n6p25>
- Fachrudin, K. R., & Fachrudin, K. A. (2016). THE INFLUENCE OF EDUCATION AND EXPERIENCE TOWARD INVESTMENT DECISION WITH MODERATED BY FINANCIAL LITERACY. *Polish Journal of Management Studies*, 14(2), 51–60. <https://doi.org/10.17512/pjms.2016.14.2.05>
- Fitriyani, S., & Anwar, S. (2022). Pengaruh Herding, Experience Regret Dan Religiosity Terhadap Keputusan Investasi Saham Syariah Pada Investor Muslim Millennial Dengan Financial Literacy Sebagai Variabel Moderasi. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 9(1), 68. <https://doi.org/10.20473/vol9iss20221pp68-77>
- Hidayat, F. A., & Paramita, V. S. (2024). Analisis Pengaruh Gaya Hidup, Literasi Keuangan dan Inklusi Keuangan terhadap Perilaku Keuangan Generasi Z di Jawa Barat. *Journal of Management and Bussines (JOMB)*, 6(3), 1143–1152. <https://doi.org/10.31539/jomb.v6i3.8963>
- Kojo Oseifuah, E. (2010). Financial literacy and youth entrepreneurship in South Africa. *African Journal of Economic and Management Studies*, 1(2), 164–182. <https://doi.org/10.1108/20400701011073473>
- Kusumaningrum, T. M., Isbanah, Y., & Paramita, R. A. S. (2019). Factors Affecting Investment Decisions: Studies on Young Investors. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(3), 10–16. <https://doi.org/10.6007/ijarafms/v9-i3/6321>
- Lindananty, L., & Angelina, M. (2021). Pengaruh Pengaruh Literasi Keuangan, Perilaku Keuangan dan Pendapatan terhadap Keputusan Investasi Saham. *Jurnal Buana Akuntansi*, 6(1), 27–39. <https://doi.org/10.36805/akuntansi.v6i1.1298>

- Lubis, T. A. (2016). *Manajemen Investasi dan Perilaku Keuangan*. Salim Media Indonesia (Anggota IKAPI).
- Mandagie, Y. R. O., Febrianti, M., & Fujianti, L. (2020). ANALISIS PENGARUH LITERASI KEUANGAN, PENGALAMAN INVESTASI DAN TOLERANSI RISIKO TERHADAP KEPUTUSAN INVESTASI (Studi Kasus Mahasiswa Akuntansi Universitas Pancasila). *RELEVAN: Jurnal Riset Akuntansi*, 1(1), 35–47. <https://doi.org/10.35814/relevan.v1i1.1814>
- Mubaraq, M. R., Anshori, M., & Trihatmoko, H. (2021). the Influence of Financial Knowledge and Risk Tolerance on Investment Decision Making. *Jurnal Ekonomi Bisnis Dan Kewirausahaan*, 10(2), 140. <https://doi.org/10.26418/jebik.v10i2.47089>
- Nur Yulianis, E. S. (2020). “Impact of financial literacy and Risk Tolerance on Investment Decision.” *International Journal of Management and Humanities*, 4(11), 53–56. <https://doi.org/10.35940/ijmh.k1059.0741120>
- Pranyoto, E., Susanti, & Septiyani. (2020). Herding Behavior, Experienced Regret Dan Keputusan Investasi Pada Bitcoin. *Jurnal Bisnis Darmajaya*, 06(1), 29–43.
- Putra, I. P. S. (2015). Pengaruh Tingkat Literasi Keuangan, Experienced Regret, dan Risk Tolerance Terhadap Keputusan Investasi. *Journal of Pension Economics and Finance*, 5(3), 1–16.
- Putra, I. P. S., Ananingsiyas, H., Sari, D. R., Dewi, A. S., & Silvy, M. (2016). Experienced Regret , dan Risk Tolerance pada Pemilihan Jenis Investasi. *Journal of Business and Banking*, 5(2), 271–282. <https://doi.org/10.14414/jbb.v5i2.548>
- Putri, R. A., & Ishanah, Y. (2020). Faktor-Faktor Yang Memengaruhi Keputusan Investasi Pada Investor Saham Di Surabaya. *Jurnal Ilmu Manajemen*, 8(1), 197–209.
- Robin, R., & Angelina, V. (2020). Analysis of the Impact of Anchoring, Herding Bias, Overconfidence and Ethical Consideration Towards Investment Decision. *JIMFE (Jurnal Ilmiah Manajemen Fakultas Ekonomi)*, 6(2), Inpress. <https://doi.org/10.34203/jimfe.v6i2.2558>
- Sabir, S. A., Mohammad, H. Bin, & Shahar, H. B. K. (2019). The role of overconfidence and past investment experience in herding behaviour with a moderating effect of financial literacy: Evidence from pakistan stock exchange. *Asian Economic and Financial Review*, 9(4), 480–490. <https://doi.org/10.18488/journal.aefr.2019.94.480.490>
- Sandalia, I., & Butar, N. A. (2016). *Perilaku Keuangan: Teori dan Implementasi*.
- Sani, N., & Paramita, V. S. (2024). PENGARUH PENGALAMAN INVESTASI, RISK TOLERANCE, DAN SOSIAL MEDIA TERHADAP KEPUTUSAN INVESTASI DENGAN LITERASI KEUANGAN SEBAGAI VARIABEL MODERASI (Studi Pada Investor Generasi Z Jawa Barat). *Equilibrium : Jurnal Ilmiah Ekonomi, Manajemen Dan Akuntansi*, 13(1), 134. <https://doi.org/10.35906/equili.v13i1.1886>

- Sari, M. (2021). Pengaruh Risk Tolerance Terhadap Keputusan Mahasiswa Surabaya Berinvestasi Dengan Financial Literacy Sebagai Variabel Moderasi. *Jae (Jurnal Akuntansi Dan Ekonomi)*, 6(3), 32–39. <https://doi.org/10.29407/jae.v6i3.16155>
- Seri Suriani. (2022). *Financial Behavior*. Yayasan kita menulis.
- Suresh G. (2024). Impact of Financial Literacy and Behavioural Biases on Investment Decision-making. *FIIB Business Review*, 13(1), 72–86. <https://doi.org/10.1177/23197145211035481>
- Sutrisno. (2017). *Manajemen Keuangan* (2nd ed.). Ekonisia.
- Tandelilin, E. (2010). *Portofolio dan Investasi (Teori dan Aplikasi)* (1st ed.). Penerbit Kanisius.
- Utami, L. D., & Kartini, K. (2017). Faktor demografis, personality traits, dan overconfidence (Survey terhadap investor saham di Yogyakarta). *Jurnal Siasat Bisnis*, 20(2), 181–196. <https://doi.org/10.20885/jsb.vol20.iss2.art6>
- Wulandari, & I. (2014). Studi Experienced Regret, Risk Tolerance, Overconfidence Dan Risk Perception Pada Pengambilan Keputusan Investasi. *Journal of Business and Banking*, 4(1), 55. <https://doi.org/10.14414/jbb.v4i1.293>