“Smart investing: Unveiling key drivers of strategic investment for investors in the Indonesia Stock Exchange”

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SMART INVESTING: UNVEILING KEY DRIVERS OF STRATEGIC INVESTMENT FOR INVESTORS IN THE INDONESIA STOCK EXCHANGE

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Abstract

To achieve the optimal investment decision, people should have better financial literacy. A better understanding of stock investment can be obtained through having experience investing in the stock market. Besides experience, influences from financial socialization agents such as family, friends, education, and media will improve financial knowledge. Hence, it will determine investments wisely. The aim of this study is to determine the degree to which financial experience, family, peers, formal education, media, and financial literacy have direct on impact investment decisions and furthermore to determine the role of financial literacy as mediating variable between financial experience, family, peers, formal education, media, and investment decisions. Investors who have already registered on the Indonesia Stock Exchange are the respondents to this study. Only those investors are allowed to invest in the Indonesian stock market. There are 716 respondents who were analyzed using self-administered questionnaires and structural equation modeling (SmartPLS). Findings show that peers and financial literacy have a direct positive impact ($p<0.05$) on investment decisions, while financial experience, family, education, and media do not ($p>0.05$). Additionally, financial experience, peers, education, and media have a significant positive effect on financial literacy ($p<0.05$), while family does not ($p>0.05$). Financial literacy is shown to mediate the relationship between financial experience, peers, education, media, and investment decisions ($p<0.05$) but not with family ($p>0.05$). This implies that having financial experience improves financial literacy, which leads to better investment decisions. Furthermore, peers, education, and media all play an important role in increasing financial literacy to make optimal investment decisions.

Keywords education, experience, family, investment, literacy, media, peers, socialization, Indonesia

JEL Classification G11, G41, G53

INTRODUCTION

Investing in the capital market, especially in stocks, is an investment option that offers high returns but also comes with high risks. However, the number of investors in Indonesia is still low compared to other Southeast Asian countries, such as Singapore, Malaysia, and Thailand. This indicates that the level of interest in stock market investment remains low. Indonesians are hesitant to invest in stocks because they fear the investment risks that may arise. The fear of making investment decisions is caused by a lack of financial literacy. Financial literacy is essential in the behavior of investment and is used as a foundation in the decision-making process of savings and investment (Karakara et al., 2022). The financial literacy in the capital market is relatively low compared to the banking sector. According to data from Indonesia's Financial Services Authority, the highest financial literacy indexes in 2022 were observed in the banking sector, reaching 49.93%. In contrast, financial literacy in the capital market was significantly

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lower during the same period, at just 4.11% (FSA, 2021). This indicates that Indonesians are more knowledgeable about banking compared to the stock market.

A person's financial literacy level correlates with their amount of financial experience (Riaz et al., 2022). The data indicate that in 2022, the financial inclusion index was highest in the banking sector, reaching 74.03%. However, financial inclusion in the capital market was significantly lower, at 5.19% for the same year (FSA, 2021). This suggests that, compared to saving, the level of investment experience remains relatively inadequate. Suri and Jindal (2022) argue that having previous experience in the financial sector can lead to improved financial management skills, including making investment decisions. Another alternative to enhancing financial literacy is through the role of financial socialization agents such as family, peers, education, and media. In this context, it is essential to study how financial experience, family, peers, education, media, and financial literacy shape investment decisions. The objectives of this research is to test the direct relationships between financial experience, family, peers, formal education, media, financial literacy and investment decisions and the indirect relationships between financial experience, family, peers, formal education, media, and investment decisions through financial literacy as mediating variable.

1. LITERATURE REVIEW AND HYPOTHESES

Investment decisions involve financial choices and the potential profits that these decisions can yield (Rahim et al., 2022). These decisions are crucial for retail investors as they can result in significant profits or considerable losses. These choices are closely tied to investor behavior, which influences the development of investment strategies to address market anomalies (Pathak & Tapa, 2024). This study employs the Dual Process Theory to understand how financial literacy impacts investment decision-making. According to this theory, financial literacy aligns with Type 2 processing, characterized by logical and analytical reasoning. Dual Process Theory generally divides cognitive processes into two types: Type 1, which is quick, automatic, and intuitive, and Type 2, which is slow, deliberate, and conscious. Stanovich and West (2000) emphasize that Type 2 processing is essential for applying logical reasoning, which is critical for implementing an investment strategy informed by financial literacy. Research indicates that individuals with experience in the capital markets generally possess higher financial literacy than those without such experience. Specifically, Arora and Chakraborty (2023) found that investment judgments are significantly influenced by one's experience with stocks and mutual funds. Furthermore, Riaz et al. (2022) suggested that a person's financial literacy level can be partially assessed by their financial experience.

