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The Role of Financial Literacy and Beliefs in Investment Decision Making

Mediaty, Abd. Hamid Habbe, Rizki Inmas Pratiwi*, Angela Batara, Lidya Pratiwi Irfan, & Nur Azizah

Department of Accounting, Hasanuddin University, Makassar, Indonesia

**E-mail: rizky.inmas95@gmail.com,*

Abstract

Distinct from prior work that emphasises either financial literacy alone or broad student populations, this paper jointly examines financial literacy and financial self-efficacy as drivers of investment decision-making among accounting students a cohort of prospective finance professionals within Indonesia's evolving OJK-led financial inclusion and investor-education ecosystem. A cross-sectional survey of 50 active undergraduate and postgraduate accounting students from Hasanuddin University and Universitas Muslim Indonesia in Makassar (tertiary education sector; accounting programmes) was analysed using PLS-SEM (SmartPLS 3.3.9, bootstrapping). Results indicate a positive, significant effect of financial literacy on investment decisions ($\beta = 0.741$, $p = 0.001$), while financial self-efficacy is negative and non-significant ($\beta = -0.113$, $p = 0.563$), with the model explaining 41.7% of variance ($R^2 = 0.417$). The evidence suggests that knowledge-based competence, rather than confidence alone, underpins higher-quality investment choices in this context. A policy-ready implication follows: curriculum-embedded financial education with supervised practice (campus investment clinics co-run with IDX–OJK partners and broker-dealers) is likely to outperform confidence-building campaigns delivered in isolation. By offering Indonesia-specific, management- and policy-relevant evidence on decision quality in an emerging-market setting, the manuscript contributes to debates at the intersection of behavioural finance, education, and economic management germane to HEBR's readership.

Keywords: Financial literacy; Financial self-efficacy; Investment decision-making; Accounting students; Financial inclusion policy; Stakeholder governance.

INTRODUCTION

Investment decision-making is a crucial aspect in the financial world, both for individuals and institutions (Ahmadin et al., 2023). Proper investment decisions not only provide opportunities to maximize profits but also reflect an individual's ability to manage financial resources wisely (Olayinka, 2022). In this context, a person's ability to understand, evaluate, and choose the right investment instrument is greatly influenced by several factors, especially financial literacy and financial efficacy (Stolper & Walter,

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2017). These two factors play an important role in determining how well one can make rational and profitable investment decisions (Indiraswari & Setiyowati, 2023).

Financial literacy is defined as an individual's understanding and ability to manage money, including budgeting, saving, investing, and risk management (Andarsari & Ningtyas, 2019). According to the Financial Services Authority (OJK) in 2022, the level of financial literacy among Indonesians is still 38.03%. This figure shows that most Indonesians do not have an adequate financial understanding, including in terms of investment decision-making. This condition has the potential to pose various financial risks, such as mistakes in choosing investment products, lack of portfolio diversification, and vulnerability to investment fraud**.**

Several previous studies have also strengthened the importance of financial literacy in the investment decision-making process. Lusardi and Mitchell (2013) found that individuals with good financial literacy tend to have more optimal investment portfolios and are better able to avoid unnecessary investment risks. Understanding basic financial concepts such as compound interest, inflation, and diversification allows individuals to evaluate the risks and potential returns of an investment product (Lusardi, 2015). Therefore, improving financial literacy can be a key strategy in shaping wise and well-planned investment behavior**.**

On the other hand, financial efficacy, which is an individual's confidence in his or her ability to manage finances and make financial decisions, also plays an important role (Zia-your-Rehman et al., 2021). Financial efficacy is closely related to a person's confidence in dealing with various financial situations, including when choosing investment products or taking certain risks. Individuals with high efficacy are more likely to make investment decisions because they are confident in their ability to assess situations and consequences (Ogunfowora et al., 2021). According to Bandura (1997), self-efficacy can shape behavior through three main processes: thought, motivation, and action. This is also true in the context of financial efficacy, where confidence in one's abilities affects how active and involved a person is in financial decision-making.

Although financial efficacy is important, some studies show that its influence on investment decision-making is often lower than financial literacy. Pangestika and Rusliati (2019) stated that a person's financial efficacy will increase if the necessary financial knowledge is sufficient. This means that a person's confidence in their financial abilities often depends on how well they understand basic financial concepts. Without adequate knowledge, even high efficacy can lead to irrational or even speculative decision-making.

