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ANALYSIS OF FACTORS AFFECTING INVESTMENT DECISIONS AND ITS IMPLICATIONS ON ORGANIZATIONAL PERFORMANCE

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Abstract

Investment refers to the act of allocating capital with the expectation of generating a rate of return in the future. The process of making investment decisions entails a cognitive assessment that involves choosing one alternative from a range of options based on available information. Given the highly competitive global business environment, investors are compelled to thoroughly study and develop their intuition to make informed investment choices.The objective of this study is to analyze the determinants influencing Investment Decisions, which are proxied by Financial Literacy, Financial Behavior, Risk Perception, and Overconfidence, and their implications on Organizational Performance. The selection of research subjects in the Jakarta Industrial Estate Pulogadung area is based on the Government's plan to relocate to Subang, West Java. The study employs primary quantitative data collected through non-probability sampling and purposive sampling methods, and utilizes Structural Equation Model - Partial Least Square (SEM-PLS) analysis with SmartPLS 4 software. The findings of the analysis reveal that Financial Literacy have negative effect on Investment Decisions. Conversely, Financial Behavior, Risk Perception, and Overconfidence have positive effect on Investment Decisions. Additionally, Risk Perception have positive effect on Organizational Performance. However, Financial Literacy, Financial Behavior, Overconfidence, and Investment Decisions have no effect on Organizational Performance. Consequently, it can be inferred that all factors influencing investment decisions have the capacity to influence organizational performance, an organization's overall performansce cannot be solely attributed to its investment decisions, as other factors also come into play.

Keywords: Organization Performance, Investment Decision, Financial Literacy, Financial Behavior, Risk Perception, Overconfidence

INTRODUCTION

The development of the manufacturing industry sub-sector in Indonesia, especially in Jakarta, experienced very rapid development before 1969. This was marked by the growth of industrial zones in various areas of the city of Jakarta. To overcome these conditions the regional government decided to rearrange industrial activities in the Jakarta city area by uniting certain areas including the Pulogadung area which was used as one of the industrial areas.

The choice of the Pulogadung area as an industrial area was due to several main reasons, namely that Pulogadung is very strategically located, easy to reach by transportation from the Jakarta area and its surroundings, making it very easy to carry out the process of distributing goods/services to the area. Based on the Decree of the Governor of DKI Jakarta Number Ib.3/2/35/1969 concerning 500 Ha of land in Pulogadung. Through this decree, the Pulogadung area officially owns a land area of 500 hectares. Seen at that time, the condition of the area was still an unproductive swamp as agricultural land so it was diverted into an industrial area, with the name Pulogadung Industrial Zone.

In Indonesia, the Pulogadung Industrial Area is the first industrial area. This area was originally a project created and managed by the Regional Government of DKI Jakarta under the name Jakarta Industrial Estate Pulogadung (JIEP) Project. In line with the development of the industrial area, the government made adjustments both in terms of institutions and capital. This is because if JIEP remains a project managed by the regional government of DKI Jakarta, its legal status is not a business entity so the capital is only made from the DKI Jakarta government.

To overcome these problems on June 26, 1973, PT Jakarta Industrial Estate Pulogadung (PT JIEP) was formed to replace the management of Jakarta Industrial Estate Pulogadung through Notary Deed Number 127 of 1973, to overcome the problem of own capital regulated by Government Regulation Number 28 of 2010 1973 and Letter of the Governor of the Province of DKI Jakarta Number D.V-a.3/2/36/73 with the following composition of capital: 50% owned by the Government of the Republic of Indonesia (Central Government) and 50% owned by the Provincial Government of DKI Jakarta. On January 24, 2022, the central government officially handed over 50% of the Company's shares to Danareksa in an effort to form a NOEs holding that operates across sectors.

An Industrial Estate is a centralized place for industrial activities equipped with facilities and infrastructure provided. In contrast to the Industrial Zone which is a centralized place for industrial activities that is not equipped with adequate facilities and infrastructure. Initially, industrial estates in Indonesia were only developed by the government through national-owned enterprises (NOEs), but as the number of companies joining the industrial estates managed by the government increased reacted to environmental impacts such as pollution. In addition, there are other problems such as limited infrastructure and problems with the development of residential areas because they are close to industrial locations. Along with increasing investment both from within the country and from abroad, the Government through Presidential Decree (Keppres) No. 53 dated 27 October 1989 permitted industrial area businesses to be developed by private parties.

Based on information reported by CNBC Indonesia, it is known that the industrial area in Pulogadung managed by Jakarta Industrial Estate Pulogadung (JIEP) will be in danger of disappearing in the future because the area is no longer sufficient as an industrial area but is more suitable as a commercial business area. The government plans to relocate these factories to an industrial area in Subang, West Java by DKI Jakarta Provincial Governor Decree Number 101 of 2000 concerning regional planning aimed at industries that have high technology, save land, and save water, do not cause pollution, and are environmentally friendly. environment. This is related to the existence of tenants who carry out operations in the industrial area in Pulogadung, Jakarta. The Pulogadung industrial estate is currently one of several industrial estates in the DKI Jakarta area, some of which have moved outside the DKI Jakarta area.

