

The Effect of Underconfidence Bias Perception on Investment Decisions of Management Students of the Islamic University of Indonesia

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ABSTRACT

This study aims to examine the effect of underconfidence bias on short-term and long-term investment decisions among Management students at the Faculty of Business and Economics, Universitas Islam Indonesia. The study is motivated by the rapid growth of young investors in Indonesia and the increasing importance of behavioral finance in explaining investment decisions influenced by psychological factors rather than purely rational considerations. A quantitative research approach was employed using a purposive sampling technique involving 291 undergraduate management students who had completed Financial Management courses and had investment experience. Primary data were collected through an online questionnaire using a five-point Likert scale and analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS 4. The findings indicate that underconfidence bias has a significant positive effect on short-term investment decisions ($\beta = 0.482$; $p < 0.001$), suggesting that students with greater self-doubt tend to favor short-term investment strategies. Conversely, underconfidence bias has a significant negative effect on long-term investment decisions ($\beta = -0.167$; $p = 0.002$), indicating that low self-confidence discourages students from committing to long-term investments. These findings demonstrate that psychological bias plays a significant role in shaping students' investment behavior across different investment horizons. Therefore, strengthening financial literacy and behavioral finance education is essential to help students recognize psychological biases, improve decision-making confidence, and make more rational, informed, and sustainable investment decisions.

INTRODUCTION

In this modern era, investment has become a crucial part of the economy, with increased access to information and easy-to-use fintech applications enhancing app-based financial education. For novice students, investing is a new concept. Many still consider saving in a bank a safe way to save money. Younger generations, such as students, now have a tremendous opportunity to start investing in things like mutual funds, stocks, bonds, and gold. To invest, student interest needs to be fostered by providing investment education.

Data from the Indonesian Central Securities Depository (KSEI) indicates that by the end of January 2025, the number of capital market investors in Indonesia had reached 14.84 million. This figure has surged significantly from only 3.88 million investors at the end of 2020. This increase of more than 280% in four years demonstrates a fundamental shift in how Indonesians view investment. KSEI data also consistently shows that the younger generation is the primary driver of this growth. As of January 2025, approximately 55.58% of total investors were under 40 years old. The majority of them (63.85%) have a high school or bachelor's degree (S1) educational background.

The economic behavior of modern society cannot be separated from the role of investment as a crucial instrument in financial management (Fitri and Ziaharah, 2025). Investment is considered a strategic way to allocate financial resources into assets expected to generate future profits. In the context of economic development, investment plays a vital role as a driving force for economic growth and social welfare. However, investment decision-making is not solely determined by rational factors but is also influenced by psychological aspects.

Studies of modern financial behavior confirm that traditional financial theory, based on the assumption of complete rationality, is no longer sufficient to explain real-world phenomena. Behavioral finance then emerged to complement this explanation by highlighting the existence of cognitive biases that influence financial decision-making (Pracoyo et al., 2025). These cognitive biases often cause individuals to deviate from what should be rational decisions.

One form of cognitive bias that frequently occurs is underconfidence bias. This bias refers to an individual's tendency to doubt their ability or knowledge in assessing and making decisions. As a result, an individual tends to be overly cautious, delaying, or even avoiding making investment decisions. This differs from overconfidence bias, where individuals are overconfident in their knowledge. Students with financial literacy should be better prepared and rational when faced with various investment options (Merta et al., 2025). However, good financial literacy does not always align with appropriate financial behavior if individuals are still trapped by psychological biases.

Pradhana's (2022) research study on novice investors among university students showed that underconfidence can influence investment behavior through more conservative decision-making and reliance on the opinions of others. Students experiencing this bias tend to wait for validation from peers or others perceived as more knowledgeable. This will undoubtedly have long-term

impacts on students' attitudes, as they are not accustomed to making investment decisions early and risk hindering the growth of personal assets.

In academic settings, particularly among management students at the Faculty of Business and Economics, Universitas Islam Indonesia (FBE UII), the phenomenon of underconfidence bias deserves greater attention. UII management students are prepared to become future professionals skilled in financial management, investment, and business analysis. However, observations indicate a gap between theoretical understanding and practical practice, particularly in investment decision-making.

