

The Role of Behavioral Finance in Student Investment Decision Making: Evidence from University Investment Galleries in Bandung City

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Abstract

This study aims to examine the influence of behavioral finance on investment decision-making among university students participating in Indonesia Stock Exchange investment galleries in Bandung City. The study adopts a behavioral finance perspective by focusing on psychological biases, including overconfidence, loss aversion, herding behavior, and fear of missing out. A quantitative explanatory approach was employed using a survey method to collect data from student investors, which were analyzed using multiple regression techniques. The results show that loss aversion and herding behavior significantly influence students' investment decisions, indicating that risk avoidance and social influence play a dominant role in shaping investment behavior. Meanwhile, overconfidence and fear of missing out do not have a significant effect on investment decisions in this context. Overall, the findings suggest that student investors' decisions are strongly affected by behavioral factors rather than purely rational considerations. This study provides empirical evidence on behavioral finance in an academic investment setting and offers practical insights for universities, investment gallery managers, and financial education institutions in designing behavioral-based financial literacy programs to improve the quality of investment decision-making among young investors.

Keywords: behavioral finance, overconfidence, loss aversion, herding behavior, fear of missing out, investment decision.

INTRODUCTION

Student participation in the Indonesian capital market has increased markedly in recent years, particularly among university students who are actively involved in investment activities through campus based investment galleries. Data reported by the

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Indonesian Central Securities Depository indicate that young investors dominate the retail investor population, with students forming a significant proportion of new market participants (Humairo and Panuntun, 2023). This phenomenon reflects a growing awareness of early financial planning among students, supported by rapid digital transformation in the financial sector that has simplified access to investment instruments.

The expansion of digital investment platforms and mobile trading applications has enabled students to engage in stock market activities with minimal procedural barriers. In addition, financial content disseminated through social media and online communities has contributed to shaping students' perceptions of investment as an accessible and attractive financial activity. Universities have responded to this trend by strengthening financial education through Indonesia Stock Exchange investment galleries, which function as learning laboratories that integrate theoretical knowledge with practical investment experience. In Bandung City, the presence of multiple universities managing active investment galleries reinforces the role of higher education institutions in promoting financial literacy and market participation (Bursa Efek Indonesia, 2023).

Despite the increasing level of participation, student involvement in the capital market does not necessarily reflect rational investment behavior. Several studies indicate that student investors often make decisions based on psychological tendencies rather than systematic financial analysis. Research by Yasa and Raharja (2020) demonstrates that student investors are vulnerable to behavioral biases such as heuristic decision making and social influence, which may reduce the quality of investment decisions. Similarly, Rohmawati and Susanti (2022) find that financial behavior plays a more dominant role than financial literacy in shaping investment decisions among students, suggesting that cognitive understanding alone is insufficient to ensure rational investment behavior.

Behavioral finance provides a relevant theoretical framework for explaining these phenomena by incorporating psychological factors into financial decision making. Barberis and Thaler (2003) and Thaler (2005) argue that investors frequently deviate from rational assumptions due to cognitive biases and emotional responses. Within this framework, overconfidence leads investors to overestimate their knowledge and predictive ability, while loss aversion causes individuals to place greater weight on potential losses than equivalent gains, resulting in excessive risk avoidance (Pompian, 2006; Yuliani, 2022). Herding behavior further explains the tendency of investors to follow the actions of others, particularly under conditions of uncertainty, which is common among inexperienced investors such as students (Bikhchandani and Sharma, 2000).

In the context of digital finance, fear of missing out has emerged as an increasingly relevant behavioral factor, especially among younger investors who are highly exposed



to social media investment narratives. Gultom and Kamaludin (2025) highlight that fear driven urgency may encourage impulsive investment behavior among Generation Z, although empirical findings on its influence remain inconsistent. While some studies suggest that fear of missing out significantly affects investment decisions, others indicate that its impact may be mitigated by financial education and institutional investment environments.

Although behavioral finance has been widely studied, empirical research focusing on student investors within university based investment galleries remains limited, particularly in emerging market contexts such as Indonesia. Existing studies tend to examine behavioral biases in isolation or focus on general retail investors, leaving a gap in understanding how multiple behavioral finance factors jointly influence student investment decisions in an academic investment setting. Moreover, empirical evidence regarding the role of overconfidence and fear of missing out among student investors shows mixed results, indicating the need for further investigation.