The novelty of this research is in all the research variable instruments Financial Literacy, Financial Behavior, Risk Perception, Overconfidence, Investment Decision, and Organization Performance. This study tries to examine the factors that influence investment decisions and their implications for Organization Performance, which previous studies have never tried to examine these factors. In addition, this research was conducted at the research object of the Jakarta Industrial Estate Pulogadung Industrial Estate to prepare the organization for the government's relocation plan.

Framework and Hypotheses

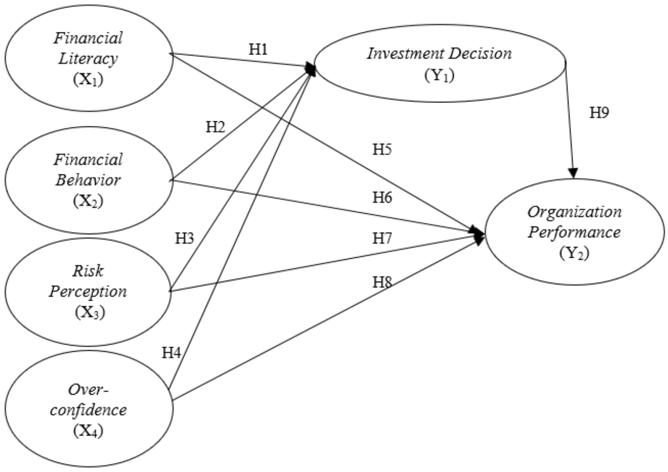

Figure 1. Framework
Source: Data Proceed (2023)

Financial literacy, which encompasses individual knowledge, understanding, and skills in managing finances, confers significant benefits when making prudent investment decisions. A high level of financial literacy facilitates better comprehension of investment concepts and available instruments. Armed with a comprehensive understanding of diverse investment types, associated risks, and potential returns, individuals can establish a robust foundation for making well-informed and astute investment choices.

Proficient financial literacy strengthens individual capabilities in analyzing and evaluating potential investments. By comprehending factors that impact investment performance, such as market conditions, industry trends, and financial statements, individuals can conduct thorough research and judiciously assess associated risks and opportunities. Elevated financial literacy enhances an individual's acumen in planning and managing investment portfolios, as a profound grasp of principles like diversification, proper asset allocation, and risk management enables optimized portfolio performance and reduces the impact of potential risks.

A commendable level of financial literacy bolsters individual confidence in making investment decisions. Armed with substantial knowledge and understanding, individuals tend to feel more assured in selecting and managing their investments, leading to rational and sustainable investment choices.

It is important to acknowledge that financial literacy plays a pivotal role in effective financial and investment management. Arguments suggest that a low level of financial literacy can adversely affect investment decisions. Insufficient comprehension of complex investment concepts and instruments may hinder individuals from conducting proper analyses and making intelligent investment decisions. Without adequate knowledge about diverse investment types, associated risks, and potential returns, individuals may find themselves ill-equipped to make sound judgments.

Furthermore, a dearth of financial literacy renders individuals more susceptible to manipulation or investment fraud. Lack of comprehension concerning investment principles and the ability to identify unauthorized or dubious investment offers can lead individuals to fall victim to investment scams, resulting in significant financial losses. Additionally, low financial literacy can impact individual behavior concerning risk and investment management. Those lacking a proper understanding of investment risks may either avoid risk entirely or take disproportionate risks relative to their financial profile.

Low financial literacy can also affect individual confidence in making investment decisions. Uncertainty and lack of understanding can cause individuals to lack confidence in making investment decisions, which can result in delays or ineffective decisions. Research conducted by Jariwala (2015), Fachrudin & Fachrudin (2016), Baihaqqy, et al. (2020), Rustan

(2021), and Sulistyowati, et al. (2022) states that Financial Literacy have effect on Investment Decisions.

H1: Financial Literacy have effect on Investment Decision.

Financial behavior which includes habits and individual actions in financial management can make a positive contribution to making good investment decisions. Disciplined and responsible financial behavior can help individuals manage their finances well. By having prudent spending habits, prudent debt management, and effective budget management, individuals can create a solid foundation for making balanced and sustainable investments.

Planned and directed financial behavior can assist in long-term investment planning. By adopting good planning habits, such as setting clear investment goals, conducting market research, and weighing risks and potential returns, individuals can make more informed and rational investment decisions. Professional and ethical financial behavior can positively influence investment decisions. By maintaining integrity in financial management, such as following applicable rules and regulations, and treating stakeholders fairly and transparently, individuals can build a good reputation and gain the trust of other parties in the investment context.

