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Overconfidence and Students' Investment Decision: The Moderating Role of Financial Literacy

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ABSTRACT

Overconfidence is a psychological bias in which individuals have excessive confidence in their knowledge and abilities when making investment decisions. This study aims to examine the influence of overconfidence on students' investment decisions in the capital market by considering the moderating role of financial literacy. This study uses a quantitative approach involving the younger generation, especially students who have or are investing in the capital market. Researchers collected a sample of 378 respondents through a questionnaire distributed using Google Forms. Researchers then analyzed the data using the PLS-SEM method. The results of the study show that overconfidence has a negative impact on investment decisions. The higher the level of overconfidence, the worse the decisions taken by individuals. Conversely, financial literacy has a positive impact by helping individuals make more rational investment decisions. In addition, financial literacy also acts as a moderator that can reduce the negative impact of overconfidence, thereby improving the quality of investment decision making. These findings confirm that financial literacy has an important role in reducing the negative impact of overconfidence and encouraging individuals to make wiser investment decisions.

Keywords:
Financial Literacy, Investment Decisions, Overconfidence, Stock Market.

1. INTRODUCTION

Technological developments bring changes in various aspects of life, including encouraging someone to behave consumptively in making investment decisions. Based on demographic data as of June 2024, most investments in Indonesia are under 30 years old, with a percentage of 55.38%. The Increasingly easy access to the capital market through digital platforms has opened up opportunities for students to start investing at a young age; this progress is reinforced by investment applications that offer easy transactions, transparency of information, and attractive investment education features for the younger generation (Financial Services Authority, 2024). According to data from the Indonesia Stock Exchange (2024), there has been an increase in the number of individual investors among students, along with the increasing popularity of technology-based platforms that allow transactions to be made quickly and practically. This condition is

one of the strategic choices for the younger generation, which is to use technology to build financial stability and achieve long-term goals in making investment decisions.

Investment decision behavior becomes an interesting topic as the capital market is mostly supported by those individual investors. Investment decisions are an essential step, especially for students who are just starting to enter the world of the stock market. This decision not only reflects their courage to take advantage of investment opportunities but also shows an increasing interest in taking advantage of investment opportunities and the capital market as an instrument to achieve financial goals. According to Song et al. (2023), investment decisions are influenced by psychological factors: financial literacy and other internal and external elements. The stock market offers great opportunities for asset growth, but investment decisions in it are not free from risk. Risks such as stock price fluctuations and changes in market conditions, as well as global economic uncertainty, are challenges those investors, including students, must face.

In this context, students often face a dilemma between pursuing profit opportunities and managing existing risks. Limited experience and lack of in-depth understanding of the market can increase the potential for mistakes when investing in the stock market, as the level of excessive overconfidence often makes them optimistic about their ability to take risks without considering all variables carefully. Several studies related to self-confidence in investment decisions have been conducted (Armansyah, 2021; Bhutto et al., 2025; Bouteska et al., 2023; Xu et al., 2024; Siregar & Anggraeni, 2022; Setiawati et al., 2024; Sari & Damingun, 2021).

Overconfidence is a psychological condition where someone has excessive self-confidence in their abilities or knowledge, including in making investment decisions. Overconfidence also encourages individuals to overestimate their ability to analyze the market or predict stock price movements. This condition often leads to overly optimistic decisions, ignoring risks, and excessive transactions, which can lead to financial losses. Banerjee et al. (2023) explain that the adverse effects of overconfidence appear in students who tend to be too high in making investment decisions; students often feel driven by the desire to learn from actual stock price information. Overconfidence is also associated with impulsive decisions, underestimation of risk, and lack of portfolio diversification, which can worsen investment results.

One way to overcome overconfidence is with financial literacy. Financial literacy plays a significant role in helping individuals understand the basic concepts of investment, risk, and financial management so that they can make investment decisions that are more rational. With adequate financial literacy, students can evaluate risks more objectively and avoid decision-making that is affected. However, financial literacy can also have a negative impact if it is not in psychological control. Jeon (2023) argues that there may be an alternative channel, that is, indirect adverse effects that cause students to be too confident, causing a lower

level of investment in higher knowledge about finance, which can increase overconfidence because students feel more competent in making investment decisions. Hence, they tends to take a greater risk without considering the consequences.