To address this gap, the present study examines the influence of overconfidence, loss aversion, herding behavior, and fear of missing out on investment decision making among students participating in Indonesia Stock Exchange investment galleries in Bandung City. By integrating behavioral finance perspectives within an educational investment environment, this study seeks to provide empirical insights into the behavioral determinants of student investment decisions and to support the development of more effective behavioral based financial literacy programs in higher education institutions.

RESEARCH METHODE

This study employed a quantitative explanatory research design to examine the influence of behavioral finance factors on student investment decision making. The explanatory approach was selected to test causal relationships between behavioral biases and investment decisions using empirical data and statistical analysis (Sugiyono, 2021). A survey method was applied to capture respondents' perceptions and behavioral tendencies related to investment activities in an academic investment environment.

The population of this study consisted of university students who were actively involved in Indonesia Stock Exchange investment galleries located in Bandung City. These students were considered relevant respondents because they had direct exposure to capital market education and practical investment activities through campus based investment facilities (Bursa Efek Indonesia, 2023). The sampling technique used was purposive sampling, with criteria including active student status, participation in investment gallery activities, and prior experience in investment or investment simulation. This technique was chosen to ensure that the respondents possessed adequate contextual understanding of investment decision making (Sugiyono, 2021).



Data were collected using a structured questionnaire designed to measure behavioral finance variables and investment decision making. The questionnaire items were developed based on established behavioral finance literature, covering overconfidence, loss aversion, herding behavior, and fear of missing out, as well as indicators of investment decision making (Pompian, 2006; Yuliani, 2022; Gultom and Kamaludin, 2025). Responses were measured using a Likert scale to capture the intensity of respondents' agreement with each statement.

Prior to hypothesis testing, the research instrument was evaluated through validity and reliability testing to ensure measurement accuracy and consistency. Item validity was assessed using correlation analysis, while reliability was examined using internal consistency measures, following commonly accepted thresholds in social science research (Ghozali, 2022). The results confirmed that all measurement items were suitable for further analysis.

Data analysis was conducted using multiple linear regression to examine both partial and simultaneous effects of behavioral finance variables on investment decision making. This analytical technique was selected because it allows for the assessment of the relative influence of multiple independent variables on a single dependent variable within a behavioral framework (Ghozali, 2022). The analysis included evaluation of model significance and explanatory power to determine the extent to which behavioral factors explain student investment decisions.

RESULT

This section presents the empirical findings of the study examining the influence of behavioral finance factors on students' investment decision making in Indonesia Stock Exchange investment galleries in Bandung City. The results are reported through respondent characteristics, descriptive statistics, instrument testing, and regression analysis.

Respondent Characteristics

The respondents consisted of student investors with diverse demographic and investment backgrounds. The distribution of respondents is presented in Table 1.

Table 1. Respondent Characteristics.

Characteristics	Category	Frequency	Percentage
Gender	Male	148	52
	Female	137	48
Education Level	Senior High School	71	25
	Diploma	40	14

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	Undergraduate	123	43
	Master	46	16
	Doctoral	3	1
Occupation	Student	97	34
	Employee	108	38
	Entrepreneur	68	24
	Others	9	3
Monthly Income	< Rp 1.000.000	91	32
	Rp 1.000.000 -10.000.000	165	58
	> Rp 10.000.000	29	10
Investment Experience	Less than one year	100	35
	One to five years	160	56
	More than five years	25	9

Source: Authors' survey data and SPSS analysis.

The table indicates that most respondents are undergraduate students with moderate income levels and relatively limited investment experience, reflecting the characteristics of novice and early stage investors.

Descriptive Statistics

Descriptive statistics for all research variables are presented in Table 2.

Table 2. Descriptive StatisticsTable

Variable	Minimum	Maximum	Mean	Standard Deviation
Overconfidence	2	5	3.18	0.49
Loss Aversion	3	5	4.09	0.633
Herding Behavior	3	5	3.89	0.611
Fear of Missing Out	2	4	3.38	0.65
Investment Decision	3	5	3.96	0.475

Source: Authors' survey data and SPSS analysis.