An interesting phenomenon regarding the influence of financial literacy and efficacy can be seen from the increasing popularity of stock investment among young people, especially students. In recent years, more and more students have become familiar with and involved in the capital markets, but not all of them have a sufficient understanding of risk management and proper investment strategies. Kristanti and Rinofah (2021) noted that around 69.73% of students have a fairly high level of financial literacy, indicating that in general they have good basic financial knowledge. However, Fatimah and Susanti (2018) found that low financial literacy is still an obstacle for some students in utilizing financial services, including capital market services. The lack of

understanding of the available financial instruments makes them tend to be passive or even reluctant to start investing.

This study refers to research conducted by Kristanti and Rinofah (2021), but with the addition of a new variable, namely financial efficacy, as a form of research update. In addition, this research focuses on students of the Accounting Study Program, Faculty of Economics and Business Makassar. The selection of this sample is based on the assumption that accounting students have an educational background that supports the understanding of financial concepts, so that it is expected to provide a clearer picture of the relationship between financial literacy, financial efficacy, and investment decision-making. This gap arises because most research focuses on active investors, the general public, or students from various majors. The investment behavior of aspiring financial professionals at an early age is an interesting area to research. This research is new because it not only examines the cognitive aspect (literacy) but also the aspect of psychological belief (efficacy). This provides a more holistic perspective in understanding investment decision-making.

The problem in this study is whether financial literacy affects investment decision-making. Does financial efficacy influence investment decision-making? Given the importance of these two factors, this study aims to examine in depth the influence of financial literacy and financial efficacy on investment decision-making, especially among students. The results of this research are expected to provide input for policy makers, educational institutions, and financial institutions in designing strategies to improve financial literacy and efficacy in order to create a smart and responsible generation of investors.

LITERATURE REVIEW

Social Cognitive Theory

Social Cognitive Theory was developed by Albert Bandura in 1986 as an extension of Social Learning Theory (Yanuardianto, 2019). This theory explains that the human learning process is influenced by the reciprocal interaction between three main components: personal (cognitive) factors, environmental factors, and behavioral factors (Abdullah, 2019). In other words, individual behavior is shaped not only by environmental stimuli but also by internal factors such as beliefs, perceptions, and knowledge. In this context, Social Cognitive Theory is particularly relevant in understanding how individuals make decisions in financial contexts, including investment decisions.

Cognitive factors include thinking ability, knowledge, and self-confidence. In this study, financial literacy is a cognitive factor in the form of a person's knowledge of finance, including an understanding of investments, risk management, and fund management strategies. Individuals with high financial literacy are better able to assess the benefits and risks of investment instruments. They also tend to be more critical in filtering information and have better skills in financial planning for the future (Nugroho,

2020). This literacy is obtained not only through formal education but also through observation of the surrounding environment and the media, in accordance with the principles of observation learning Bandura.

Financial efficacy is also closely related to this theory, especially the concept of self-efficacy which is the core of Social Cognitive Theory. Self-efficacy is defined as an individual's belief in their ability to perform certain actions to achieve the desired outcome (Maddux, 2016). In the context of finance, financial self-efficacy refers to a person's confidence in his or her ability to manage finances effectively. Individuals with high financial self-efficacy tend to be more confident in making financial decisions, including investment decisions, even in risky situations (Maddux, 2016).

In addition, environmental factors in this theory include social influences such as friends, family, social media, and economic conditions that influence the way individuals learn and act. For example, a student who sees peers succeed in stock market investing may be encouraged to invest as well, especially if they have sufficient financial literacy and self-efficacy. The interaction of these three factors forms a social learning cycle, in which individuals observe, evaluate, and ultimately mimic behaviors that are considered successful. Thus, Social Cognitive Theory provides a comprehensive conceptual framework to explain how financial literacy and financial self-efficacy play a role in the investment decision-making process. Individuals who have knowledge (literacy), confidence (efficacy), and a supportive environment are more likely to make rational and well-measured investment decisions (Idris, 2023). Therefore, this theory serves as a strong theoretical foundation for research on the factors that influence investment behavior, especially among college students.