Optimal investment decisions require a high level of financial literacy to ensure the best possible returns. According to Ullah et al. (2018), financial literacy is crucial for understanding the potential returns and risks associated with investments. Individuals with limited financial literacy are likely to make decisions that are not financially advantageous (Bialowolski et al., 2022; Loh et al., 2023). As the stock market attracts more investors and new financial products emerge, it becomes increasingly important for investors to possess a fundamental grasp of financial principles to make well-informed investment choices (Calvet & Sodini, 2014). Financially literate investors are better equipped to make prudent investment decisions, benefiting themselves and their families (Morris et al., 2022). A study by Jain et al. (2022) highlights that investors' financial literacy significantly impacts their financial decision-making. In summary, higher financial literacy leads to more logically consistent decisions and better awareness of investment risks and returns, reducing hesitation in making investment choices (Adil et al., 2022). This aligns with Wahyuni et al. (2023), who found that financial literacy influences financial management behavior. Moreover, Mao and Liu (2022) noted that improved investment decision-making, supported by enhanced financial knowledge, can lead to higher investment returns.

Huang et al. (2022) define financial experience as the process of learning about personal finance management through practical involvement.

Rajaobelina (2018) and LeBaron et al. (2019) also emphasize that hands-on experience is key to gaining important financial knowledge. A deficiency in financial experience can negatively impact financial literacy (Kumar et al., 2022). Sohn et al. (2012) support this by demonstrating a positive link between financial experience and financial literacy. Similarly, Johnson and Sherraden (2007) found that individuals with prior financial sector experience tend to have higher financial literacy due to their exposure to various financial activities that serve as learning opportunities. According to Madinga et al. (2022) and Chawla et al. (2022), financial literacy is shaped by diverse financial experiences, such as managing loans, savings, and investments. Both financial experience and literacy are crucial in influencing investment decisions (Krische, 2019; Lone & Bhat, 2022; Dogra et al., 2023). For example, prior trading experience can improve an investor's strategies, leading to better investment outcomes (Kolb & Kolb, 2009). Van Nguyen et al. (2022) also observed a positive relationship between financial experience and investment decision-making. Conversely, Sohn et al. (2012) found that individuals with limited financial experience may struggle to make optimal investment decisions. Additionally, investors who have faced previous challenges tend to become more adept at making strategic investment choices (Bihari et al., 2022; Xu et al., 2022).

Hollebeek et al. (2022) define socialization as the process of acquiring the knowledge, values, and skills needed to function effectively within a societal group. Financial socialization specifically refers to how individuals develop and enhance their financial values, attitudes, standards, norms, and behaviors that contribute to their financial stability and well-being. Key agents of financial socialization include parents, peers, formal education, and media.

Parents play a significant role in financial socialization by imparting financial knowledge to their children. Observing their parents' financial management practices in daily life helps children learn about financial matters (Fan et al., 2022). Research shows that children and adolescents who discuss financial topics with their families tend to achieve higher scores in financial literacy (Moreno-Herrero et al., 2018; Ansari et al., 2023). Vosylis and Erentaitė (2020) also found that parental involvement in money management correlates with better investment outcomes and increased portfolio value. Furthermore, family engagement in financial matters is key to achieving successful financial results (LeBaron & Kelley, 2021).

In addition to parents, interactions with peers – particularly those with investment experience—can further enhance financial literacy. Peers can share their investment experiences and offer advice, improving financial understanding (Khan et al., 2022; Amagir et al., 2022; Happ et al., 2022). Peers notably influence financial decisions, especially among younger individuals who may lack mature perspectives. For instance, Ouimet and Tate (2020) found that employees' decisions regarding stock option plans are significantly influenced by their peers' choices.

Formal education also plays a crucial role in financial socialization. Colleges and universities often include financial literacy components in their curricula, equipping students with the knowledge needed to manage their finances effectively. Evidence suggests that students' financial knowledge correlates with the extent of formal financial education received during high school (Noh, 2022; Furrebøe & Nyhus, 2022; Ameer & Khan, 2020). Educated investors are more likely to consider various investing factors (Han, 2023).