The relationship between overconfidence and financial literacy is complex. Financial literacy can help reduce the negative impact of overconfidence by providing a deeper understanding of the market and investment risk. However, high financial literacy without awareness of the limitations of personal abilities can worsen overconfidence, increasing a tendency to make more aggressive or unwise investments. Therefore, a comprehensive approach that includes financial education and psychological management is needed to create wise and rational investors. As revealed Lusardi & Mitchell (2023), good financial literacy plays a key role in wise financial decision-making and helps reduce the adverse effects of various cognitive biases.

Earlier research by Subedi & Bhandari (2024) has examined the effect of psychological factors on investment behaviour in the public, with financial literacy as a mediation variable. As the study progressed, it focused on the influence of overconfidence on student investment behaviour, with financial literacy as a moderation variable. This further research may provide new evidence that suggests the relationships between variables are more complex than previously thought, and involve interactions between variables. This approach offers a new theoretical contribution by exploring the interaction between overconfidence and financial literacy in influencing investment behaviour in students who have not become the focus of earlier research.

This study aims to explore whether financial literacy can moderate the negative impact of overconfidence on student investment decisions, especially in fluctuating stock markets. In the context of increasingly developing digital investment trends, students have easier access to invest, but this increases the risk of making decisions that are less wise due to overconfidence. By understanding the role of financial literacy, this study aims to provide insight into how students can manage their excess overconfidence to be able to make rational investment decisions and support long-term financial stability. This study provides a significant contribution to overconfidence, the role of financial literacy as a moderator and can reduce the negative impact of overconfidence on students' investment decisions. Financial literacy can be a valuable tool to help students understand the volatile stock market horizon, thereby contributing to better decision-making. The results of this study can serve to increase student's awareness of the risks of being overconfident in investment decision-making.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Self-Attribution Theory

Self-attribution theory is a theory that explains a person's behaviour, both themselves and others. This theory was first introduced by Fritz Heider in 1958. Self-attribution theory explains

that individuals tend to associate their success with internal factors and failure with external factors, such as uncontrollable circumstances. This theory is relevant to understanding how they view success and failure in investment decisions. Fan et al., (2023) state that attribution is the basic cognitive process of an individual, and there must be reasons behind individual behaviors. When exploring the reasons behind behaviors, individuals attribute it to personal or external.

Students who experience investment success often attribute it to their skills or understanding of the market. This condition can increase overconfidence, which can potentially lead them to take more significant risks in the future. When faced with losses, they tend to blame external factors, such as market volatility or global economic conditions, rather than evaluating their decisions. According to Willyanto et al., (2019), it can cause bias in investment decision-making and tend to continue takinhag irrational risks. This phenomenon is also closely related to overconfidence behaviour, where individuals who experience success feel increasingly confident in their ability to predict market movements and make investment decisions. According to Czaja & Röder (2020), this tendency often leads to ignoring external factors that affect investment results, which can lead to less rational and high-risk investment decisions.

Overconfidence in Investment Decision-Making

Overconfidence is the tendency of individuals to overestimate their ability to assess information or predict investment outcomes. Overconfident students often arise because of excessive beliefs that they have control over the market or the ability to predict stock price movements accurately. This situation worsens due to rapid market fluctuations, which are frequently seen as opportunities for large profits. As explained by Abdin et al. (2022), biased overconfidence can cause students to misjudge risks, make impulsive decisions, or become engaged in overtrading behaviour that can end in financial losses. Self-attribution bias also plays a significant role in students' investment decisions. This bias occurs when individuals are successful at investing but blame external factors when they experience losses.

The volatile and uncertain stock market is a big challenge for students who tend to be overconfident. Research by Pratiwi & Anwar (2022) shows that overconfidence among students can encourage them to ignore potential loss and assess the market non-objectively. Excessive self-confidence often leads to misjudgment of existing risks, which can result in irrational investment decisions. According to Jeon (2023), this tendency is even more evident among the younger generation because they do not understand the dynamics of the volatile stock market. This situation worsens further with the increasing access of the younger generation to digital investment, which makes it easier for them to invest through online platforms. However, this access increases the likelihood of investment decisions driven by overconfidence.

H1: Overconfidence has a negative impact on investment decision-making.