Financial Literacy

Financial literacy is a fundamental element in modern life, which is increasingly economically complex (Pejkovski & Pejkovska, 2019). The term refers to an individual's ability to understand basic financial concepts and apply them in daily life, including managing income, saving, borrowing, and investing. According to the Organization for Economic Co-operation and Development (OECD), financial literacy includes the combination of knowledge, skills, and attitudes necessary to make appropriate and effective financial decisions (Jamiil, 2022). In this context, financial literacy is not only about knowing financial terminology, but also about having a comprehensive understanding that can be applied practically in real life.

The main components of financial literacy include financial planning, debt management, understanding of investment products, insurance, and retirement planning (Mendari & Soejono, 2019). Individuals with good financial literacy are able to create realistic budgets, assess the risks and benefits of financial decisions, and prepare for their financial future strategically (Prihatni et al., 2024). This understanding protects them from financial risks such as consumer debt, illegal investments, and poor money management.

Financial literacy is becoming increasingly important with increasing access to various financial products and services, such as stock investments, mutual funds, peer-to-peer lending, and digital assets. Unfortunately, based on data from the Financial Services Authority (OJK, 2022), only 38.03% of Indonesians have adequate financial literacy. This

creates a gap in financial decision-making, especially in investment. Individuals with low literacy are more likely to fall into fraudulent investment schemes or make decisions without proper risk consideration.

Research by Upadana and Herawati (2020) shows that individuals with strong financial literacy are better able to make appropriate and rational investment decisions. Every investment decision is influenced by the information it has. Those who understand the concept of risk and return tend to be more cautious when choosing investment instruments and are more likely to diversify to minimize losses (Putri & Isbanah, 2020). Chen and Papadimitriou (2024) they developed a scale to measure digital financial literacy and found that young people, despite being tech-savvy, have a weak understanding of the risks inherent in fintech products such as online loans and crypto assets. In addition, financial literacy has a domino effect on broader economic welfare. Financially literate people are more cautious in using formal financial services, such as banking and capital markets, thereby encouraging national financial inclusion. Therefore, increasing financial literacy, especially among students as a future generation of investors, is a strategic effort to build a financially resilient society and ready to make wise investment decisions.

Financial Efficacy

Financial self-efficacy is a special form of the broader concept of self-efficacy introduced by Albert Bandura. This term refers to an individual's belief in his or her ability to manage finances effectively to achieve financial goals (Rafa, 2022). In the context of finance, self-efficacy is an important predictor of whether a person will take positive financial actions such as budgeting, saving, and investing. Individuals with high financial self-efficacy tend to feel confident that they can overcome financial challenges and make informed decisions, even in uncertain economic situations (Djou & Lukiastuti, 2021).

Bandura identified four main sources of self-efficacy: the experience of mastery, the experience of representation, social persuasion, and physiological and emotional states. These four components also apply to financial self-efficacy. First, personal experiences such as past successes in managing finances can increase one's confidence to do the same in the future. Second, observing others who are financially successful can provide inspiration and motivation. Third, social persuasion from family, friends, or public figures can provide encouragement and confidence in a person's financial ability. Fourth, emotional stability such as not panicking in the face of financial problems can also strengthen a person's financial self-efficacy.

Financial self-efficacy plays an important role in shaping positive financial behavior. Individuals with high self-efficacy are more proactive in seeking investment information, understanding risks, and making bold strategic decisions (Putri & Hamidi, 2019). They are also more resilient in the face of investment failures or losses because they believe in their ability to recover. This efficacy can even serve as a major motivator to start investing, even before one acquires comprehensive financial knowledge.

Research conducted by Fatimah et al. (2022) emphasizes that financial self-efficacy affects investment behavior by increasing individual confidence in managing personal finances. This belief encourages, for example, students to be more open to investment

opportunities, especially when they feel in control of their financial situation. Therefore, improving financial self-efficacy through education, mentorship, and hands-on experience is one of the effective ways to cultivate an investment-literate generation. In addition, financial self-efficacy is also correlated with long-term well-being. Individuals who believe in their ability to manage money tend to have good financial planning, avoid consumer debt, and can set aside an emergency fund (Shellyna et al., 2022). This, in turn, has a positive impact on their mental health and personal economic stability. Xia et.al (2022) higher financial literacy directly and significantly contributes to the improvement of individual financial well-being. Individuals who have a good understanding of basic financial concepts (such as interest, inflation, risk diversification) tend to have better financial conditions and feel more satisfied with their financial situation.