Media, especially social media, is another influential factor in financial socialization. The rapid and widespread dissemination of information via platforms like Twitter and Facebook benefits businesses by enhancing their reputation, conducting digital marketing, and addressing customer issues (Cham et al., 2012; Cham et al., 2022; Cham et al., 2023; Lim et al., 2022; Low et al., 2022). Investors can use information from social media to make more informed investment decisions (Souza & Martins, 2022; Pak et al., 2023).

Overall, financial socialization through family, peers, formal education, and media can significantly improve financial literacy and influence investment decisions (Prakitsuwan et al., 2022; Huber & Kirchler, 2023; Das & Panja, 2022; Tan et al., 2019).

Based on the phenomenon, research problem, research objectives, and previous studies, the research hypotheses are formulated as follows:

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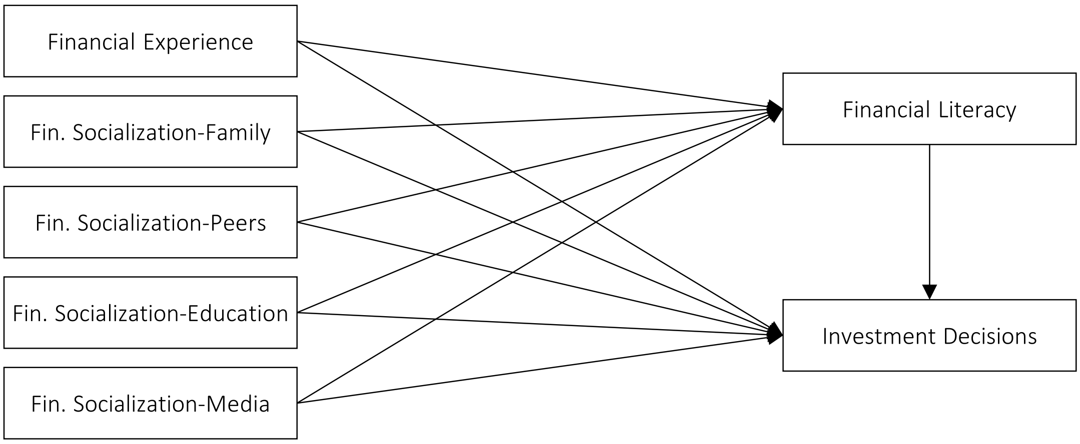

Figure 1. Research framework

H_{1a}: *Financial experience has a positive influence on financial literacy.*

H_{1b}: *Financial experience has a positive influence on investment decisions.*

H_{2a}: *Family has a positive influence on financial literacy.*

H_{2b}: *Family has a positive influence on investment decisions.*

H_{3a}: *Peers have a positive influence on financial literacy.*

H_{3b}: *Peers have a positive influence on investment decisions.*

H_{4a}: *Formal education has a positive influence on financial literacy.*

H_{4b}: *Formal education has a positive influence on investment decisions.*

H_{5a}: *Media has a positive influence on financial literacy.*

H_{5b}: *Media has a positive influence on investment decisions.*

H_{6}: *Financial literacy has a positive influence on investment decisions.*

H_{7a}: *The influence of financial experience on investment decisions is mediated by financial literacy.*

H_{7b}: *The influence of family on investment decisions is mediated by financial literacy.*

H_{7c}: *The influence of peers on investment decisions is mediated by financial literacy.*

H_{7d}: *The influence of formal education on investment decisions is mediated by financial literacy.*

H_{7e}: *The influence of media on investment decisions is mediated by financial literacy.*

This study can be comprehensively described using the research framework illustrated in Figure 1. This framework depicts that financial experience and financial socialization, comprising family, peers, formal education, and media, can directly and indirectly influence investment decisions. Financial literacy is a mediating variable for the indirect influence. Financial literacy is also a factor influencing investment decisions. Having investment experience and receiving information about investments from various socialization agents enhances financial literacy. Improved financial literacy enables investors to formulate effective investment strategies and make investment decisions that yield optimal results. Stock investment experience can enhance understanding of stock investments, making investors more cautious in strategizing and making investment decisions. Similarly, information, advice, and input provided by family, peers, formal education, and the media contribute to a better understanding of stock investments before determining investment strategies and decisions.