Investment Decisions

Investment decisions are a process that involves selecting instruments and strategies used by investors to achieve financial goals, including risk management and proper asset allocation. Students' investment decisions often depend on their understanding of risk and psychological factors such as overconfidence. This decision not only focus on efforts to maximize profits but also considers the possibility of losses and market volatility that can affect investment results. Isywara et al. (2024) shows that students tend to be more open to investing through digital platforms, which provide easy access to the stock market but also increase the risk of decisions driven by excessive confidence or overconfidence.

According to Sudirman & Pratiwi (2022), overconfidence is a cognitive bias where individuals exaggerate their ability or knowledge in making predictions or assessing information, including in making investment decisions. Students who experience overconfidence often feel they can predict market movements or control investment results, even though this does not always follow reality. Research by Bahri et al. (2024) shows that students, like investors in general, tend to respond to profits but are more willing to take risks when facing losses. The theory of self-attribution bias can further strengthen the effect of overconfidence in students' investment decision-making. When they experience profits, they will be more confident in their abilities and continue to increase their risk, but when experiencing losses, they tend to blame external factors such as market conditions or economic policies. This condition suggests that overconfident behaviour can affect students' investment decision-making, both in stable and volatile market conditions, and potentially cause them to ignore the risks involved in investing.

H2: Financial literacy affects investment decision-making.

Financial Literacy As a Moderating Variable

Financial literacy, which includes basic knowledge of finance and the ability to manage personal finances, plays a significant role in investment decision-making (Ansari et al., 2022). According to Pompian (2012) in his book Behavioral Finance and Wealth Management, individuals with high financial literacy are more likely to have a diversified portfolio and make transactions wisely, which can reduce the negative impact of overconfidence. Conversely, according to Hasler et al. (2023), individuals with low financial literacy tend to make impulsive decisions, follow market trends without in-depth analysis, or invest speculatively.

Yuneline & Suryana (2020), add that financial literacy also involves attitudes toward financial management, such as future orientation and responsibility, which support rational investment decision-making. With adequate financial literacy, students can objectively assess risks and avoid decisions influenced by

overconfidence. Based on self-attribution theory, this occurs when individuals attribute investment success to their abilities but blame external factors when they fail. Research by Hidayah (2023), reveals that individuals with higher financial literacy make wiser financial decisions in managing investment risks well.

H3: Financial literacy moderates the effect of overconfidence on investment decision-making.

3. RESEARCH METHODS

Types and Research Designs

This study uses a quantitative approach to measure the relationship between variables through numerical data collection. Data has been analyzed using statistical methods. The causal descriptive research design is to provide an overview of the level of overconfidence, financial literacy, and student investment decisions and to evaluate the effect of overconfidence on investment decisions moderated by financial literacy.

Population and Sample

The population in this study was all active students registered at the University of Bengkulu in the 2020 to 2024 academic year, totaling 7.005 students. The determination of the research sample used the purposive sampling technique, which is a method of selecting samples based on specific criteria. The respondents in this study were the young generation, with the criteria being students who invested or were investing in the stock market. The number of samples in this study was determined out using the Slovin formula. Sugiyono (2017:81) said that the Slovin formula is a statistical formula used to calculate the number of samples needed in a study based on the existing population. Based on the sample calculation, the total number of samples taken in this study was 378 respondents.

$n = N / 1+Ne^2$

Description:

n = number of samples

N = number of populations

e = Percentage of allowance for accuracy due to sample errors that are still tolerable (5%)

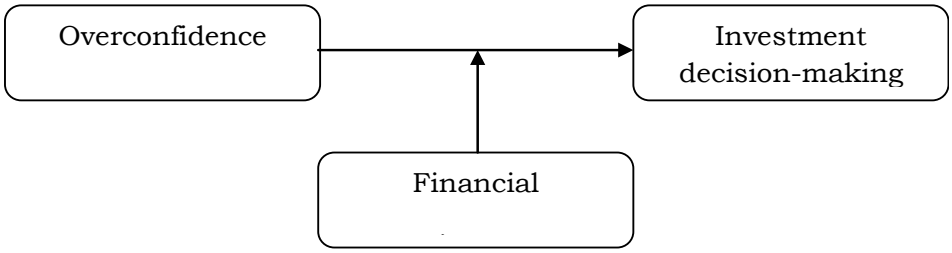

Figure 1
Research Model

Operational Definition of Variable

In this study, the variables are independent, dependent variables, and moderating variables. The independent variable in this study is overconfidence, the dependent variable is investment decisions, and the moderating variable is financial literacy. The measurement of the three variables uses a Likert scale starting from 5 (strongly agree) to 1 (strongly disagree).