Financial behavior which includes habits and individual actions in financial management can affect investment decision making in an unfavorable way. Undisciplined or irresponsible financial behavior can hinder making wise investment decisions. If an individual or organization has a habit of overspending, poor debt management, or does not consider risk in financial decisions, this can negatively impact their investment decisions.

Impulsive or unplanned financial behavior can interfere with the investment decision-making process. If individuals or organizations tend to make investment decisions based on emotional impulses or without careful planning, they can fall into uncontrolled or high-risk investments. Inaccuracy in decision making can result in significant financial losses.

Unprofessional or unethical financial behavior can negatively affect investment decisions. If individuals or organizations engage in illegal or unethical financial practices, such as manipulation of information or insider trading, this can undermine the integrity and trust of the market in their investment decisions. Research conducted by Arianti (2018), Grohmann (2018), and Rustan (2021) states that Financial Behavior have effect on Investment Decisions.

H2: Financial Behavior have effect on Investment Decision

Risk perception, namely individual perception or understanding of the risks associated with investment decisions can make a positive contribution to making wise investment decisions. A high level of Risk Perception can help individuals to be more aware of and consider the risks involved in an investment. By having an in-depth understanding of the risks that may arise, individuals will tend to carry out a more mature analysis and take the necessary preventive steps before making investment decisions.

High risk perception can encourage individuals to conduct more in-depth research and evaluation of the desired investment. Individuals who are aware of risk tend to spend time and effort to gather relevant information, analyze market performance, and consider risk factors that can affect investment results. This can result in more informed and rational investment decisions. The high level of risk perception can also help individuals manage their expectations of investment returns. Individuals who are aware of risk will be more realistic in setting expectations for the return on their investment.

Regardless of the profit or return expected by an investor, investment also has unpredictable risks. Risks arise due to uncertainties that result in doubts about one's ability to predict the possibility of results that will occur in the future so that the level of risk in an investment greatly influences the investment decisions of investors to decide whether to invest or not (Sulistyowati, et al., 2022).

A high level of risk perception can influence individuals to avoid or delay making investment decisions. When individuals have a strong perception of the risks associated with an investment, they may tend to be very cautious and reluctant to take risks. A high level of risk perception can result in excessive uncertainty and excessive analysis in making investment decisions. Individuals who are overly focused on risk may tend to overestimate the risks involved, which can cloud their assessment of investment opportunities and potential returns.

High risk perception can affect emotions and attitudes towards failure. If the individual has a high perception of risk, it allows the individual to be more afraid of possible losses and have a more negative reaction to failure. Research conducted by Sulistyowati, et al. (2022) states that there is an influence between Risk Perception on Investment Decisions

H3: Risk Perception have effect on Investment Decision

Overconfidence which refers to excessive belief or unrealistic self-assessment can make a positive contribution to Investment Decisions. Overconfidence can trigger high motivation to take risks. Individuals who are overconfident tend to be more courageous in making investment decisions that may be considered risky by others. Overconfidence can increase courage in decision making. Individuals who feel confident and confident tend to have a more proactive attitude and can make decisions quickly. Overconfidence can provide psychological benefits, such as high self-confidence. Strong self-confidence can influence individual thinking and behavior in decision making.

Overconfidence is a feeling of self-confidence that is too excessive. This behavior has a negative impact on investment decision making. An irrational act that makes an investor overestimate the knowledge and abilities possessed without thinking about the risks that will be obtained later. An investor who has overconfidence will overestimate the knowledge he has which estimates that he will get a greater profit in making an investment.

One aspect of behavioral bias that has received the most attention from researchers in the financial sector is overconfidence (Ainia & Luthfi, 2019). Overconfidence is an unreasonable belief based on impulse, self-judgment, and exaggerated cognitive abilities. Overconfidence makes a person feel smarter and has better information so that when the person predicts an event that he thinks is certain, often the reality is less than expected (Pompian, 2012).

Overconfidence is also considered to exaggerate one's abilities, performance, and chances of success. Overconfidence is a belief that judgment is better than others (overplacement), as well as excessive certainty regarding the accuracy of one's beliefs (overprecision) (Moore & Healy, 2008 in Ainia & Lutfhi, 2019). Someone who is too confident will tend to override the information obtained because they are too confident in their own beliefs, too confident, and believe in their views and knowledge so that other information that is actually related is important to ignore. The negative impact of overconfidence is that it makes someone make decisions that are more extreme than they should be (Pikulina, Renneboog, & Tobler, 2017). Especially with the trust investors believe that they will get a high profit rate and low risk when investing, although this cannot be guaranteed and may not necessarily happen. This hypothesis is supported by Bakar & Yi (2016), Metawa, et al. (2018), and Ainia & Lutfi (2019) state that there is an influence between Overconfidence on Investment Decisions.