2. METHODS

The target respondents in this study were all stock investors who are listed in the Single Investor Identification (SID) database and have an RDN or Customer Fund Account on the Indonesia Stock Exchange. An online survey was conducted on the Indonesia Stock Exchange to validate the hypotheses suggested. This study used a sort of convenience sampling in non-probability sampling because the questionnaire is provided to security companies that are either readily available or willing to participate freely through the Indonesia Stock Exchange. After a period of one month, data were collected from a sample of 1,017 investors. The samples were removed due to a lack of customer fund accounts, insufficient high school education, multiple entry errors, incorrect securities company information, and outliers. This study's final sample size is 716. According to Kock and Hadaya (2018), at the 0.05 significance level, the minimum sample size for the range of path coefficient between 0.05 and 0.1 was 619. Therefore, the sample size has exceeded the minimum number of requirements.

3. RESULTS

The survey questions were designed in accordance with the conceptual model provided, drawing upon prior research as a foundation. Each of the questionnaire indicators is represented in the

Table 1. Common method bias analysis

Latent	Items	Substantive			Common method		
		Factor loading (Ra)	Variance square (Ra^2)	p-values	Factor loading (Rb)	Variance Square (Rb^2)	p-values
FE	FE1	0.454	0.206	0.000	0.200	0.040	0.222
	FE2	0.460	0.212	0.000	0.168	0.028	0.497
	FE3	0.760	0.577	0.000	0.269	0.072	0.370
	FE4	0.550	0.303	0.000	0.129	0.017	0.050
	FE5	0.636	0.405	0.000	0.283	0.080	0.077
FSF	FSF1	0.789	0.623	0.000	0.342	0.117	0.100
	FSF2	0.922	0.851	0.000	0.309	0.095	0.001
	FSF3	0.914	0.835	0.000	0.339	0.115	0.142
	FSF4	0.804	0.646	0.000	0.358	0.128	0.033
FSP	FSP1	0.822	0.675	0.000	0.367	0.134	0.000
	FSP2	0.766	0.587	0.000	0.373	0.139	0.007
	FSP3	0.717	0.514	0.000	0.561	0.315	0.000
	FSP4	0.820	0.672	0.000	0.492	0.242	0.108
FSE	FSE1	0.882	0.779	0.000	0.577	0.333	0.348
	FSE2	0.735	0.540	0.000	0.538	0.289	0.006
	FSE3	0.877	0.770	0.000	0.594	0.352	0.064
	FSE4	0.934	0.872	0.000	0.546	0.298	0.000
	FSE5	0.574	0.330	0.000	0.574	0.330	0.033
FSM	FSM1	0.860	0.739	0.000	0.261	0.068	0.006
	FSM2	0.862	0.744	0.000	0.281	0.079	0.067
	FSM3	0.505	0.255	0.000	0.456	0.208	0.000
	FSM4	0.851	0.725	0.000	0.281	0.079	0.090
	FSM5	0.886	0.785	0.000	0.269	0.072	0.003
FL	FL1	0.779	0.606	0.000	0.553	0.306	0.014
	FL2	0.783	0.613	0.000	0.526	0.276	0.208
	FL3	0.655	0.429	0.000	0.446	0.199	0.214
	FL4	0.590	0.349	0.000	0.396	0.157	0.329
	FL5	0.521	0.272	0.000	0.263	0.069	0.005
	FL6	0.510	0.260	0.000	0.262	0.068	0.014
ID	ID1	0.807	0.652	0.000	0.457	0.209	0.271
	ID2	0.832	0.692	0.000	0.516	0.266	0.081
	ID3	0.660	0.436	0.000	0.407	0.166	0.215
	ID4	0.709	0.503	0.000	0.369	0.136	0.048
Average		0.734	0.559	0.000	0.387	0.166	**0.110**

Notes: FE = Financial Experience; FS-F = Financial Socialization-Family; FS-P = Financial Socialization-Peers; FS-E = Financial Socialization-Education; FS-M = Financial Socialization-Media; ID = Investment Decision.

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appendix. The potential for common method bias (CMB) exists due to the utilization of a single instrument for the collection of data pertaining to both endogenous and exogenous factors. This study adopts the methodology employed by Liang et al. (2007) to examine the CMB. It is said that if the factor loadings of the method are not statistically significant and the substantive variances (Ra^2) of the indicators are considerably larger than their method variances (Rb^2), it can be inferred that common method bias is unlikely to be a concern. Based on the findings presented in Table 1, it is evident that the average values of (Ra^2) significantly exceed their corresponding method variances (Rb^2). Based on the obtained findings, it may be inferred that CMB does not exist.