In this study, a questionnaire served as a research instrument. The questionnaire was disseminated to the informants via Google Form and measured using a Likert scale. In this questionnaire, there are three important parts of each variable: First, Overconfidence is the tendency of individuals to overestimate their ability to assess information or predict investment outcomes. Gufron et al. (2024) said that overconfidence in this study measures the level of student confidence in making better investment decisions than in the market or other investors. The measurement in this study is to see how confident students are in predicting stock prices, even though market data or information may not support it. In student transactions, how often do they buy or sell stocks without considering market risk or uncertainty? Measurements were conducted using a five-point Likert scale.

Investment decisions depend on students' consideration of economic factors and other factors before making investments. Investment decisions are influenced on how often students buy or sell stocks-assessing stocks chosen by students to reduce risk. Students tend to often choose stocks based on fundamental or technical analysis or based on spontaneous decisions (Setiawati et al., 2024). Measurement of investment decisions uses a Likert scale for questions (Siregar & Anggraeni, 2022). This section measures how often students seek information before investing, either through the Internet, books, or other information. Financial literacy in this study looks at the extent to which students understand the basic concepts of stock investment (types of stocks, market mechanisms, and how economic factors influence stock prices). Students must also be able to manage risk, diversify portfolios, and know about financial instruments (such as bonds, mutual funds, and insurance) that can help students make wiser investment decisions. Measurement of financial literacy uses a test scale or questionnaire.

Data Analysis Techniques

This study uses the Partial Least Squares Structural Equation Modeling (PLS-SEM) method and analyzes it with SmartPLS 4 software. The advantage of PLS is that it does not depend on various assumptions, such as data normality, number of samples, and model complexity. In the PLS-SEM analysis framework, two sub-models are required, namely the measurement model (outer model) and the structural model (inner model), both of which have important contributions to understanding the relationship between variables.

Table 1. Respondent Characteristics

Characteristic	Category	Total	Percentage
Gender	Man	188	48,8
	Women	190	49,4
Age	18-20	258	68
	21-24	120	32
Year of Entry to College	2020	3	0.8
	2021	118	31.2
	2022	99	26.2
	2023	148	39.2
	2024	10	2.6
Educational level	Undergraduate student	378	100
Active as	Investor	194	50.4
	Trader	184	47.8

Source: Data Processed, 2025

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Over-confidence	378	6	29	11.93	4.513
Investment Decision	378	7	35	30.28	3.635
Financial Literacy	378	5	25	21.66	2.483
Valid N	378				

Source: Data Processed, 2025

4. RESULTS AND DISCUSSION

RESULTS

Based on the results of this study, the respondents numbered 378 individuals with a gender distribution consisting of 188 men (48.8%) and 190 women (49.4%). Based on the characteristics of the age of the respondents, they were in the range of 18-20 years (68%), while those aged 21-24 years (32%). Most of the respondents came from the Class of 2020 (8%), 2021 (30.7%), 2022 (25.7%), 2023 (38.4%), and 2024 (2.6%). All respondents were undergraduate students at the University of Bengkulu. In the context of the financial market, 50.4% of respondents function as investors, while 47.8% are active traders. The respondent characteristic is:

This research data shows that students have a significant level of participation in investment activities both in the role of investors and traders. This result shows the awareness and involvement of students in managing finances and making investment decisions.