METHODOLOGY

In this study, this study uses a quantitative approach with a descriptive-verification method. This approach was chosen to describe the characteristics of the variables and test the influence between the variables that have been formulated in the hypothesis. The residents in this study are all students of the Accounting Study Program (Bachelor, Master, and Doctoral levels) in Makassar City who have an interest or experience in the field of investment. The sample in this study is students from UNHAS and Umi who are willing to be respondents. The inclusion criteria (special criteria to become a respondent) are as follows: (1) Registered as an active student of the Accounting Study Program in Makassar. (2) Have basic knowledge of investment (stated by the respondent himself). (3) Willing to participate in the research by filling out the questionnaire provided.

The technique in this study is purposive sampling. Which population meets the criteria is relatively limited and to ensure representation. From the distribution of the questionnaire, 50 respondents were obtained who met all the inclusion criteria and filled out the questionnaire completely. The final response rate is 100% of the targeted and qualified sample. The data collected in this study was carried out online using the Google Forms platform. Before filling out the questionnaire, all respondents were given an explanation and an Informed Consent sheet. The sheet describes the purpose of the study, the confidentiality of the data, the respondent's right to resign at any time, and the research procedure. Respondents' participation was marked by agreeing to the consent statement at the beginning of the questionnaire, indicating that their participation was voluntary.

The instrument in the study is a questionnaire developed by adapting indicators from previous theories and research. All questions were measured using a 5-point Likert scale (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree). The measurement variables and indicators are as follows:

1. Financial Literacy (adapted from Lusardi & Mitchell, 2011): Knowledge of investment instruments, understanding of compound interest rates and inflation, and the ability to assess financial information.
2. Financial Efficacy (adapted from Lown et al., 2015): Confidence in budgeting, ability to control expenses, and confidence in making investment decisions.

3. Investment Decision-Making (adapted from Ricci & Carbo, 2021): Accuracy in evaluating risk and return, the use of information before investing, and the frequency and type of investment chosen.

The data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the help of SmartPLS software version 3.3.9. The selection of PLS-SEM is suitable for the relatively small sample size and the focus of the research on prediction. The validity and reliability of the instrument are assessed through:

1. Convergent Validity: Measured by the loading factor of each indicator against its latent variable. A loading factor value of > 0.7 indicates good validity.
2. Reliability: Measured by Composite Reliability (CR). A CR value of > 0.7 indicates good internal consistency.
3. Discriminant Validity: Measured by Extracted Mean Variance (AVE). An AVE value of > 0.5 indicates that the latent variable explains more than half of the indicator's variance.
4. Hypothesis testing was carried out using the bootstrapping method within SmartPLS. A relationship is considered significant if the t-value is > 1.96 (at a significance level of 5%) or the p-value < 0.05.

Table 1. Operational Definitions

Variable	**Define Operations**	**Observable indicators (and their sources)**	**Source**
Financial Literacy	An individual's ability to understand and apply basic financial concepts in financial and investment management.	1. Knowledge of investment instruments. 2. Definition of Compound Interest and Inflation 3. and the ability to assess financial information.	Lusardi & Mitchell (2011)
Financial Efficacy	A person's confidence and confidence in his or her ability to manage personal finances and make effective financial decisions.	1. Confidence in making budgets 2. the ability to control expenses, and 3. Confidence in making investment decisions	Lown et. al (2015)
Investment Decision Making	The individual process of evaluating, selecting, and allocating funds to investment instruments based	1. Accuracy in evaluating risk and return. 2. use of information before investing, 3. as well as the frequency and	Ricci & Carbo (2021)

	on considerations of risk and return.	type of investment chosen.

Source: Process Researcher (2025)

RESULT

Research object

This research focuses on accounting students. The population is all accounting students from Hasanuddin University (UNHAS) and the Muslim University of Indonesia (UMI), with samples taken from both populations. The selection of accounting students as the object of research is based on their role as prospective professional auditors who will later be responsible for providing opinions on financial statements. With the questionnaire return rate.