A comprehensive overview of the demographic char acteristics of the participants, encompassing variables such as gender, age, education level, marital status, and occupation represented in Table 2. The sample population comprises 52.7% males and 47.3% females. Most participants were seen to fall between the age range of 26 to 35 years. Although younger investors may not have substantial funds for trading, they can still participate because opening an account requires only IDR 100,000. This suggests they are inexperienced or novice investors with minimal financial experience. The majority of survey participants were millennials, specifically those aged 17 to 35 years old. This aligns with the behavior of investing in high-risk equities, which is suitable for relatively young investors who can better withstand financial setbacks from stock losses. Most individuals in this group are married and possess an undergraduate educational background. A total of 360 participants were identified as professionals, with the majority reporting an investment term of less than one year.

The initial stage in the evaluation of PLS-SEM entails scrutinizing the measurement model to ascertain its validity and reliability. In accordance with the standards outlined by Hair et al. (2019), the evaluation of convergent validity would involve the examination of several critical indicators, including composite reliability (CR), factor loadings for the variables, and the average variance extracted (AVE). Table 3 shows that most items exhibit loadings that surpass the established criterion of 0.7. It is shown that FE is the only construct that does not meet the specified threshold since its CA and CR are below 0.7. However, it should be noted that the current utilization of FE indicators remains limited to a few three. Consequently, the FE construct will persist in its utilization. This assertion is further corroborated by the findings

Table 2. Demographic profile of the respondents

Variables	Descriptions	Frequency	Percentage
Gender	Male	377	52,7%
	Female	339	47,3%
Age	17-25	306	42,7%
	26-35	350	48,9%
	36-45	43	6,0%
	46-55	14	2,0%
	>55	3	0,4%
Education	Diploma	62	8,7%
	Undergraduate	578	80,7%
	Graduate	72	10,1%
	Doctorate	4	0,6%
Marital Status	Not married yet	251	35,1%
	Married	458	64,0%
	Widow/widower	7	1,0%
Occupation	Academician	218	30,4%
	Entrepreneur	138	19,3%
	Professional	360	50,3%
Investing Period	<1 year	436	60,9%
	1-3 years	215	30,0%
	>3-5 years	36	5,0%
	>5 years	29	4,1%

of Tan and Ooi (2018), who argue that maintaining an outer loading within the range of 0.4 to 0.7 is feasible, provided that the indicator possesses a minimum average variance extracted (AVE) value of 0.5. The average variance extracted (AVE) for all constructs is greater than 0.5. The findings indicate that the study has successfully demonstrated convergent validity.

Discriminant validity refers to the degree to which each latent variable inside the model is distinct from other constructs (Hair et al., 2019; Lacap et al., 2021). It is proposed to use the heterotrait-monotrait (HTMT) criterion to conduct discriminant validity testing. This aligns with the recommendation made by Henseler et al. (2015) to utilize the HTMT ratio of correlation criterion for assessing discriminant validity. It is emphasized that the HTMT statistics should not surpass the thresholds of 0.90 or 0.85, depending on the level of conceptual similarity between the constructs. According to the findings presented in Table 4, it can be observed that none of the HTMT values are above the threshold of 0.90. Therefore, it may be inferred that the current study has successfully proven discriminant validity.

The results of the hypotheses testing conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) are presented in Table 5. The findings of the study suggest that the variables FE, FSP, FSE, and FSM (H1a: $\beta = 0.176$, $p < 0.05$; H3a: $\beta = 0.084$ $p < 0.05$; H4a: $\beta = 0.170$, $p < 0.05$; H5a: $\beta = 0.308$, $p < 0.05$) exhibit a significant positive relationship with FL, as hypothesized. The hypothesis H2a, which posits that $\beta = 0.043$ and $\rho > 0.05$ for FSF, was not significant. Therefore, it can be concluded that financial experience and three socialization agents (peers, education, and media) have a positive significant influence on financial literacy. Based on the value of β, it can be interpreted that media has the most significant influence on financial literacy. Peers have the least influence on financial literacy. However, family as one of the financial socialization agents has no influence on financial literacy.