Table 3. Measurement Model

Variables	Item code	Loading	Outer Weight	CA	CR	AVE	VIF
	V1	0.827	0.201				2.529
	V2	0.790	0.250				1.961
Over-confidence	V3	0.741	0.200	0.863	0.865	0.594	1.748
	V4	0.731	0.215				1.753
	V5	0.734	0.222				1.636
	V6	0.798	0.212				2.039
	ID1	0.801	0.206				2.598
	ID2	0.706	0.227				1.778
Investment	ID3	0.507	0.115				1.229
Decision	ID4	0.787	0.209	0.838	0.885	0.514	2.117
	ID5	0.657	0.190				1.652
	ID6	0.698	0.209				1.605
	ID7	0.814	0.222				2.469
	FL1	0.760	0.233				2.366
	FL2	0.739	0.328				1.455
Financial Literacy	FL3	0.714	0.279	0.805	0.809	0.560	1.404
	FL4	0.755	0.232				2.286
	FL5	0.772	0.268				1.644

Note: Average variance extracted (AVE); Cronbach's alpha (CA); Composite reliability (CR).
Source: Data Processed, 2025

Based on the descriptive statistical data test, it shows that the overconfidence variable has a minimum value of 6 and a maximum of 29, with an average of 11.93 and a standard deviation of 4.513, indicating a significant variation in the level of overconfidence of respondents. Meanwhile, the investment decision variable has a score range of 7 to 35, with an average of 30.28 and a standard deviation of 3.635, showing that most respondents have an elevated level of investment decisions with slight variations. The financial literacy variable has a minimum value of 5 and a maximum of twenty-five, with an average of 21.66 and a standard deviation of 2.483, indicating that the level of financial literacy of respondents is high with a more homogeneous data distribution. Overall, overconfidence has a more significant variation compared to investment decisions and financial literacy, while investment decisions have the highest average among the three variables.

Based on the results of the validity and reliability test it shows that all variables in the measurement model have a Cronbach's Alpha (CA) value above 0.7, namely 0.863 for cverconfidence, 0.838 for investment decision, and 0.805 for financial literacy, which indicates good internal reliability. In addition, the Composite Reliability (CR) value for each variable is also above 0.7,

with overconfidence of 0.865, Investment Decision of 0.885, and Financial Literacy of 0.809, thus showing that the constructs used have strong composite reliability. In terms of convergent validity, the Average Variance Extracted (AVE) values for Overconfidence (0.594), Investment Decision (0.514), and Financial Literacy (0.560) are above 0.5, which means that the indicators used can explain the constructs quite well. The multicollinearity test using the Variance Inflation Factor (VIF) shows that all values are in the range of 1,229 – 2,598, far below the critical limit of five, so this study is valid.

The results of the discriminant validity analysis using the Fornell-Larcker Criterion show that the square root of the Average Variance Extracted (AVE) for each variable is greater than the correlation between other variables, showing that each construct has adequate discriminant validity. The square root value of AVE for investment decision (0.717), financial literacy (0.748), and overconfidence (0.771) is higher than the correlation between other constructs. Therefore, it can be concluded that each variable is distinct and well-represented in the research model. In addition, the results of the Heterotrait-Monotrait Ratio (HTMT) analysis show that all values are below the threshold of 0.85, namely Financial Literacy – Overconfidence (0.601) and Financial Literacy – Investment Decision (0.514), which confirms that there are no serious problems related to discriminant validity in the model. This research model meets the required discriminant validity criteria so that each construct can be said to be unique and does not experience redundancy with other variables.

Table 4. Discriminant Validity (Latent Variable Correlation and Square Root of the AVE)

	Fornell-Larcker Criteria			HTMT Results	
	Financial Literacy	**Investment Decision**	**Over-confidence**	**Financial Literacy**	**Over-confidence**
ID	0.717				
FL	0.608	0.748		0.715	
V	-0.445	-0.512	0.771	0.514	0.601

Source: Data Processed, 2025

Table 5. R-Square Test dan F-Square Test

	R-square	R-square adjusted		F-square
ID	0.432	0.428	LF	0.049
			V	0.035

Source: Data Processed, 2025

Table 6. Hypothesis Test

	Original sample	Sample mean	Standard deviation	T statistics	P values	Result
V -> ID	-0.165	-0.173	0.079	2.082	0.037	Supported
FL-> ID	0.279	0.270	0.115	2.424	0.015	Supported
FL x V -> ID	0.182	0.179	0.069	2.658	0.008	Supported