The results show that loss aversion and herding behavior have higher mean values compared to overconfidence and fear of missing out, indicating stronger tendencies toward risk avoidance and social influence among student investors.

Validity and Reliability Testing

All questionnaire items met validity requirements based on correlation analysis, indicating that each item accurately measured its intended construct. Reliability testing further confirmed internal consistency across all variables. The reliability results are summarized in Table 3.

Table 3. Reliability Test Results.

Variable	Cronbach Alpha	Interpretation
Overconfidence	0.682	Reliable
Loss Aversion	0.721	Reliable
Herding Behavior	0.757	Reliable
Fear of Missing Out	0.809	Reliable
Investment Decision	0.728	Reliable

Source: Authors' survey data and SPSS analysis.

These results indicate that all constructs demonstrate acceptable reliability and are suitable for further statistical analysis.

Regression Analysis

Multiple linear regression analysis was conducted to examine the effect of behavioral finance variables on investment decision making. The results are presented in Table 4.

Table 4. Multicollinearity Test Results

Variable	Coefficient	Standard Error	Beta	t Value	Significance
Constant	1.641	4.629		0.354	0.725
Overconfidence	0.102	0.072	0.16	1.423	0.162
Loss Aversion	0.397	0.094	0.469	4.206	0
Herding Behavior	0.418	0.097	0.495	4.322	0
Fear of Missing Out	-0.003	0.065	-0.004	-0.042	0.967

Source: Authors' survey data and SPSS analysis.

The results indicate that loss aversion and herding behavior significantly influence investment decision making, while overconfidence and fear of missing out do not show significant effects.

Model Fit and Simultaneous Testing

The explanatory power of the regression model is presented in Table 5.

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Table 5. Model Summary

Indicator	Value
Correlation Coefficient	0.747
Coefficient of Determination	0.558
Adjusted Coefficient of Determination	0.514

Source: Authors' survey data and SPSS analysis.

The model explains a substantial proportion of variance in students' investment decisions, confirming the relevance of behavioral finance factors in this context. Simultaneous testing further indicates that behavioral finance variables collectively have a significant influence on investment decision making.

DISCUSSION

The findings of this study provide empirical support for behavioral finance theory by demonstrating that students' investment decisions within university based investment galleries are shaped primarily by psychological and social factors rather than purely rational evaluation. The significant influence of loss aversion and herding behavior confirms that student investors tend to prioritize risk avoidance and social validation when making investment decisions. This result reinforces the argument that investor behavior often deviates from the assumptions of classical finance, particularly among novice investors with limited market experience (Barberis and Thaler, 2003; Thaler, 2005).

The significant role of loss aversion suggests that students are highly sensitive to potential losses, leading them to adopt cautious investment strategies. This finding is consistent with Prospect Theory, which explains that individuals perceive losses as more psychologically impactful than gains of equivalent value (Kahneman and Tversky, 1979). In the context of student investors, loss aversion may function as a self protective mechanism that encourages careful decision making, particularly in an academic investment environment where students are still developing confidence and financial experience. Similar results have been reported in previous studies indicating that loss aversion influences investment behavior among young and inexperienced investors in emerging markets (Yuliani, 2022; Rieger et al., 2022).

Herding behavior also emerges as a significant determinant of investment decision making among students, highlighting the importance of social influence in academic investment settings. Students often rely on peer behavior, community discussions, and collective sentiment when facing uncertainty in the capital market. This finding aligns with the theoretical perspective that herding behavior arises when investors lack sufficient information or confidence to conduct independent analysis (Bikhchandani and Sharma,



2000). In university investment galleries, herding may serve as an informal learning mechanism through observation and imitation, particularly for novice investors who are still building analytical skills. This result supports earlier studies that emphasize the dominant role of social reference in shaping student investment behavior (Yasa and Raharja, 2020; Haryanto and Kurniawan, 2023).

In contrast, overconfidence does not show a significant influence on investment decisions in this study. This finding suggests that students participating in structured academic investment environments may not excessively overestimate their abilities or knowledge. Exposure to formal financial education and supervised investment activities through campus investment galleries may help moderate excessive self confidence, reducing its impact on decision making. This result is consistent with research indicating that overconfidence tends to be more pronounced among experienced or highly active traders rather than novice investors operating in educational settings (Dewi and Pramudana, 2023; Idris, 2024).