Regarding investment decisions, only FSP and FL have a positive and significant influence (H3b: $\beta = 0.126$, $p < 0.05$; H6: $\beta = 0.401$ $p < 0.05$). Financial literacy has a greater influence than peers in determining investment decisions. The other variables, such as FE, FSF, FSE, and FSM, have no influence on investment decisions (H1b: $\beta = 0.032$, $p < 0.05$; H2b: $\beta = 0.036$ $p < 0.05$; H4b: $\beta = 0.052$, $p < 0.05$; H5b: $\beta = -0.002$, $p < 0.05$). It can be concluded that investment decisions are only affected by peers as one of the financial socialization agents and finan-

Table 3. Convergent validity and construct reliability

Constructs	Items	Factor Loadings	AVE (>0.50)	CA (>0.70)	CR (>0.70)
FE	3	0.684-0.739	0.507	0.517	0.511
FS-F	4	0.795-0.924	0.747	0.886	0.900
FS-P	3	0.691-0.858	0.635	0.721	0.773
FS-E	5	0.796-0.913	0.762	0.922	0.936
FS-M	4	0.859-0.893	0.770	0.900	0.900
FL	3	0.663-0.883	0.663	0.739	0.771
ID	3	0.735-0.848	0.656	0.735	0.737

Notes: FE = Financial Experience; FS-F = Financial Socialization-Family; FS-P = Financial Socialization-Peers; FS-E = Financial Socialization-Education; FS-M = Financial Socialization-Media; ID = Investment Decision; AVE = Average Variance Extracted; CA = Cronbach's Alpha; CR = Composite Reliability; * indicates the removal of one or more items from a variable based on the recommendation of a convergent validity test.

Table 4. Discriminant validity – Hetero-Trait-Mono-Trait

Construct	FE	FL	FS-E	FS-F	FS-M	FS-P	ID
FE							
FL	0.402						
FS-E	0.184	0.241					
FS-F	0.102	0.150	0.206				
FS-M	0.125	0.378	0.113	0.058			
FS-P	0.189	0.261	0.341	0.288	0.179		
ID	0.232	0.595	0.190	0.132	0.169	0.305	

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cial literacy. Additionally, the results also indicate that financial literacy plays a mediating role for FE, FSP, FSE, and FSM (H7a: $\beta = 0.071$ $p < 0.05$; H7c: $\beta = 0.034$ $p < 0.05$; H7d: $\beta = 0.068$, $p < 0.05$; H7e: $\beta = 0.124$, $p < 0.05$), except for FSF (H7b: $\beta = 0.017$, $p < 0.05$). It is concluded that financial literacy can mediate between financial experience, financial socialization (peers, education, media), and investment decisions. The most significant role of financial literacy as a mediator is in linking media and investment decisions.

This study assesses the predictive ability of the structural model through the evaluation of Stone-Geisser's Q^2 statistic. The value indicates the extent to which the structural model is pertinent in elucidating the endogenous variable, as stated by Hew et al. (2017a). According to Hair's criterion, a Q^2 value larger than zero signifies the model's predictive relevance, while a Q^2 value less than zero suggests that the model lacks predictive relevance (Hair et al., 2017). Furthermore, Table 6 presents the computed effect size f^2 for each of the exogenous constructions. The concept of effect size f^2 quantifies the extent to which an external latent construct contributes to the R^2 value of an endogenous construct (Cohen, 1988). Gefen and Straub (2005) propose that effect sizes can be categorized as weak, medium, and large based on specific value ranges. Specifically, an effect size is considered weak if it falls between 0.02 and 0.15, medium if it falls between 0.15 and 0.35, and large if it exceeds 0.35. According to Kemény et al. (2016), if the value decreases to a level below 0.02, the exogenous construct has no influence. According to the data presented in Table 5, the Q^2 values for FL and ID are 0.165 and 0.063, respectively. This suggests that the model demonstrates predictive relevance. Moreover, regarding f^2, the findings indicate that FS-F and FS-P do not significantly contribute to the R^2 value of financial literacy, as their respective values are 0.006 and 0.005, both below the threshold of 0.02. Meanwhile, it is observed that the f^2 values for the factors FE, FS-E, and FS-M fall within the range of 0.02 to 0.15. These values are indicative of a weak contributing effect on the variable FL. Nevertheless, the impact of the medium effect on financial literacy (FL) in relation to its contribution to the R^2 value of investment decision (ID) has existed.