Source: Data Processed, 2025

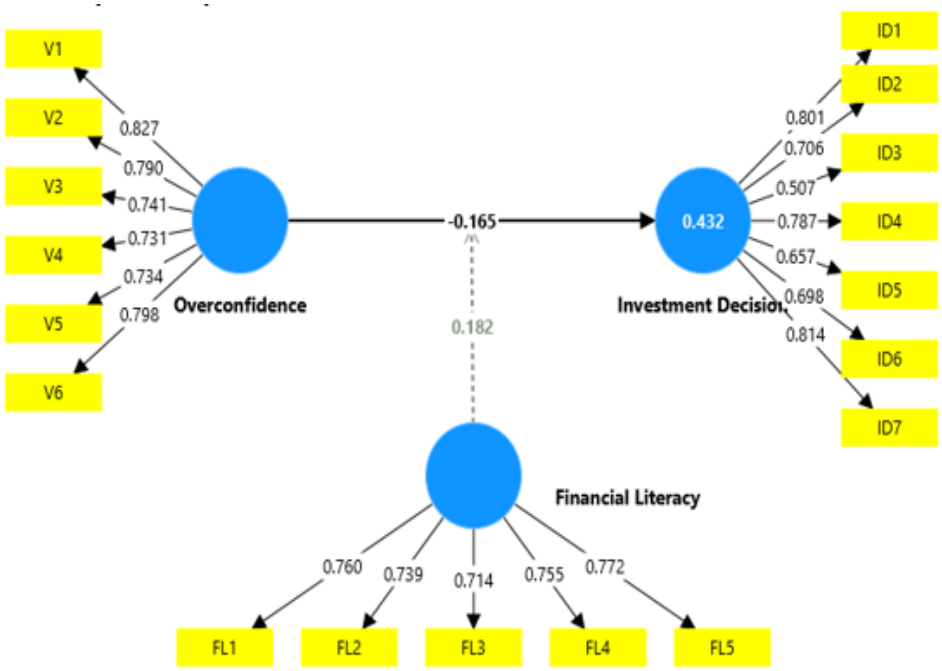

Figure 2
Graphical Output
Source: Data Processed, 2025

Based on the results of the R-square (R^2) analysis, it shows that the independent variables in the model can explain 43.2% of the variance of the Investment Decision (ID) variable, while other factors outside the research model influence the rest. The adjusted R-square value of 0.428 shows that after being adjusted for the number of predictors in the model, its predictive ability stays strong and stable. The results of the F-square (f^2) show that financial literacy has a more significant influence than overconfidence on investment decisions. Financial literacy significantly contributes to improving the quality of investment decisions, while overconfidence also has an effect, but with a minor effect. Overall, financial literacy plays a more dominant role in helping individuals make more rational investment decisions while reducing the negative impact of overconfidence.

Based on the results of hypothesis testing in this study show that overconfidence has a negative effect on investment decisions with a coefficient value of -0.165, T-statistic 2.082, and P-value of 0.037, which means that the higher the level of overconfidence, the worse the investment decisions taken. Meanwhile, Financial Literacy has a positive and significant effect on Investment Decisions with a coefficient value of 0.279, T-statistics of 2.424, and P-value of 0.015, showing that increasing financial literacy can help individuals make more rational investment decisions. The results of the interaction analysis between Financial Literacy and Overconfidence (FL x V) on Investment Decisions have a positive and significant effect with a coefficient value of 0.182, T-statistic 2.658, and P-value of 0.008, indicating that financial literacy is able to moderate the negative impact of overconfidence in investment decision making. This result confirms that financial literacy is a key factor in improving the quality of investment decisions and reducing the adverse effects of overconfidence.

DISCUSSION

Overconfidence has a Negative Impact on Investment Decision-Making

The results of the study show that overconfidence has a negative effect on investment decisions. This result means that the higher a person's level of overconfidence, the worse the decisions they make. The theory of self-attribution states that individuals tend to attribute their investment success to personal skills, while failure is perceived as a result of external factors. This bias reinforces overconfidence, encouraging individuals to ignore valuable information and make less rational decisions. Based on earlier research conducted by Ningrum et al., (2023), it was found that overconfidence has a significant negative effect on cryptocurrency investment decisions in students of the Faculty of Economics, Ganesha University of Education.