Some students still tend to avoid investing due to a lack of confidence in their analytical skills. This uncertainty often leads them to invest their funds in short-term consumer goods rather than productive investment instruments. This high level of consumer behavior further exacerbates the barriers to developing investment skills.

In investing, underconfidence bias can have different impacts on short-term and long-term decisions. Short-term investments typically involve high risk and rapid price fluctuations. Students with underconfidence tend to avoid them for fear of loss, even when there is a potential for profit. Conversely, long-term investments generally offer stability and potential asset growth. Students who lack confidence often delay investment decisions due to concerns about future uncertainty. This indicates that underconfidence bias can reduce students' ability to capitalize on opportunities across both investment time horizons.

If this phenomenon is left unchecked, the long-term negative impact will be a lack of student preparedness to face more complex economic challenges. Students should be a group capable of displaying rational financial behavior due to their knowledge base (Elsa, Dasila, and Riyanti, 2024). However, underconfidence bias actually prevents them from capitalizing on existing opportunities.

Limitations in investment decision-making skills due to underconfidence bias not only harm individual students but can also impact their socioeconomic environment. Individuals who fail to invest early will miss out on opportunities for asset growth and potential financial well-being. Furthermore, low investment interest among students can hinder the development of a healthy investment culture in society.

Conversely, if underconfidence bias can be identified and minimized, students will be more confident in making rational investment decisions (Fadhlullah, 2023). This will have a positive impact not only on the students themselves but also on the development of financial literacy within the university environment. Therefore, research on the influence of underconfidence bias on investment decisions is highly relevant and important.

Based on these problems, this study is expected to analyze the influence of underconfidence bias on short-term and long-term investment decisions in UII management students.

LITERATURE REVIEW

Underconfidence Bias

Underconfidence bias is a form of cognitive bias that occurs when individuals underestimate their abilities, knowledge, or skills in decision-making (Firmansyah, 2025). This bias arises from excessive doubt about one's own capacity, leading individuals to perceive themselves as less capable than they actually are. In the context of decision-making, underconfidence causes someone to be overly cautious, slow, or even hesitant in making choices, despite having adequate information and skills. This condition differs from overconfidence, which indicates excessive self-confidence.

Management students are required to possess analytical skills, decision-making abilities, and the confidence to express ideas both orally and in writing (Nurhayati and Erviana, 2024). However, in practice, many students experience underconfidence when having to express opinions in class, give presentations, or make academic decisions such as choosing research topics and determining strategies for completing assignments.

Students with high underconfidence tend to distrust their own analysis, are afraid of taking risks, are slow in making decisions, and are unsure of the best time to seize opportunities. This contrasts with students with low underconfidence who tend to be prepared to take calculated risks, make decisions quickly, are not easily influenced by their environment, trust their own analysis, base decisions on data and logic, and exploit volatility as an investment opportunity. For students, high levels of underconfidence can significantly impact investment decision-making, both short-term and long-term.

Investment decision

Investment decisions are essentially a systematic process undertaken by individuals and organizations to determine the best option from among various available investment alternatives. According to (Destina Paningrum, 2022), investment decisions can be understood as the process of drawing conclusions or making decisions regarding a number of problems and issues, involving the selection of two or more investment alternatives. This process is not merely a matter of selection but also includes the transformation of inputs into outputs that can provide added value in the future. In other words, investment decisions are part of a financial strategy that aims to allocate resources effectively to obtain future economic benefits. According to (Budiyono and Tololiu, 2025), investment decisions are highly subjective and influenced by various individual factors, such as cost estimates, technical knowledge, and risk perception. This shows that not all investment decisions are based on objective calculations. Psychological factors and personal perceptions also play a significant role in the decision-making process. Financial literacy is also an important asset for investors to be rational, so that decisions are more measured and balance the risks and expected returns.