Table 6. Coefficient of determination and predictive relevance

Construct	R^2	Adj R^2	f^2	Q^2
FE			0.049	
FS-F			0.006	
FS-P			0.005	
FS-E			0.036	
FS-M			0.108	
FL	0.203	0.197	0.247	0.165
ID	0.198	0.197		0.063

Table 5. Results of the structural model assessment for direct and indirect effect

Hypotheses	Path	Original sample	Sample mean (M)	T-values	P values	Decision
H1a	FE → FL*	0.176	0.179	4.736	0.000	Supported
H1b	FE → ID	0.032	0.035	0.825	0.205	Not supported
H2a	FSF → FL	0.043	0.045	1.132	0.129	Not supported
H2b	FSF → ID	0.036	0.040	0.915	0.180	Not supported
H3a	FSP → FL*	0.084	0.089	2.268	0.012	Supported
H3b	FSP → ID*	0.126	0.127	3.133	0.001	Supported
H4a	FSE → FL*	0.170	0.171	4.723	0.000	Supported
H4b	FSE → ID	0.052	0.055	1.360	0.087	Not supported
H5a	FSM → FL*	0.308	0.310	8.038	0.000	Supported
H5b	FSM → ID	–0.002	0.000	0.044	0.482	Not supported
H6	FL → ID*	0.401	0.399	9.861	0.000	Supported
H7a	FE → FL → ID*	0.071	0.071	4.292	0.000	Supported
H7b	FSF → FL → ID	0.017	0.018	1.118	0.132	Not supported
H7c	FSP → FL → ID*	0.034	0.035	2.227	0.013	Supported
H7d	FSE → FL → ID*	0.068	0.068	4.376	0.000	Supported
H7e	FSM → FL → ID*	0.124	0.124	5.895	0.000	Supported

Note: * = significant at 5%; FE = Financial Experience; FS-F = Financial Socialization-Family; FS-P = Financial Socialization-Peers; FS-E = Financial Socialization-Education; FS-M = Financial Socialization-Media; ID = Investment Decision.

4. DISCUSSION

The results of the statistical analysis indicate that financial experience significantly impacts financial literacy, whereas no significant relationship was observed between financial experience and investment decisions. This implies that financial experience can only increase financial literacy rather than automatically result in better investment decisions. Gaining financial experience has the capacity to improve people's understanding of finance, especially in the context of investing in the capital market. Engaging directly with a subject and applying knowledge in practical situations is a more effective approach to learning than understanding theoretical principles.

The findings demonstrate that peers, education, and media as financial socialization agents play a significant role in enhancing financial literacy. Family does not influence financial literacy. It contrasts with the previous study by Widagdo and Roz (2022), who found that parents play an important role in financial literacy. The observed phenomenon can be attributed to the demographic composition of the respondents, who primarily fall within the age range of 26-35 years. The level of parental involvement in imparting financial guidance tends to decrease among individuals aged 26 to 35 years. It is also found that media exerts the most substantial influence, as indicated by the path coefficient of 0.308. In contrast, the impact of peers and education is found to be merely 0.084 and 0.170, respectively. In contrast, only peers, as one of the financial socialization agents, impact investment decisions, whereas family, education, and media have no significant influence. This finding highlights the significance of peers in the process of making investment decisions, as individuals tend to rely on recommendations from their peers when making such decisions.

Financial literacy has a positively significant influence on investment decisions. This implies that people with greater financial literacy tend to make better investment decisions. This is in line with Suresh (2021), who found that financial literacy has a positive influence on investment decisions. Individuals with a high level of financial literacy are more likely to possess a superior comprehension of investing risks and returns, enabling them to make optimal investment decisions. Furthermore, in the context of mediation functions, financial literacy can serve as a mediating variable for the relationship between financial experience, peers, education, and media. Financial literacy does not serve as a mediator for the family and investment decisions due to the absence of a direct influence between family and financial literacy and investment decisions.

CONCLUSION

This study implies that with strong financial literacy, individuals can determine appropriate investment strategies, enabling them to make investment decisions that yield optimal returns. Financial literacy is crucial for every investor to understand the returns and risks associated with investment activities, enabling them to adjust their risk tolerance levels to achieve their expected returns. Financial literacy can be enhanced by providing easier access to investing in the capital markets. Additionally, financial literacy can be promoted through information and education in formal education settings such as colleges and universities and through various media, especially social media. The role of financial communities or investment clubs can also enhance financial literacy.