Financial Literacy Influences Investment Decision-Making

Based on the results of the study, financial literacy has a positive and significant influence on investment decisions, so the higher the level of financial literacy of a person, the better the investment decisions taken. Financial literacy helps individuals understand the risks and potential benefits of various investment instruments so that they can make investment decisions. Financial literacy helps individuals understand the risks and potential benefits of various investment instruments so that they can make better decisions, manage risks, and avoid common mistakes in investing, such as following market trends without in-depth analysis. This result is in line with the theory of self-attribution, where individuals with high financial literacy tend to attribute their investment success to personal understanding and skills so that they are more confident in making decisions based on rational analysis, not just external factors. Ummah (2019) found that financial literacy has a significant positive effect on investment decisions for investors in Surabaya.

Financial Literacy Moderates Excessive Overconfidence in Investment Decisions

The results of the study showed that financial literacy can moderate the negative impact of overconfidence on investment decisions. Individuals who have an elevated level of financial literacy tend to be better able to control the adverse effects of overconfidence, so investment decisions become more rational and not only based on excessive overconfidence. This result supports the explanation that the self-attribution theory suggests that individuals with high financial literacy tend to base their investment decisions on objective analysis rather than excessive confidence in personal abilities. Hence, they are more rational when making investment decisions.

With a better understanding of finance and investment, overconfident individuals can be more controlled in making decisions and avoid impulsive actions. This result is relevant to the findings of the research Jayati et al. (2023), which show that financial literacy can reduce the adverse effects of behavioural bias in investment. This study emphasizes the importance of financial literacy in investment decision-making. Increasing financial literacy can help individuals, especially students, to make wiser investment decisions and avoid behavioural biases such as overconfidence. Therefore, efforts to improve financial literacy among students should continue through formal education and other financial education programs. The results of this study confirm that financial literacy plays a significant role in improving the quality of investment decisions and reducing the negative impact of overconfidence. Therefore, improving financial education is necessary to help individuals manage their investments better, avoid mistakes caused by cognitive bias, and achieve better investment results.

Further researchers are recommended to expand the population, and research samples, such as professional workers, entrepreneurs, or institutional investors, can provide a broader perspective. Exploration of other moderating and mediating factors, such as investment experience, capital market regulation, or social media influence, can also be an important contribution. External studies or market simulations can help understand how investors with various levels of financial literacy respond to investment information and risks. It can also develop financial education intervention models, such as digital-based or experience-based education programs, to evaluate their effectiveness in reducing over-assurance bias in investment decision-making. Further research can provide a broader contribution to understanding the role of financial literacy in making more rational and profitable investment decisions.

5. CONCLUSIONS AND SUGGESTIONS

Based on the results of the findings are as follows: first, overconfidence has a negative effect on investment decisions, where individuals who are too confident tend to make decisions without

careful consideration, ignore risks and overestimate their ability to predict the market. This result can lead to investment errors, such as excessive risk-taking, lack of portfolio diversification and impulsive decisions. Second, financial literacy have a positive influence on investment decisions. The higher a person's level of understanding of financial and investment concepts, the better the decisions they make. Individuals with more financial knowledge tend to be able to analyze risks, understand investment instruments, and make more rational and informed decisions. Third, financial literacy can moderate the negative impact of overconfidence on investment decisions. A person who has a higher level of financial literacy tends to be better able to control excessive overconfidence, this is reflected in impulsive or irrational investment decisions.

This study has several limitations. First, this study only focuses on students who are investing, so the results may not be generalizable to a broader investor population. Second, the data used were obtained through self-reported questionnaires, which are at risk of having respondent bias. Third, the cross-sectional approach used only describes the relationship between variables at a certain point in time and does not capture the dynamics of changes in investment behaviour over time. For further research, it is advised that the population coverage be broadened to include investors from various backgrounds, including retail and professional investors. In addition, more diverse methodological approaches, such as experiments or longitudinal studies, can offer deeper insights into changes in investment behaviour in the long term. Other factors, such as social influence, market regulation, or macroeconomic conditions, can also be axamined to obtain a more comprehensive understanding.

The results of this study have important implications for investors, educational institutions, as well as regulators and financial institutions. For investors, improving financial literacy is a crucial step in reducing the negative impact of overconfidence in investment decisions. Educational institutions can consider integrating financial education into the curriculum to provide students with a better understanding of investment. Meanwhile, regulators and financial institutions can use these findings as a basis for designing financial education policies and programs aimed at improving public understanding and reducing speculative behaviour due to excessive overconfidence.

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