Short-term investments

Short-term investments are investments made over a relatively short period, usually less than one year. Short-term investment decisions are those that consider the highest return from risk-free assets in less than one year. The primary goal of these investments is to generate quick returns and maintain fund liquidity. According to Umah and Akyun (2022), short-term investments involve

placing funds in instruments that can easily be converted back into cash without significantly reducing the principal value.

Long-term investments

Long-term investments are investments with a period of more than one year aimed at achieving asset value growth and significant future profits. Long-term investment decisions are strategic steps in determining investments with the highest return rate compared to risk-free assets over a period of more than one year. Sidabutar et al. (2025) suggest that long-term investments are made to achieve major financial goals, such as education, retirement, and business expansion. The primary goal of long-term investments is capital growth and long-term profit stability through the accumulation of interest, dividends, or increases in asset value. In addition to minimizing investment risk, long-term investments offer a greater opportunity to achieve higher returns. The longer a selected investment asset is held, the greater the potential for its value to increase year after year.

Research by Astiti and Kepramareni (2025) shows that underconfidence influences both short- and long-term investment decisions, although it does not directly impact investment performance. Furthermore, other studies have confirmed that psychological biases, including overconfidence, anchoring, and herding bias, significantly influence investment decisions (Puspawati & Yohanda, 2022; Widyastuti & Murtanto, 2024). This demonstrates that cognitive bias is a crucial factor to consider in investment behavior.

For students, underconfidence can lead to hesitation in choosing investment instruments. Kartini and Setiawan (2017) found that students trapped in underconfidence were more likely to choose conventional savings over risky instruments. Riasati and Rita (2024) also found that students with high underconfidence often delayed decisions, thus missing out on long-term investment opportunities. Therefore, it can be concluded that underconfidence bias negatively influences investment decision-making, both in the short and long term.

Based on previous theoretical and research studies, the hypothesis in this study is formulated as follows:

H1: Underconfidence Bias has a negative effect on short-term investment decisions of UII management students.

H2: Underconfidence Bias has a negative effect on the long-term investment decisions of UII management students.

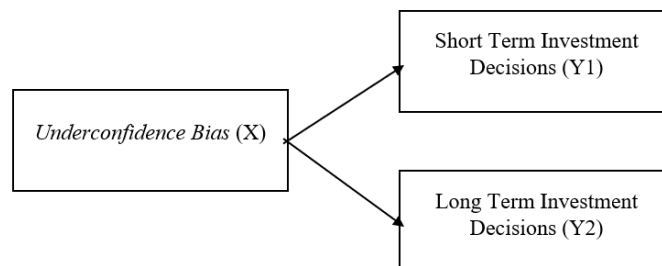


Figure 1. Conceptual Framework

METHODOLOGY

Research approach

This research uses quantitative methods. Quantitative methods are a research method that emphasizes objective measurement of social phenomena using numerical data, statistical analysis, and hypothesis testing (Pakpahan et al., 2021). The research design used is causal associative research. Associative research is a type of research that aims to find relationships or connections between two or more variables (Maskhuliah et al., 2025). Meanwhile, causal research attempts to explain the cause-and-effect relationship between the independent variable and the dependent variable.

The population for this research is all active undergraduate students of the Management Study Program, Faculty of Business and Economics, Islamic University of Indonesia, class of 2022-2024. This study used a purposive sampling technique, namely a sampling method based on certain criteria that are in accordance with the research objectives. The sample criteria in this study were active undergraduate students of the Management Study Program, FBE UII, who have taken the Financial Management course and have invested and are still investing.

The data used in this study are primary. Primary data is data obtained directly from respondents through a research instrument, in this case a questionnaire (Warahmah and Jailani, 2023). In this study, the questionnaire will be distributed to respondents online via Google Forms, using a Likert scale of 1–5, where 1 indicates strongly disagree, and 5 indicates strongly agree. After the data were collected, they were processed and analyzed using the Partial Least Squares-Structural Equation Modeling (PLS-SEM) analysis method with SmartPLS version 4.