Based on these findings, it is recommended that the Indonesian government, through the Financial Service Authority (OJK) and Indonesia Stock Exchange (IDX), enhance financial literacy among investors and potential investors to equip them with more comprehensive knowledge about investing in the capital market, particularly in stock assets. Furthermore, OJK and IDX can improve financial literacy through trading simulation programs, providing investment experiences before entering the real world. Trading simulations can also be conducted through stock exchange competitions to educate students and the public. Research has shown that media has the greatest influence among other financial socialization agents. This means that OJK and IDX can use the media to disseminate information about stock investments and provide financial literacy. The most effective media for the 26-35 age group is social media,

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including Instagram, TikTok, Twitter, and Facebook. This age group is highly active on social media platforms, facilitating rapid and massive information dissemination.

This study has yielded findings that address the research problem aimed at achieving the research objective: to examine whether financial experience, financial socialization, and financial literacy influence investment decisions. The research findings conclude that:

Investment decisions are directly influenced by peers and financial literacy. Information provided by peers can influence investment decisions. If the information provided is of high quality, the investment decisions made will be appropriate, and vice versa. Investors and potential investors must have financial literacy to make investment decisions. If investors have adequate financial literacy, the investment decisions made will be optimal, and vice versa.

Financial literacy is influenced by financial experience, peers, education, and media. Financial literacy can be enhanced by increasing the role of financial socialization agents, namely peers, education, and media. Peers serve as informal financial socialization agents. Education is provided through formal channels such as colleges, universities, courses, and workshops. Media provides real-time, up-to-date, and massive financial socialization. The use of social media is considered the most effective means of financial socialization.

Financial literacy can serve as a mediating variable between financial experience and financial socialization (peers, education, and media). Indeed, optimal investment decisions can be achieved through enhancing financial literacy by providing financial experience and increasing the role of financial socialization agents, namely peers, formal education, and media.

The direction for future prospects should broaden the scope of factors affecting investment decisions, including personality traits that will determine the investment strategy and the decision to invest in risky assets according to the risk tolerance of each personality trait. Personality analysis can utilize the Big Five personality traits, which include openness, conscientiousness, extraversion, agreeableness, and neuroticism. In addition to personality traits, research can be expanded by incorporating irrational factors that can influence investment decisions and strategies.

AUTHOR CONTRIBUTIONS

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APPENDIX A

Table A1. Questionnaire survey

Variables	Measurement Items	Scale Type
Financial Experience	1) I prefer using a credit card rather than cash for payment.	Likert 1-7
	2) I have used a personal loan.	
	3) I used to invest in retail bonds.	
	4) I used to invest in mutual funds.	
Financial Socialization	Family 1) I make financial decisions based on what my parent(s) have done in similar situations.	Likert 1-7
	2) When it comes to managing money, I look up to my parent(s) as my role models.	
	3) My parent(s) are role models for me about how to manage financial matters.	
	4) Family is my main source of financial information.	
Financial Socialization	Peers 1) I learned finance from peers.	Likert 1-7
	2) I expect to learn/increase my financial knowledge from peers.	
	3) I spend money to learn about financial knowledge from peers.	
	4) Peers are my primary source of financial information.	
Financial Socialization	Formal Education 1) I have learned personal finance in college.	Likert 1-7
	2) I attended seminars, workshops, or after-college programs that taught financial management	
	3) I spent money to learn about financial knowledge from college.	
	4) I got my basic knowledge of financial information from college	
	5) I learned to manage my money from the education I got from college.	
Financial Socialization	Media 1) I learned finance from the media.	Likert 1-7
	2) I expect to learn/increase my financial knowledge from the media.	
	3) I spent money to learn about financial knowledge from the media.	
	4) Media is my main source of financial information.	
	5) I learned to manage my money from the media.	
Investment Decision	1) The rate of return of my recent stock investment meets my expectations.	Likert 1-7
	2) My rate of return is higher than the average rate of return of the market.	
	3) I do not care about the effects of the financial market on my return as long as it is higher than inflation.	
	4) I feel satisfied with my investment decisions in the last year, including selling, buying, choosing, and deciding on stock volumes.	