Table 2. Questionnaire Taking Rate

Information	Sum
Distributed questionnaire	50
Return questionnaire	50
Actionable questionnaire	50
Return rates used	100%

Source: Primary Data processed, 2025

A total of 50 questionnaires were successfully distributed to respondents, who in this context were students from Hasanuddin University (Unhas) and Muslim University of Indonesia (UMI). Of these, all (50 questionnaires) returned. This results in a 100% response rate. This figure is very high and ideal in quantitative research, because of the minimization of non-response bias (the tendency of non-responding respondents to have different characteristics).

Descriptive Statistical Test Results

Table 3. Descriptive Statistical Test

Indicators	Minimum	Maximum	Mean	Standard Deviation	Advantages of Kurtosis	Skewness
X1.1	1,00	5,00	2,97	1,42	-1,50	0,14
X1.2	1,00	5,00	2,88	1,29	-1,29	0,24
X1.3	2,00	5,00	4,57	0,70	3,50	-1,84
X1.4	2,00	5,00	4,51	0,67	1,80	-1,40
X1.5	2,00	5,00	4,41	0,80	2,82	-1,62
X1.6	2,00	5,00	4,40	0,90	0,51	-1,20
X2.1	2,00	5,00	4,40	0.81	2,00	-1,50

X2.2	2,00	5,00	4,41	0,70	1,80	-1,10
X2.3	2,00	5,00	4,50	0,80	3,10	-1,80
X2.4	2,00	5,00	4,40	0,70	2,00	-1,22
X2.5	2,00	5,00	4,40	0,80	2,00	-1,23
X2.6	2,00	5,00	4,30	0,70	1,70	-1,00
Y.1	2,00	5,00	4,80	0,60	7,40	-2,50
Y.2	2,00	5,00	4,70	0,60	4,30	-1,70
Y.3	2,00	5,00	4,60	0,60	3,12	-1,29
Y.4	2,00	5,00	4,60	0,60	4,00	-1,60
Y.5	2,00	5,00	4,43	0,80	2,31	-1,50
Y.6	2,00	5,00	4,50	0,60	2,21	-1,07

Based on the table above, most of the indicators (except X1.1 and X1.2) received very positive ratings. This can be seen from the high Mean value (≥ 4.30), low Standard Deviation (mostly 0.60-0.80), and negative Skewness. This means that almost all respondents consistently chose the values of 4 (Agree) and 5 (Strongly Agree). The X1.1 and X1.2 indicators are the main exceptions. Both have the lowest mean (about 2.9), the highest standard deviation (>1.2), and a flat distribution. This suggests that respondents have varied perceptions and tend to be neutral or dissatisfied with these two aspects, making them areas that need improvement.

Thus, the X2 and Y variables along with the X1.3 to X1.6 indicators are the main strengths, shown by a very positive and homogeneous response.

X1.1 and X1.2 are critical weak points and require special attention and in-depth evaluation.

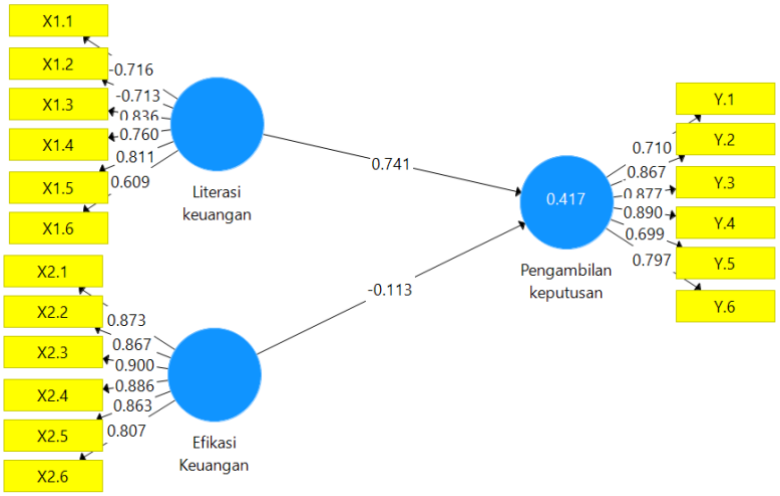

Figure 1. External loading analysis

In the figure above, Indicators X1.1, X1.2, X1.3, and X1.4 show high loading factor values (absolute values above 0.7, such as +0.836, 0.811, and 0.867), which indicates that these indicators are valid and reliable in measuring the Financial Literacy construct. The X1.5 indicator has a lower loading factor value (0.609). This value is generally considered to be below the ideal threshold (0.7), so this indicator may be less