RESEARCH RESULT

Respondent Characteristics

Table 1. Respondents by Gender

Gender	Frequency	Percentage
Male	161	55,33%
Female	130	44,67%
Total	291	100%

Source: Researcher data, processed 2026

Based on the table showing respondent characteristics by gender (Table 1), it is evident that out of a total of 291 respondents, 161 (55.33%) were male and 130 (44.67%) were female. These results indicate that the majority of respondents in this study were male, representing a larger proportion than female respondents.

Table 2. Respondents based on generation

Generation	Male	Female	Total	Percentage %
2022	32	37	69	23,71 %
2023	58	41	99	34,02 %
2024	71	52	123	42,27 %
Total	161	130	291	100%

Source: Researcher data, processed 2026

Based on Table 2, the study's respondents were predominantly students from the Class of 2024, totaling 123 individuals (42.27%) – comprising 71 males and 52 females. This was followed by the Class of 2023 with 99 individuals (34.02%) and the Class of 2022 with 69 individuals (23.71%). These results indicate that the majority of respondents in this study belonged to the Class of 2024.

Table 3. Respondents Based on Financial Management Course Status

Status has taken MK Financial Management	Male	Female	Total	Percentage %
Yes	161	130	291	100 %
Total	161	130	291	100%

Source: Researcher data, processed 2026

Based on Table 3, which details the status of Financial Management course enrollment, all 291 research respondents (100%) have completed the Financial Management course. The respondents comprised 161 males and 130 females. This indicates that all respondents possess a foundational knowledge of financial management relevant to the study being conducted.

Descriptive Statistics

Table 4. Descriptive Statistics of Research Variables

Variable	N	Minimum	Maximum	Mean	standard deviation
<i>Underconfidence Bias</i>	325	1,50	5,00	3,17	0,53
<i>Short-Term Investment Decisions</i>	325	1,60	5,00	3,35	0,55
<i>Long-Term Investment Decisions</i>	325	3,00	5,00	4,06	0,62

Source: Researcher data, processed 2026

According to the analysis results in Table 4, the Underconfidence Bias variable has an average value of 3.17 with a standard deviation of 0.53. This average value indicates that some respondents still expressed doubts about their abilities or the decisions they make in investment activities. The minimum value of 1.50 and the maximum value of 5.00 indicate that students still have doubts about their ability to make investment decisions, despite having received financial knowledge through lectures.

Furthermore, the Short-Term Investment Decision variable has an average value of 3.35 with a standard deviation of 0.55. The minimum and maximum values of 1.60 and 5.00, respectively, indicate that students tend to be quite active

in making short-term investment decisions, but remain cautious when facing short-term risks.

Meanwhile, the Long-Term Investment Decision variable has the highest average value compared to other variables, namely 4.06 with a standard deviation of 0.62. The minimum value of 3.00 and the maximum of 5.00 indicate that students tend to have a more active long-term investment orientation, which may be caused by the view that long-term investments have more controlled risks and provide future benefits.

Evaluation of Measurement Model

Convergent Validity

Convergent validity is used to determine the extent to which indicators within a construct are highly interrelated and capable of representing the latent variable being measured. In convergent validity testing, factor loading values should ideally exceed 0.70, as this indicates that the indicator explains more than half of the variance of the construct being measured. Indicators with loading values below 0.60 should ideally be eliminated from the model, as their contribution is considered too low and may compromise measurement quality. However, outer loading values in the 0.60–0.70 range remain acceptable provided that the Average Variance Extracted (AVE) and construct reliability meet the required criteria.

In this study, each variable is measured using several indicators derived from questionnaire statement items. The Underconfidence Bias variable is measured using five indicators coded X1 through X5. The Short-Term Investment Decision variable is measured using twelve indicators coded Y1.1 through Y1.10. Meanwhile, the Long-Term Investment Decision variable is measured using nine indicators coded Y2.1 through Y2.10. These indicator codes are used in the SmartPLS analysis to identify each item within the measurement model.