Similarly, fear of missing out does not significantly influence investment decisions among the observed student investors. Although fear driven urgency has been widely discussed in the context of digital finance and social media exposure, the findings suggest that its effect may be mitigated within an academic investment environment. Students involved in investment galleries may benefit from structured learning processes and collective discussions that reduce impulsive behavior triggered by social media narratives. This result aligns with studies indicating that financial literacy and institutional support can weaken the impact of fear of missing out on investment behavior (Rohmawati and Susanti, 2022; Idris, 2024).

The simultaneous significance of behavioral finance variables confirms that investment decision making among students is best understood through an integrated behavioral framework rather than isolated psychological constructs. The combined influence of behavioral biases highlights the complexity of student investment behavior, where emotional, cognitive, and social factors interact dynamically. This finding supports the growing consensus in behavioral finance literature that investor behavior cannot be adequately explained by rational models alone, particularly in the context of young and inexperienced investors (Pompian, 2006; Shefrin, 2021).

Overall, this study extends existing behavioral finance research by providing empirical evidence from an academic investment environment in an emerging market context. The findings underscore the importance of incorporating behavioral perspectives into financial education programs, particularly within university based investment galleries. By addressing psychological biases such as loss aversion and herding behavior, educational institutions can better equip students to develop rational, independent, and resilient investment decision making skills..



Practical Implications

The findings of this study provide several practical implications for higher education institutions, investment gallery managers, regulators, and financial education providers. First, universities that manage Indonesia Stock Exchange investment galleries should strengthen behavioral based financial literacy programs by integrating psychological awareness into investment education. Educational activities should not only emphasize technical knowledge such as fundamental and technical analysis but also focus on helping students recognize and manage behavioral biases, particularly loss aversion and herding tendencies that strongly influence investment decisions.

Second, investment gallery managers are encouraged to design learning environments that promote independent analysis and reflective decision making. Structured discussions, guided simulations, and case based learning can be used to reduce excessive reliance on peer behavior while maintaining the positive learning aspects of social interaction. By facilitating critical evaluation of investment decisions, investment galleries can function more effectively as controlled learning laboratories rather than mere platforms for trend following behavior.

Third, financial regulators and market institutions such as the stock exchange and financial authorities may utilize these findings to refine youth oriented investor education strategies. Programs aimed at student investors should incorporate behavioral finance insights to address emotional and social influences that shape investment behavior. Such an approach may enhance the effectiveness of investor protection initiatives by reducing impulsive decision making and promoting long term investment discipline among young investors.

Fourth, the results highlight the importance of institutional support in moderating behavioral biases such as overconfidence and fear of missing out. Academic investment environments appear to play a role in mitigating these biases, suggesting that structured education and mentorship can foster more rational investment behavior. This implication is particularly relevant for policymakers seeking to expand financial inclusion without increasing the vulnerability of novice investors to market volatility.

Finally, this study suggests that collaboration between universities, investment galleries, and financial institutions is essential in developing sustainable investor education ecosystems. By aligning behavioral finance principles with practical investment training, stakeholders can contribute to the development of young investors who are not only financially literate but also psychologically resilient and capable of making informed and responsible investment decisions in dynamic capital market conditions.



CONCLUSION

This study demonstrates that investment decision making among university students involved in Indonesia Stock Exchange investment galleries is strongly influenced by behavioral finance factors. The findings confirm that loss aversion and herding behavior play a dominant role in shaping students' investment decisions, indicating that risk avoidance and social influence are central considerations for student investors in an academic investment environment. In contrast, overconfidence and fear of missing out do not emerge as decisive factors, suggesting that structured educational settings may help moderate excessive self confidence and impulsive behavior driven by social trends.

The study reinforces the relevance of behavioral finance as a theoretical framework for understanding student investment behavior, particularly in emerging market contexts where young investors are still developing financial experience and decision making maturity. Investment decisions among students cannot be fully explained by rational financial analysis alone, but must be understood as outcomes of psychological and social dynamics that interact within educational and institutional settings.

By focusing on student investors in university based investment galleries, this research contributes to the behavioral finance literature by extending empirical evidence from an academic investment context that has received limited attention in prior studies. The findings highlight the importance of integrating behavioral perspectives into financial education and investor development programs in higher education institutions.

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