robust in representing the Financial Literacy variable and needs to be reconsidered. The X2.2 indicator has a very high loading factor value (0.873), indicating that this indicator is very valid and reliable. The X2.1 indicator has a negative and very low loading factor value (-0.113). This value indicates that this indicator is not valid for measuring the Decision-Making construct. This weak negative correlation can indicate a problem in the definition of the indicator or the direction of the score that is the opposite of its core variable.

Most of the indicators (Y.2, Y.3, Y.4, Y.5, Y.6) show high loading factor values (e.g. 0.899, 0.890, 0.897). This indicates that these indicators are strong and reliable in forming variable Y. Thus, this measurement model shows strength in the Financial Literacy variable (X1) and Variable Y, where almost all indicators are valid. However, this model has critical flaws in the Decision-Making (X2) variable, in particular in the invalid X2.1 indicator. The X1.5 indicator also needs to be reevaluated. To improve the quality of the model, revision or removal of problematic indicators (especially X2.1) is highly recommended.

Table 4. Outer Loading

Indicators	Financial Efficacy	Financial Literacy	Decision
X1.1		-0,71	
X1.2		-0,71	
X1.3		0,90	
X1.4		0,80	
X1.5		0,81	
X1.6		0,60	
X2.1	0,87		
X2.2	0,87		
X2.3	0,90		
X2.4	0,86		
X2.5	0,80		
X2.6	0,80		
Y.1			0,71
Y.2			0,87
Y.3			0,88
Y.4			0,89
Y.5			0,70
Y.6			0,80

The table above shows how strong the relationship (loading factor) between each question indicator (X1.1 to Y.6) and the latent variables measured (Financial Efficacy, Financial Literacy, and Decision Making). Strongest indicator: x1.3 (loading: 0.90). This

means that the X1.3 question is the most accurate and powerful in measuring the level of Financial Literacy. Weak/Problematic Indicators: X1.1 and X1.2 have negative loading values (-0.71). In good measurements, the loading value should be positive. This indicates that there is a problem with these two indicators, perhaps the question is confusing or the scale is inverted. Strongest indicator: x2.3 (loading: 0.90). This indicator best represents Financial Efficacy. All indicators (X2.1 to X2.6) have very high loading values (0.80 - 0.90). This shows that all questions consistently and robustly measure the Financial Efficacy variable. And iStrongest indicator: Y.4 (Loading: 0.89). This indicator is the most representative of the Decision-Making variable. All indicators had strong and positive loading values (0.70 - 0.89), indicating that the gauges for these variables were good.

The analysis includes testing validity and reliability, as well as hypothesis testing through values and bootstrapping algorithms.

Validity and Reliability Tests

All variable indicators in the model meet the validity requirements with a loading factor value of > 0.7 and a Average Extracted Variance (AVE) value of > 0.5. The construction reliability test showed that Cronbach's Alpha and Composite Reliability (CR) values were above the minimum threshold of 0.7, indicating that the instruments used in this study were valid and reliable.

Table 5. Construct of Validity and Reliability

Variable	Alpha Cronbach	Rho_A	Composite reliability	Average variance extracted (AVE)
X1	0.582	0.847	0.485	0.554
X2	0.934	0.939	0.948	0.751
Y	0.893	0.905	0.919	0.657

In the table above, the special variable X1 (Financial literacy) has an Alpha Cronbach value of 0.582, a Rho_A value of 0.847, a composite reliability of 0.485 and an average variance extracted of 0.554. which can be said that the financial literacy of the X1 variable suffers from the serious reliability problems indicated by Cronbach's alpha and low composite reliability. However, high Rho_A values and adequate AVE create an ambiguous situation. The variable X2 (Financial efficacy) had an alpha cronbach of 0.934, Rho_A 0.939, composite reliability of 0.948 and AVE of 0.751. which can be said that the variable X2 Financial efficacy exceeds the recommended threshold, so that the variable has a very high internal consistency and is very reliable.