H4: Overconfidence have effect on Investment Decision

Financial literacy which refers to the knowledge, understanding, and skills of individuals or organizations in managing finances can provide significant benefits for organizational performance as a whole. The high level of financial literacy can help organizations make better financial decisions. By having adequate knowledge of financial concepts, such as budget management, investment, or financing, organizations can make smarter and strategic decisions in managing their financial resources. Strong financial literacy can improve an organization's ability to analyze and understand financial reports. By understanding the financial information presented in financial reports, organizations can evaluate their financial performance, identify potential trends or problems, and take appropriate actions to improve performance.

Financial literacy can assist organizations in planning and managing financial risks. With a good understanding of risk and risk management strategies, organizations can identify, measure and mitigate the risks associated with their financial decisions. This can reduce uncertainty and minimize the negative impact on organizational performance. High financial literacy can help organizations establish better relationships with stakeholders, such as banks, investors or business partners. Organizations that are able to communicate clearly and understand the financial language used in business transactions are likely to gain trust, support, and access to better financial resources. Thus, it is assumed that high Financial Literacy can have a positive influence on organizational performance in aspects such as better financial decision-making, in-depth analysis of financial statements, effective risk management, and better relations with stakeholders.

Although financial literacy is considered important in financial management, there are arguments stating that the low level of financial literacy in an organization can hamper overall performance. The low level of financial literacy can result in sub-optimal financial decision making. Individuals or organizations that do not understand basic financial concepts, such as budget management, investing, or financing, may face difficulties in making wise and effective decisions about managing their finances. The lack of understanding of financial reports can hinder organizations' ability to analyze their financial performance. If organizations are unable to understand the information presented in financial reports, they may find it difficult to identify trends, potential problems, or opportunities for improvement, which could negatively impact their performance.

The low level of Financial Literacy can also have an impact on poor risk management. Organizations that do not understand well the risks associated with financial decisions, such as investment risk or financing risk, may take inappropriate risks or are unable to manage existing risks effectively. As a result, they may incur unnecessary or unexpected financial losses.

Low financial literacy in organizations can also affect relationships with stakeholders, such as banks, investors or business partners. Lack of understanding of the language of finance or financial concepts can hinder effective communication and affect the trust and support earned from these stakeholders. Thus, it can be assumed that a low level of Financial Literacy in an organization can have negative influence on organizational performance in aspects such as suboptimal financial decision making, limited financial performance analysis, poor risk management, and hampered relationships with stakeholders interest.

H5: Financial Literacy have effect on Organizational Performance

Financial Behavior which refers to the habits and actions of individuals or organizations related to financial management can make a positive contribution to overall organizational performance. Disciplined and responsible financial behavior can help organizations manage their finances well. By adopting habits such as prudent spending, prudent debt management, and effective budget monitoring, organizations can maintain financial balance and avoid financial problems that might hinder their performance.

Intelligent and purposeful Financial Behavior can assist in making the right investment decisions. Organizations that are able to perform in-depth financial analysis, weigh risks and opportunities well, and have a sound resource allocation strategy tend to achieve better returns on their investments. Professional and ethical Financial Behavior can build trust with stakeholders. Organizations that adhere to the principles of integrity in financial management, including implementing correct accounting standards, avoiding fraud, and being committed to transparency, tend to have a good reputation in the eyes of customers, business partners and investors.

Financial behavior which refers to the habits and actions of individuals or organizations related to financial management can reduce overall Organizational Performance. Undisciplined or irresponsible financial behavior can cause financial problems in the organization. For example, habits such as overspending, poor debt management, or non-compliance with financial procedures can result in budget imbalances, poor liquidity, or other financial problems.

Inaccuracy in financial management can result in inaccurate judgments and poor decisions regarding investment or resource allocation. If the organization does not carry out adequate analysis or does not carefully consider the risks and potential returns, this can lead to significant financial losses. Unprofessional or unethical financial behavior can damage the reputation of the organization and affect relations with outsiders. For example, financial fraud, violation of laws or unethical actions in financial management can undermine the trust of customers, business partners or investors, thereby affecting the overall performance of the organization. Therefore, this assumes that undisciplined, irresponsible, or unprofessional financial behavior can have a negative influence on organizational performance in aspects such as financial stability, wise decision-making, and organizational reputation.

H6: Financial Behavior have effect on Organizational Performance

Risk perception, namely the perception or understanding of individuals or organizations about the risks involved in business decisions can play an important role in improving organizational performance. Having an accurate perception of risk can help organizations make better decisions. By understanding and identifying potential risks, organizations can develop more effective strategies to reduce the negative impact of risks or take advantage of opportunities associated with risks.

High risk perception can motivate organizations to take more proactive preventive actions. Organizations that have a high awareness of risk tend to carry out risk assessments continuously, implement strong internal controls, and adopt policies and procedures designed to reduce the risks they face. High risk perception can encourage organizations to be more adaptive and responsive to changes in the business environment. Organizations that have a good understanding of risk tend to be more alert to changes in internal and external factors that may affect their performance.