Table 5. Convergent Validity

Indicator	Long-Term Investment Decisions	Short-Term Investment Decisions	Underconfidence Bias
X1			0.676
X2			0.766
X3			0.804
X4			0.799
Y1.1		0.780	
Y1.2		0.747	
Y1.3		0.765	
Y1.4		0.607	
Y2.1	0.677		
Y2.2	0.622		
Y2.3	0.615		
Y2.5	0.730		
Y2.6	0.716		

Source: Researcher data, processed 2026

Based on the analysis results, the indicators for the Underconfidence Bias variable demonstrate adequate outer loading values. These values reflect the removal of indicators scoring below 0.60, as well as those scoring between 0.60 and 0.70—actions taken because the AVE value shifted following the removal of specific indicators (data regarding the pre-removal table are provided in the appendix). Indicator X3 exhibits the highest outer loading value at 0.804, indicating a strong capacity to represent the Underconfidence Bias construct. Indicators X2 and X4 also show outer loading values of 0.766 and 0.799, respectively, and are thus deemed valid. Meanwhile, indicator X1 has an outer loading value of 0.676, which remains acceptable as it does not compromise the AVE or construct reliability.

For the Short-Term Investment Decision variable, indicators Y1.1, Y1.2, and Y1.3 each have outer loading values of 0.780, 0.747, and 0.765, respectively, indicating that they adequately represent the variable. Indicator Y1.4 has an outer loading value of 0.607, which is acceptable because it meets the minimum threshold and is supported by an AVE value that exceeds the criteria. Therefore, all indicators in the short-term investment decision variable are declared convergently valid.

Meanwhile, for the Long-Term Investment Decision variable, indicators Y2.4 and Y2.6 have outer loading values of 0.730 and 0.716, respectively, indicating that they adequately represent the variable. Indicators Y2.1, Y2.2, and Y2.3 each have outer loading values of 0.677, 0.622, and 0.615, respectively, indicating that they are acceptable because they do not reduce the AVE value and construct reliability. Therefore, all indicators in the long-term investment decision variable are declared convergently valid.

Construct Reliability

Construct reliability assesses the internal consistency of indicators used to measure a latent variable. Reliability testing in this study was conducted using Cronbach's Alpha and Composite Reliability, with constructs considered reliable if they have values ≥ 0.70 .

Table 6. Construct Reliability

Variable	Cronbach's Alpha	Rho_A	Composite Reliability	AVE
<i>Long-Term Investment Decisions</i>	0.767	0.776	0.836	0.505
<i>Short-Term Investment Decisions</i>	0.752	0.781	0.844	0.578
<i>Underconfidence Bias</i>	0.810	0.821	0.874	0.635

Source: Researcher data, processed 2026

The analysis results show that the Underconfidence Bias variable has a Cronbach's Alpha value of 0.810 and a Composite Reliability of 0.874, thus it can be concluded that this construct has a good level of reliability. The Short-Term Investment Decision variable also shows an adequate level of reliability with a Cronbach's Alpha of 0.752 and a Composite Reliability of 0.844. Meanwhile, the Long-Term Investment Decision variable has a Cronbach's Alpha value of 0.767 and a Composite Reliability of 0.836. Based on these results, all constructs in this

study have met the reliability criteria and can measure the research variables consistently.

Average Variance Extracted (AVE)

The proportion of indicator variance explained by the latent construct is measured using the Average Variance Extracted (AVE). To meet the criteria for good validity, a construct is required to have an AVE value equal to or greater than 0.50.

Table 7. Average Variance Extracted (AVE)

	<i>AVE</i>
<i>Long-Term Investment Decision</i>	0.505
<i>Short-Term Investment Decision</i>	0.578
<i>Underconfidence Bias</i>	0.635

Source: Researcher data, processed 2026

Based on the test results, the Underconfidence Bias variable has an AVE value of 0.635, the Short-Term Investment Decision variable has an AVE of 0.578, and the Long-Term Investment Decision variable has an AVE of 0.505. All AVE values are above the required minimum limit of 0.50, so each construct is declared to meet the convergent validity criteria. The AVE of 0.635 for the Underconfidence Bias variable indicates that the construct explains 63.5% of the variance in its constituent indicators, with the remaining 36.5% attributable to measurement error or other sources of variance. This indicates that the indicators used are quite strong in representing the underconfidence bias construct.