And the last variable, namely Y (Investment Decision-Making), has an alpha cronbach of 0.893, Rho_A of 0.905, a composite reliability of 0.919 and an AVE of 0.657. It can be said that the Dependent Y variable, i.e. decision-making for investments, shows very satisfactory results. This Y variable has very strong internal reliability.

Table 6. R-Square

Variable	R-Square	R-square adjustable
Y	0.417	0,401

In the table above, Variable Y (Investment Decision Making) has an R2 value of 0.417 which means 41.7% which means that the value is in the weak to medium category. This model is quite acceptable even though it is not yet robust. Moreover, it has an adjusted R-square of 0.401 which is lower than the R-square which is 0.417. This can happen because the difference between the adjusted R2 and R2 is not large.

Table. 7. Fornell-Larcker Criteria

Variable	X1	X2	Y
X1	0.744		
X2		0.867	
Y			0.810

In the table above, X1, namely financial literacy, has a correlation with itself of 0.744, and X2, namely financial efficacy, has a correlation with itself of 0.867 and the last variable dependent Y, namely decision-making, has a correlation value with itself of 0.810. So that the variables of financial literacy, financial efficacy and decision-making have been met as requirements for a good discriminatory validity model. It can be said that the value √ AVE for all variables above 0.7, which indicates that each variable individually has good convergent reliability and validity.

Hypothesis Test

Hypothesis testing in this study was carried out using the bootstrapping method on the Smart Pls application. Bootstrapping is a computer-based method used to measure the accuracy and statistical estimates and minimize the problem of research data abnormalities. Hypothesis testing is carried out by looking at whether the path coefficient value matches the hypothesis, then comparing the p-value with the alpha value. If the p-value is less than alpha, then the hypothesis is accepted.

Table 8. Hypothesis Test

Hypothesis	Variable Relationships	Original Sample	Average Sample	Standard Deviation	T-Statistic Value	P-Value	Description
H1	Financial Literacy for Investment Decision Making	0.741	0.734	0.214	3.456	0.001	Significant (Hypothesis accepted)
H2	Financial Efficacy in Investment Decision Making	-0,113	-0.080	0.195	0.578	0.563	Insignificant (Hypothesis rejected)

In the table above, it can be said that the original sample for the financial literacy variable had a value of 0.741 and the average sample 0.734 and had a standard deviation of 0.214. The T-statistical value for the relationship between financial literacy (X1) and investment decision-making (Y) was 3.456 which was greater and the p-value was 0.001, indicating a statistically significant relationship. This means that financial literacy has a positive and significant direction for investment decision-making. So the hypothetical relationship is declared acceptable.

Similarly, the financial efficacy can be said to have a value of -0.113 and an average sample value of -0.080 and have a standard deviation of 0.195. The statistical value of T for the relationship between financial efficacy (X2) and investment decision-making (Y) is 0.578 and the p-value is 0.563 indicating that it is not statistically significant. This means that financial efficacy has a negative and insignificant direction for investment decision-making. So the hypothesis was declared rejected.

DISCUSSION

Based on the results of the first hypothesis test, financial literacy is positively oriented and significant in investment decision-making**.** This means that the higher a person's financial literacy, the better and more appropriate the investment decisions he will make. This is supported by social cognitive theory because financial literacy serves as a cognitive foundation that builds self-efficacy and positive outcome expectations. In addition, literacy allows for effective learning, both from one's own experience and from observing others, so that investment behavior continues to be refined. This is in line with the findings of Lusardi and Mitchell (2013), who stated that individuals with high financial literacy tend to have better ability to manage risk and choose the right investment instruments.