Risk Perception, namely the perception or understanding of individuals or organizations about the risks involved in business decisions can have a detrimental effect on organizational performance. If an organization has too high or excessive Risk Perception, this can lead to an overly conservative attitude and avoidance of potentially profitable business opportunities. Organizations may be inclined to take reasonable risks to achieve growth or innovation, which could hinder their ability to compete and thrive in competitive markets.

Excessive risk perception can lead to inefficient deployment of resources. Organizations that focus too much on avoiding risk may divert too many resources to managing risk or tightening internal controls, thereby forfeiting opportunities to allocate those resources to more productive or strategic activities. High risk perception can affect the quality of decision making. If organizations are overly aware of risk, they may tend to be overly cautious and lack the courage to make important decisions.

H7: Risk Perception have effect on Organizational Performance

Overconfidence is a common characteristic that is often found in humans that reflects a person's tendency to overestimate his ability, the possibility of success and the probability that the person will obtain positive outcomes as well as the accuracy of the knowledge possessed.

Overconfidence which refers to excessive belief or unrealistic self-assessment can have a beneficial effect on organizational performance in several aspects. Overconfidence can encourage ambition and courage to take risks. Individuals who feel confident and confident are more likely to take steps that are unusual or involve a higher level of risk. This courage can drive innovative initiatives, business expansion, or seize new opportunities that can increase the growth and competitive advantage of the organization.

Overconfidence can affect self-perception and team confidence. Individuals who exhibit strong self-confidence can influence team members and build a positive climate in which team members feel motivated and confident to achieve common goals. This can increase the productivity and effectiveness of the team in achieving the desired results. Overconfidence can affect attitudes towards challenges and resilience in the face of difficulties. Overconfidence individuals tend to have high self-confidence in their ability to overcome obstacles and face challenges with optimism.

Overconfidence which refers to excessive belief or unrealistic self-assessment can be detrimental to organizational performance in several ways. Overconfidence can lead to making decisions that are too bold or risky. Individuals who are overly confident tend to underestimate or ignore the risks associated with investment decisions or business strategies. As a result, the organization may experience financial losses or difficulties in achieving the goals set.

Overconfidence can also hinder an organization's ability to learn from mistakes or receive constructive feedback. Individuals with Overconfidence often find it difficult to accept criticism or different suggestions, which can hinder an organization's ability to adapt, innovate, and improve their performance. Overconfidence can affect team relations and cooperation in organizations. Individuals who are overly confident may tend to belittle the contributions or opinions of others, which can hinder effective communication and reduce collaboration within a team. This can have a negative impact on the overall team and organizational performance. Therefore, this assumes that Overconfidence can have a negative influence on Organizational Performance including aspects such as profitability, operational efficiency, adaptability, and team dynamics.

H8: Overconfidence have effect on Organizational Performance

Smart and precise investment decisions can play an important role in improving organizational performance. Through wise investment decisions, organizations can allocate their resources efficiently to strengthen their core capabilities and competencies. For example, investment in new technology or research and development can drive product or service innovation, thereby increasing the competitiveness of organizations and their ability to meet customer needs. In addition, the right investment in physical assets or infrastructure can improve operational efficiency and organizational productivity.

However, investment decisions that are inappropriate or unwise can hinder organizational performance. One of the factors that can cause a negative influence is inaccuracy in investment evaluation and analysis. If organizations make investment decisions without carefully considering the risks, potential returns, or other relevant factors, this can result in inefficient use of resources and reduced performance. In addition, investments that are not in line with the organization's business strategy or long-term goals can also have a negative impact.

H9: Investment Decision have effect on Organizational Performance.

RESEARCH METHOD

This study was designed using hypotheses and is giving an explanation of the object under study. The population in this study are tenants in the Jakarta Industrial Estate Pulogadung area with a total of 406 tenants. Respondents in this study amounted to 100 with a sampling technique using non-probability sampling method with purposive sampling method. Meanwhile, the criteria used as samples are Finance Managers up to Directors who represent tenants located in the Jakarta Industrial Estate Pulogadung Area.

This research based on the source is primary data. The primary data is in the form of a questionnaire which contains a list of questions to get responses that have been filled out by the respondents. Respondents will answer the questions used to obtain primary data by selecting answers that have been provided with a Likert scale score of 1-5 where a score of 1 is for strongly disagree and a score of 5 is for strongly agree.

Testing the research hypothesis was carried out using the Structural Equation Model-Partial Least Square (SEM-PLS) approach using SmartPLS 4 software. PLS is a structural equation model (SEM) based on components or variance. According to Hair, et al. (2016), PLS is an alternative approach that shifts from a covariance-based SEM approach to a variant-based one. SEM which is based on covariance generally tests causality/theory, while PLS is more of a predictive model.