The AVE value of 0.578 for the Short-Term Investment Decision variable indicates that the construct explains 57.8% of the indicator's variance, while the remaining 42.2% is influenced by variance outside the construct. Although the value is not particularly high, it still meets the minimum threshold of 0.50, thus the construct is still considered convergently valid. Meanwhile, the AVE value of 0.505 for the Long-Term Investment Decision variable indicates that the construct explains 50.5% of the variance in its indicator. Thus, all constructs in this study have met the convergent validity and are suitable for use in structural model analysis.

Discriminant Validity

Discriminant validity assesses the degree to which a latent construct is genuinely separate and does not coincide with other latent constructs. In this study, discriminant validity was evaluated using the Fornell-Larcker criterion. Square root AVE values exceeding the inter-construct correlation values indicate that the constructs possess strong discriminant validity.

Table 8. Discriminant Validity

	<i>Long-Term Investment Decisions</i>	<i>Short-Term Investment Decisions</i>	<i>Underconfidence Bias</i>
<i>Long-Term Investment Decisions</i>	0.710		

Short-Term Investment Decisions	0.055	0.760	
Underconfidence Bias	-0.167	0.482	0.797

Source: Researcher data, processed 2026

Based on the results of the discriminant validity test using the Fornell-Larcker criteria, a construct is declared to meet discriminant validity if the square root value of AVE for each construct is greater than the correlation value between constructs or the value below it. Based on the table, the AVE root value for the Long-Term Investment Decision variable is 0.710, Short-Term Investment Decision is 0.760, and Underconfidence Bias is 0.797.

The correlation between Long-Term Investment Decisions and Short-Term Investment Decisions is 0.055, the correlation between Long-Term Investment Decisions and Underconfidence Bias is -0.167, and the correlation between Short-Term Investment Decisions and Underconfidence Bias is 0.482.

Therefore, all AVE root values on the diagonal are greater than the correlations between the constructs. This shows that all constructs meet the Discriminant Validity requirements based on the Fornell-Larcker method. As a result, the measurement model is suitable to move on to the evaluation phase of the structural model (inner model).

Structural Model Evaluation

Structural model evaluation assesses the strength of relationships among latent variables and the model's ability to explain the dependent variable. Inner model testing is performed using the R-square (R^2) value and path coefficient.

Table 9. R Square Value and R Square Adjusted

	R Square	R Square Adjusted
Long-Term Investment Decisions	0.028	0.025
Short-Term Investment Decisions	0.232	0.230

Source: Researcher data, processed 2026

Based on the analysis results in Table 9, the R-Square for the Short-Term Investment Decision variable is 0.232 with an Adjusted R-Square of 0.230. This value indicates that the Underconfidence Bias variable explains 23.2% of the variation in students' short-term investment decisions. This R-Square value is included in the weak category, indicating that the research model has insufficient explanatory power for short-term investment decisions. Meanwhile, 76.8% of the variation in short-term investment decisions is influenced by other variables outside this research model.

An R-squared value of 0.028 indicates that Underconfidence Bias only explains 2.8% of the variation in students' long-term investment decisions. This value is considered very weak, indicating that the Underconfidence Bias variable's contribution to long-term investment decisions is relatively small.

These findings suggest that long-term investment decisions are more complex and are likely influenced by other factors not included in this research model, such as financial literacy, long-term financial goals, risk tolerance, and income. Nevertheless, the relationship remains statistically significant, suggesting that underconfidence bias plays a role, albeit not a dominant one, in explaining variation in long-term investment decisions.