Financial literacy provides a foundation for understanding key financial concepts such as compound interest, portfolio diversification, the time value of money, and investment risk (Prihatni et al., 2024). This understanding allows individuals not only to understand complex financial information but also to make more rational and well-planned investment decisions. In the context of students, financial literacy plays an important role, as they are in a transition phase towards financial independence, where they begin to manage their own income, including saving and investing (Ferdinand & Ardyansyah, 2023). The implication for future follow-up is that the campus develops and includes financial and investment literacy courses as part of general compulsory courses by holding bootcamps or semester workshops facilitated by lecturers and practitioners from partner financial institutions. In addition, establishing strategic partnerships with securities companies, investment managers or banks to create certified internship and training programs and the latter creating a physical campus platform/area supported by financial institutions, serving as a center of education, consulting and investment practice for the entire academic community.

Based on the second hypothesis test, related to financial efficacy in investment decision-making produces negative and insignificant directions. This means that a

person's confidence in their ability to manage finances (financial efficacy) does not automatically result in better investment decisions. This is contrary to cognitive theory because cognitive theory explains that self-efficacy is most effective when individuals have adequate skills and the environment provides clear feedback. So in this theory, it is required that self-efficacy must be realistic, so often what happens is an unrealistic efficacy that then fails to predict optimal behavior. This is in line with research by Dittrich & Wich (2021) which says that high efficacy without adequate knowledge can have a negative impact. This is not just an anomaly, but a dangerous paradox in the financial world.

In the context of students, this research is becoming increasingly critical given its unique characteristics. Students who are in the transition phase to financial independence often develop high financial efficacy prematurely not because of qualified competence, but because of exposure to instant information from social media and the pressure to appear financially literate to their peers. This overconfidence creates an "illusion of financial mastery" where they feel they already understand complex investment mechanisms, even though their knowledge is still shallow and fragmented. A dynamic campus environment can actually reinforce this maladaptive cycle. The lack of clear and direct feedback because students' investments are usually in small nominal amounts with indirect long-term consequences that leave their overconfidence uncorrected.

Instead of learning from failure, high-efficacy students tend to blame external factors such as market volatility or misleading information, without introspection into the depths of their own understanding. As a result, this uncalibrated efficacy instead becomes a gateway to speculative investment behavior, such as chasing trending stocks without in-depth analysis, ignoring the principle of diversification, or even getting caught up in fraudulent investment schemes that promise instant returns. Therefore, these findings should be read as an emergency warning for the world of education and the financial industry: building financial confidence in students without comprehensive literacy deepening and the formation of intellectual humility such as giving sports car keys to teenagers who have just graduated from driving courses with confidence will only magnify the potential for financial accidents in the first corners of the real capital market.

The implications for the future are that universities develop a platform to monitor and evaluate students' investment behavior by providing financial mentoring by lecturers or senior students to review investment decisions and provide corrective feedback. And establish strategic partnerships in the development of education investment programs by organizing competition-based learning with assessments that consider not only returns, but also the quality of analysis and consistency of strategies.

CONCLUSION

Based on the results of the analysis that has been carried out, the researcher concludes that: (1) financial literacy is proven to have a positive and significant influence on investment decision-making in students. These findings reinforce the fundamental role of comprehensive financial knowledge as a cognitive foundation that enables individuals to

make more rational, planned, and consistent investment decisions in accordance with risk management principles. (2) financial efficacy has not been proven to have a significant effect and even shows a negative direction on investment decision-making. These results suggest that high confidence in managing finances, without being supported by adequate knowledge, has the potential to plunge students into speculative and under-accounted investment behavior.

This study has several limitations that need to be considered in interpreting the results. First, the study focused specifically on the student population, so the findings could not always be generalized to other demographic groups. Second, the geographic scope of research is limited to a single region or university, which limits the diversity of socio-economic and cultural contexts. Third, the data used is mostly sourced from respondents' self-reports, which have the potential to contain biases, such as memory bias or a tendency to give answers that are considered socially desirable.

Based on these limitations, further research is strongly encouraged to replicate studies with a broader and more diverse multi-campus scope. This will reinforce the external validity of the findings. In addition, to uncover the complexity of the relationship between financial efficacy and investment decisions, future research may investigate the role of moderator variables, such as risk tolerance. This exploration is expected to answer a critical question: are the negative effects of high efficacy actually stronger among students with high risk profiles? Thus, our understanding of the interaction between beliefs, knowledge, and attitudes towards risk in the investment decision-making process can become more holistic.

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