RESULT AND DISCUSSION

Table 1. Path Significance Test

Variable	*Original Sample* (O)	*Sample Mean* (M)	*Standard Deviation* (STDEV)	*t Statistics* (O/STDEV)	*P Values*
FL → ID	-0.320	-0.314	0.157	2.047	0.041
FB→ ID	0.247	0.244	0.100	2.471	0.014
RP→ ID	0.337	0.348	0.102	3.301	0.001
OC→ ID	0.669	0.654	0.116	5.779	0.000
FL→ OP	0.120	0.134	0.154	0.776	0.438
FB→OP	-0.147	-0.152	0.153	0.956	0.339
RP→OP	0.849	0.823	0.165	5.152	0.000
OC→OP	0.184	0.202	0.133	1.380	0.168
ID→ OP	-0.182	-0.183	0.141	1.292	0.196

Source: Data Proceed (2023)

Effect of Financial Literacy on Investment Decision

The results of the study show that Financial Literacy have negative effect on Investment Decisions. Financial Literacy is basically a valuable asset in financial management, but it is possible that there are situations where a high level of Financial Literacy can negatively affect Investment Decisions. One reason Financial Literacy can have negative effect on Investment Decisions is due to the tendency to take excessive risks. When individuals or groups have a high level of understanding about investing, they may be more likely to make complex or high-risk investments. Without adequate understanding of the risks involved, such individuals or groups may become trapped in investments that do not suit their risk profile or without considering proper portfolio diversification. As a result, caught in a significant financial loss.

A high level of Financial Literacy causes individuals or groups to become overconfident in making Investment Decisions. The individual or group feels that they have enough knowledge to overcome risks and produce profitable investment returns. As a result, there is a lack of inclination to seek advice from financial experts or conduct thorough research before making an investment decision. This overconfidence can lead to neglect of relevant risk factors or important information, thereby affecting the quality of investment decisions.

In addition, a high level of financial literacy can also cause individuals or groups to be vulnerable to decision bias and misjudgment. Even if they have a good understanding of financial concepts, they may still be affected by cognitive biases such as Overconfidence, Aversion to Losses, or Herding Behavior. This can result in making investment decisions that are irrational or not optimal, which in turn will have a negative impact on investment returns. The results of this study fully support previous research by Lusardi & Mitchell (2014) and Klapper & van Oudheusden (2015) which state that Financial Literacy have negative effect on Investment Decisions.

Effect of Financial Behavior on Investment Decision

The results of the study show that Financial Behavior have positive effect on Investment Decisions. When individuals or groups within an organization show good financial behavior, there is a tendency to make more rational investment decisions based on a deep understanding of the risks and opportunities that exist. One of the reasons Financial Behavior can have a positive effect on Investment Decisions is caused by behavior that is aware of the Company's security.

Financial Behavior can have a positive effect on Investment Decisions due to high awareness of risk management. Individuals or groups who have good financial behavior tend to understand the importance of portfolio diversification, recognize existing investment risks, and conduct a thorough risk analysis before making a decision. The individual or group will consider factors such as financial goals, risk tolerance, and available time to invest. With a good understanding of risk and the ability to manage it, they can make wiser investment decisions and potentially better returns.

Positive Financial Behavior reflects discipline in managing finances and preparing funds for investment. Individuals or groups that have the habit of saving funds regularly, manage debt wisely, and have a balanced budget will have sufficient resources to invest. They tend to have better financial readiness, so they can make investment decisions more confidently and without rush. By having good financial behavior, individuals or groups can build a strong foundation for successful long-term investments.

Furthermore, positive Financial Behavior includes knowledge and awareness about different investment instruments. Individuals or groups who are open-minded, seek information, and participate in financial education have a better chance to understand and choose investment instruments that suit their goals and risk profile. They tend to seek advice from financial experts, do their own research, and make investment decisions based on solid insight. Thus, they can choose investments that better suit their long-term goals and increase the chances of achieving a profitable return. The results of this study fully support previous research by Arianti (2018), Grohmann (2018), and Rustan (2021) which stated that Financial Behavior have positive effect on Investment Decisions.

Effect of Risk Perception on Investment Decision

The results of the study show that Risk Perception have positive effect on Investment Decisions. When individuals or groups have a favorable risk perception, there is a tendency to make smarter investment decisions by considering the associated risks and opportunities. Risk Perception has a positive effect on Investment Decision due to the ability to better identify risks. With an accurate risk perception, individuals or groups can recognize the potential risks associated with the investment under consideration.

Individuals or groups are able to understand the risks involved which in this study are seen through the dimensions of Physical Risk, Performance Risk, Physiological Risk, Financial Risk, Time Loss Risk, and Social Risk. By knowing these risks, individuals or groups can take appropriate actions to reduce risks or deal with them with the right strategies.

Good Risk Perception allows individuals or groups to evaluate risk objectively. Individuals or groups can consider the probability of a risk occurring, its potential impact, and the time required for recovery in a bad scenario. With a more accurate risk evaluation, individuals or groups can gauge the potential gains and losses from the investments under consideration. This helps in making wiser investment decisions and in line with the Company's long-term goals.