Table 10. Variance Inflation Factor (VIF) Value of Structural Model

	VIF
X1	1.730
X2	2.352
X3	2.237
X4	1.375
Y1.1	1.718
Y1.2	1.909
Y1.3	1.605
Y1.4	1.241
Y2.1	1.351
Y2.2	1.700
Y2.3	1.774
Y2.4	1.520
Y2.6	1.250

Source: Researcher data, processed 2026

In addition, multicollinearity testing was conducted by looking at the Variance Inflation Factor (VIF) values as shown in Table 4.10. The test results show that all VIF values are below the required maximum of 5. A low VIF indicates that there is no high correlation among the independent variables in the structural model, so it can be concluded that this research model is free from multicollinearity.

Based on the evaluation results, the structural model (inner model) in this study has a good level of suitability for use in hypothesis testing. Therefore, this study can proceed to the hypothesis testing stage to determine the direction and significance of the influence of underconfidence bias on students' short-term and long-term investment decisions.

Hypothesis Testing

Once all validity and reliability criteria for the measurement (outer model) and structural (inner model) models have been met, the analysis proceeds to hypothesis testing. Hypothesis testing was conducted using the bootstrapping method in SmartPLS version 4 to determine the direction and significance of the relationships between variables.

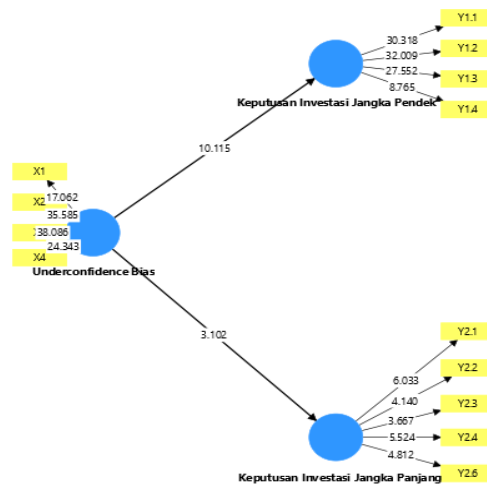
Running the Bootstrapping Procedure

Researchers conducted a bootstrapping process on SmartPLS with the number of subsamples according to the default settings (5,000 subsamples) to

obtain estimates of the path coefficient, t-statistic, and p-value of each relationship between constructs.

View the Path Coefficient Value

The path coefficient is used to determine the direction of the relationship between variables in a structural model. A positive coefficient indicates a unidirectional relationship between the independent and dependent variables, meaning an increase in the independent variable will be followed by an increase in the dependent variable. Conversely, a negative coefficient indicates negative relationship, where an increase in the independent variable is followed by a decrease in the dependent variable.



Path coefficient value

Source: Researcher data, processed 2026

Testing the Significance of Relationships

The significance of the relationship between variables in this study was determined based on the t-statistic and p-value obtained from bootstrapping results. At a significance level of 5% ($\alpha = 0.05$), the relationship between variables is declared significant if the t-statistic value is ≥ 1.96 or the p-value is ≤ 0.05 . If either of these criteria is met, the proposed hypothesis is declared statistically significant and can be accepted. Conversely, if both criteria are not met, the hypothesis is declared insignificant or rejected.

Table 11. Testing the Significance of the Relationship

	<i>T Statistics</i> ($ O/STDEV $)	<i>P Values</i>
<i>Underconfidence Bias -> Long-Term Investment Decisions</i>	3.102	0.002
<i>Underconfidence Bias -> Short-Term Investment Decisions</i>	10.115	0.000

Source: Researcher data, processed 2026

Drawing Hypothetical Conclusions

Hypothesis conclusions are drawn by considering the direction of the relationship and the significance level obtained from the test results. A hypothesis is accepted if the direction of the relationship between variables aligns with the proposed hypothesis and has a p-value ≤ 0.05 at the 5% significance level. Conversely, a hypothesis is rejected if the p-value is > 0.05 , indicating that the relationship between variables is not statistically significant.

The test results are summarized and presented in Table 12 to show the effect of Underconfidence Bias on Short-Term and Long-Term Investment Decisions.

Table 12. Bootstrapping test

	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>T Statistics (O/STDEV)</i>	<i>P Values</i>
<i>Underconfidence Bias -> Long-Term Investment Decisions</i>	-0.167	-0.196	0.054	3.102	0.002
<i>Underconfidence Bias -> Short-Term Investment Decisions</i>	0.482	0.486	0.048	10.115	0.000

Source: Researcher data, processed 2026

Based on the results of the bootstrapping test, the effect of Underconfidence Bias on Long-Term Investment Decisions has a path coefficient of -0.167, a t-statistic of 3.102, and a p-value of 0.002. A negative path coefficient indicates that underconfidence bias negatively influences long-term investment decisions, while a p-value < 0.05 indicates that the effect is statistically significant. Thus, the hypothesis that underconfidence bias negatively affects Long-Term Investment Decisions is accepted.

Furthermore, the results of the bootstrapping test on the effect of underconfidence bias on Short-Term Investment Decisions show a path coefficient of 0.482, a t-statistic of 10.115, and a p-value of 0.000. A p-value smaller than 0.05 indicates that the effect of Underconfidence Bias on short-term investment decisions is statistically significant, while a positive path coefficient value indicates that the higher the level of Underconfidence Bias, the higher the tendency of students to make short-term investment decisions. Thus, the hypothesis stating that underconfidence bias influences Short-Term Investment Decisions is accepted.

Based on the results of the hypothesis testing, it can be concluded that underconfidence bias has a significant influence on students' investment decisions, both in long-term and short-term investments, but with different directions of influence. Underconfidence bias tends to reduce students' tendency to make long-term investment decisions, but actually increases students' tendency to make short-term investment decisions, which indicates that psychological factors such as self-doubt play a different role depending on the investment time horizon faced by students.

DISCUSSION

First, the test results indicate that Underconfidence Bias influences students' Short-Term Investment Decisions. The R-Square value for the short-term investment decision variable of 0.232 indicates that Underconfidence Bias can explain 23.2% of the variation in short-term investment decisions. This indicates that psychological factors, such as self-doubt, play a moderate role in influencing students' short-term investment decisions. Students with underconfidence tend to be more hesitant, cautious, and less daring in exploiting short-term investment opportunities.

Second, the analysis results show that the influence of Underconfidence Bias on Long-Term Investment Decisions is relatively weak. The R-square value for the long-term investment decision variable is 0.028, indicating that Underconfidence Bias can only explain 2.8% of the variation in long-term investment decisions. This indicates that students' long-term investment decisions are influenced by various factors other than Underconfidence Bias, such as long-term financial goals, financial literacy level, risk tolerance, and income.

Third, the results of the structural model evaluation show that the research model does not experience multicollinearity problems, as indicated by all Variance Inflation Factor (VIF) values being below the required maximum limit, namely 5. Thus, the relationships among variables in the research model are declared statistically feasible and can be used to draw research conclusions.

CONCLUSIONS AND RECOMMENDATIONS

Test results indicate that underconfidence bias influences both short-term and long-term investment decisions in college students. This study demonstrates that underconfidence bias is a psychological factor that needs to be considered in student investment decision-making, especially for short-term investments. However, for long-term investments, student decisions are more influenced by factors other than the variables examined in this study.

This research is expected to raise awareness of the existence of underconfidence bias in investment decision-making. Further research is also recommended to broaden the study's scope so that the results can be more widely generalized.

ADVANCED RESEARCH

This study has several limitations that need to be considered when interpreting the results. The independent variable used in this study is limited to Underconfidence Bias, so it does not fully reflect the complex psychological and non-psychological factors that can influence students' investment decisions. The subjects of this study were limited to students in the Management Study Program at the Faculty of Business and Economics, Islamic University of Indonesia, so the results cannot be broadly generalized. Furthermore, the measurement of the Long-Term Investment Decision variable was conducted using a limited number of indicators, so further development is still possible in future research with more comprehensive indicators. The researcher suggests adding other variables that may influence investment decisions, especially long-term investments, such as

financial literacy, risk tolerance, income, and social and environmental factors. Furthermore, data collection methods could be more diverse to gain a deeper understanding of student investment behavior.

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