In addition, a balanced Risk Perception can prevent individuals or groups from excessive risky behavior. When individuals or groups have good risk perception, there is a tendency to be less affected by emotions, such as fear or greed. Individuals or groups are able to consider risks more rationally and not rush in making investment decisions. By avoiding speculative or impulsive behavior, you can minimize potential losses and optimize long-term investment returns. The results of this study fully support previous research by Sulistyowati, et al. (2022) stated that Risk Perception have positive effect on Investment Decisions.

Effect of Overconfidence on Investment Decision

The results of the study show that Overconfidence have positive effect on Investment Decisions. Overconfidence has a positive effect on Investment Decisions caused by high self-confidence which encourages individuals or groups to take greater risks. When a person or group feels very confident in their judgments and predictions, they are more likely to make bold investments and see hidden opportunities. This high level of self-confidence can motivate them to take action and take advantage of investment opportunities that others who are more hesitant may overlook. In some cases, this bold attitude can lead to significant returns on investments.

In addition, Overconfidence provides an advantage in situations where careful research or analysis has been carried out before making an Investment Decision. If individuals or groups have made thorough preparations by collecting relevant information and carrying out appropriate analysis, high self-confidence can strengthen their confidence in the decisions that have been taken. In this case, Overconfidence serves as a motivator to carry out investment plans with strong determination and high discipline. This can increase the chances of success in investing.

However, Overconfidence also has risks. When overconfidence is not based on accurate information or rational analysis, it can lead to erroneous judgments and poor decisions. Overconfident individuals or groups may ignore real risks or fail to consider important factors in making investment decisions. Therefore, it is important to strike a balance between healthy self-confidence and objective evaluation in making investment decisions. The results of this study fully support previous research by Bakar & Yi (2016), Javed, et al. (2017), Metawa, et al. (2018), and Ainia & Lutfi (2019) which state that Overconfidence have positive effect on Investment Decisions.

Effect of Financial Literacy on Organization Performance

The results of the study show that financial literacy have no effect on organizational performance. One of the reasons that financial literacy does not have a direct effect on Organizational Performance is because organizations have relied on professional financial experts to manage financial and investment aspects. In this case, even though individuals or groups within the organization may have a low level of financial literacy, organizations can overcome this deficiency by relying on financial professionals who have a deep understanding of financial and investment aspects. Thus, individual or group financial literacy is not the main determining factor in determining organizational performance.

Organizational performance influenced by managerial factors and a strong business strategy. Good managerial skills, such as the ability to plan, organize, and control effectively can have a greater impact on organizational performance than individual or group levels of financial literacy. In addition, the success of the organization is also determined by the right business strategy and good implementation. If an organization has a strong business strategy and is able to implement it properly, the level of individual or group financial literacy may be a less significant factor in determining organizational performance.

In addition, financial literacy can be improved through proper education and training. If an organization realizes the importance of financial literacy and makes efforts to improve individual or group financial understanding within it, the impact of financial literacy on organizational performance can be strengthened. Through financial training, teaching about financial management, or consulting with financial experts, individuals or groups within organizations can improve their ability to manage finances and make smart investment decisions.

Effect of Financial Behavior on Organization Performance

The results of the study show that Financial Behavior has no effect on Organizational Performance. One reason Financial Behavior have no effect on organizational performance is when the organization has implemented a good internal control system. With strict procedures and policies related to financial management, organizations can minimize the risk of adverse financial behavior. For example, by adopting effective monitoring and reporting mechanisms, organizations can identify and address inappropriate or harmful actions in a timely manner.

Organizational performance influenced by macroeconomic factors and changes in market conditions that are not directly related to the financial behavior of individuals or groups. For example, economic fluctuations, changes in government policies, or intense market competition can have a greater influence on organizational performance than the financial behavior of individuals or groups. In this context, these external factors are the main determining factors in determining organizational performance.

In addition, the influence of financial behavior on organizational performance can be suppressed if the organization has a strong and focused business strategy. If the organization has a clear strategic direction, well-defined goals, and a mature implementation plan, then organizational performance is more likely to be influenced by successful strategy implementation than individual or group financial behavior. In this case, organizational success depends more on fulfilling an effective business strategy than on behavioral financial factors.

Effect of Risk Perception on Organization Performance

The results showed that Risk Perception have positive effect on Organizational Performance. When individuals or groups within an organization have a good understanding of the risks they face and are able to evaluate risks effectively, this can help the organization make better decisions, manage risks more efficiently, and achieve better overall performance.

By having an accurate risk perception, individuals or groups within the organization can better identify risks. Individuals or groups are able to identify various risk factors that may affect organizational performance, both internally and externally. By having a deep understanding of existing risks, organizations can take appropriate steps to manage, reduce or even avoid these risks. This capability assists the organization in facing challenges and minimizing the negative impacts that may occur.

Furthermore, accurate risk perception enables individuals or groups within the organization to carry out risk evaluations more effectively. Individuals or groups can consider the possibility of a risk occurring, the potential impact, and the probability of the risk occurring. By conducting a good risk evaluation, organizations can allocate resources more efficiently, identify areas that require risk protection or mitigation, and take appropriate preventive measures. It assists organizations in optimizing resource usage, reducing losses and improving overall performance.

In addition, accurate risk perception also encourages individuals or groups within the organization to adopt a proactive attitude towards risk. Individuals or groups will be more aware of changing conditions, market trends, or environmental changes that may affect organizational performance. By having a good risk perception, organizations can be more responsive to change, better prepared to face challenges, and more innovative in exploring new opportunities. This allows organizations to take advantage of controlled risks and produce better results.

Effect of Overconfidence on Organization Performance

The results showed that overconfidence have no effect on organizational performance. This can occur when the tendency of overconfidence does not affect the organization's overall strategic decision making or there are other factors that are able to compensate for this tendency. One reason overconfidence does not affect organizational performance is the existence of a structured and systematic decision-making process.

If an organization has a good decision-making process, including accurate data collection, objective analysis, and careful risk evaluation, individual or group overconfidence tends not to dominate decision-making. In this context, the decisions taken are based more on facts and available evidence than on excessive beliefs.

Overconfidence have no effect if the organization adopts a culture that encourages open and critical discussion. In organizations that value critical thinking and provide space for different perspectives, individual or group overconfidence can be overcome through a process of various discussions and assessments. By testing and filtering ideas and making decisions based on collective thinking, overconfidence will not dominate and have a negative impact on organizational performance.

Furthermore, the influence of organizational leaders also extends to the impact of overconfidence on organizational performance. When a leader possesses the ability to acknowledge and address overconfidence tendencies within themselves and their team, appropriate measures can be implemented to mitigate potential risks. Astute leaders will promote objective self-assessments among their teams, foster critical thinking, and advocate for evidence-based and comprehensive decision-making processes.

Effect of Investment Decision on Organization Performance

The results of the study show that Investment Decision have no effect on Organizational Performance. In some cases there are factors that can cause Investment Decisions to have no direct effect on Organizational Performance. These factors include market uncertainties, changes in economic conditions, changes in government regulations, or even failures in implementing investment strategies.

When an Investment Decision have no effect on Organizational Performance, this can occur if the decision does not thoroughly consider the factors that may affect Organizational Performance. For example, if the market analysis used in decision making is inaccurate or does not take into account the latest developments, the results may not be as expected. In addition, investment decisions that do not affect organizational performance can also occur if management does not properly implement the investment strategy that has been set. The inability to carry out an appropriate and effective investment plan can hinder the achievement of organizational goals resulting in minimal impact on overall performance.

Apart from internal factors, external factors can also contribute to the unaffected Investment Decision on Organizational Performance. Unforeseen changes in economic conditions, such as a financial crisis or shifts in market trends can make investment decisions that were previously thought to be appropriate become ineffective. In addition, significant changes in government regulations can also make investment decisions have no effect on organizational performance because organizations must adjust their investment strategies to these changes.

CONCLUSION

Based on the analysis and research findings, it can be concluded that Financial Literacy have negative effect on Investment Decisions due to a high level of Financial Literacy causes individuals or groups to become overconfident in making Investment Decisions. Financial Behavior have positive effect on Investment Decisions due to behavior that is aware of the Company's security. Risk Perception have positive effect on Investment Decisions due to the ability to better identify risks. Individuals or groups are able to understand the risks involved which in this study are seen through the dimensions of Physical Risk, Performance Risk, Physiological Risk, Financial Risk, Time Loss Risk, and Social Risk. Overconfidence have positive effect on Investment Decisions due to high self-confidence encourages individuals or groups to take greater risks.

Financial Literacy have no effect on Organizational Performance. This is due to the Organization having relied on professional financial experts to manage financial and investment aspects. Financial Behavior has no effect on Organizational Performance due to the Organization has implemented a good internal control system so that Financial Behavior does not have a significant influence on Organizational Performance. Risk Perception have positive effect on Organizational Performance due to individuals or groups within the organization being able to better identify risks which makes it possible to carry out risk evaluations more effectively and adopt a proactive attitude towards risk. Overconfidence have no effect on Organizational Performance due to the conditions in which the Organization already has a good decision-making process, including accurate data collection, objective analysis, and careful risk evaluation, so individual or group Overconfidence tends not to be dominant in decision making. Investment Decisions have no effect on Organizational Performance due to conditions where the investment decision does not thoroughly consider the factors that may affect Organizational Performance.

This study tried to develop a questionnaire designed to determine the factors that influence Investment Decisions and its implications on Organizational Performance, further research can use the questionnaire contained in this study or develop it according to the needs required. This study succeeded in finding that there is a positive relationship between Risk Perception on Organizational Performance, further research can use Perceived Risk as a factor influencing Organizational Performance and add other factors not examined in this study. This study examines the effect of Investment Decisions on Organizational Performance, but does not rule out the possibility for further research to examine Organizational Performance on Investment Decisions.

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