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## **Individual Investment: How Financial Literacy and Self-Monitoring Drive Investment Decisions**

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Investment decision-making has undergone significant evolution with a focus on financial literacy and self-monitoring in the modern context. From early theories rooted in rationality and psychology, such as utility theory and consumer behavior theory, to a concentration on grasping financial concepts like inflation and risk, this journey is characterized by an increasing awareness of individual financial competence. This study explores the crucial roles of financial literacy and self-monitoring in shaping investment decisions in Banjarmasin, a city experiencing rapid economic growth in Indonesia. Using the theoretical framework of Behavioral Finance, the research identifies that individuals with higher financial literacy tend to make more informed, goal-oriented investment decisions while self-monitoring influences investment behavior towards more disciplined and adaptive choices. Employing a quantitative approach based on Partial Least Squares Structural Equation Modeling (PLS-SEM), data was collected through surveys using questionnaires developed from pertinent literature and validated instruments involving 100 individual investors in Banjarmasin who participated voluntarily as respondents. The study's findings reveal that financial literacy and self-monitoring significantly impact individual investment decisions, offering critical insights for developing more effective financial education and supportive investment policies applicable in Banjarmasin and globally. Despite limitations in generalizing to a specific sample, this research contributes to a literature that remains sparse in the context of local investors, advocating for further longitudinal, comparative, and technologically enhanced studies in financial literacy and investment decision-making.

**Keywords: Behavioral Finance, Financial literacy, Individual investment, Investment Decisions, Self-monitoring**

### **Introduction**

Investment decision-making has evolved significantly from early theories to focusing on financial literacy and self-monitoring in the modern context. Initially, research mainly emphasized the psychological and rational aspects of economic decision-making, as seen in utility theory by Jeremy Bentham and consumer behavior theory by John Stuart Mill in the 18th and 19th centuries (Bentham, 1789; Mill, 1848). In the second half of the 20th century, attention shifted to financial literacy, highlighting the importance of an individual's understanding of financial concepts such as inflation, investment risk, and portfolio diversification (Lusardi & Mitchell, 2005). In addition, the concept of self-monitoring introduced by Mark Snyder in 1974 is also relevant, describing the ability of individuals to control their behavior according to the social environment (Snyder, 1974). Empirical research by Furnham and Argyle (2014) highlights how self-monitoring can affect

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financial behavior, while Agnew and Szykman's study (2011) shows that high self-monitoring can lead to more disciplined investment decision-making.

A study by Oppong et al. (2023) on SME employees in Ghana found a positive association between financial literacy, investment decisions, and personal financial management. These results support the findings of Prasad et al. (2021), which show a positive relationship between financial literacy and investment decisions among retail investors in India, emphasizing the importance of financial literacy in managing the complexities of the investment market. Research by Mireku et al. (2023) on students in Mexico City shows that financial literacy courses positively impact knowledge and short-term savings. On the other hand, research by Kaur and Maheshwary (2020) on paid women in Ludhiana identified a significant relationship between financial literacy and the factors influencing their investment decisions. Furthermore, research by Fadhiil & Fariska (2020) on Generation Z in Bandung, Indonesia, highlights the importance of financial and psychological analysis in helping Generation Z investors make informed and rational investment decisions, which result in favorable returns. These studies demonstrate the urgency of increasing global financial literacy to enable individuals to make intelligent and sustainable financial decisions in a dynamic and complex economic environment.

Empirical studies show that high self-monitoring can influence financial behavior (Furnham & Argyle, 2014). Financial literacy is positively correlated with investment decisions in various contexts such as SME employees in Ghana (Oppong et al., 2023), retail investors in India (Prasad et al., 2021), students in Mexico City (Mireku et al., 2023), salaried women in Ludhiana (Kaur & Maheshwary, 2020), and Generation Z in Bandung, Indonesia (Fadhiil & Fariska, 2020).

The study investigated the impact of self-monitoring and psychological factors on investment decisions conducted in Indonesia by Adiputra et al. (2021). It shows that self-monitoring, overconfidence, and trend-following effects significantly influence investment choices in times of crisis. In a different context, Aslan Yılmaz and Hovardaoğlu (2015) Examine the role of self-monitoring in relationships, finding positive associations between decision evaluations and damaging relationships. These studies emphasize the role of dual self-monitoring in financial decisions and interpersonal dynamics, which is essential for understanding human behavior in various fields. The results of several previous empirical studies confirm the urgency to improve global financial literacy to support intelligent and sustainable financial decision-making amid complex economic dynamics, but academic literature is still limited, especially in local social and economic contexts.

Addressing this gap, the study adopts Behavioral Finance Theory, which highlights how psychological and behavioral factors affect individual financial decisions (Sorongan, 2022), including in the context of investment. This theory provides a basis for understanding why financial literacy and self-monitoring can be crucial in shaping effective and sustainable investment behavior (Shiller, 2012). In this context, this research is particularly urgent in Banjarmasin, a city experiencing rapid economic growth in Indonesia. Banjarmasin offers a unique landscape with different social, economic, and cultural characteristics from previous research sites. Through this research, our primary goal is to understand better how financial literacy and self-monitoring affect investment decision-making amid the city's volatile market dynamics and rapid economic changes. The understanding gained is expected to significantly contribute to developing more effective financial education strategies and relevant community and local government policy recommendations. By exploring the interaction between financial literacy and self-monitoring in the local context of Banjarmasin, this research is also expected to make a valuable theoretical contribution to the literature on investment decision-making in Indonesia and the broader global context.

**Methods**

The research uses a quantitative approach based on Partial Least Squares Structural Equation Modeling (PLS-SEM) because of its ability in behavioral and social sciences (Bustani et al., 2021; Hair et al., 2017). This study analyzes the relationship between investment decisions, financial literacy, and self-monitoring in Banjarmasin. Data was collected through surveys with questionnaires developed based on relevant literature and previously validated instruments involving 100 individual investors in Banjarmasin who voluntarily participated as respondents. The reason for choosing a sample size of 100 is to ensure that the results are statistically representative of the population, as suggested by Krejcie and Morgan (1996). According to their table for determining sample size, a sample of 100 is adequate for achieving a desired confidence level and margin of error for a given population size. Additionally, this sample size allows for efficient management of resources, balancing the need for reliable data with practical constraints such as time, cost, and labor. Data analysis is carried out using specialized software such as SmartPLS to test hypothetical models and measure the strength of the relationships between variables. The results are expected to provide an in-depth understanding of the factors that influence investment decisions at the individual level.

In this study, key variables such as investment decisions, financial literacy, and self-monitoring were measured through a series of indicators developed and validated previously by relevant researchers (see Table 1). Investment decision variables are measured through five indicators, including the extent to which the investment decision supports the set investment objectives, reaction to losses, expected investment returns, risk tolerance to investment decisions, and investment ownership periods spread over a long period (Raut, 2020). Financial literacy is measured by four indicators, which include understanding the stock market's role in predicting long-term investment prices and returns, stock market fluctuations, and asset diversification risks (Raut, 2020). Meanwhile, self-monitoring was evaluated through seven indicators that included comfort in social situations, the ability to speak in public without sufficient preparation, the tendency to maintain personal beliefs, behavior in social gatherings, the ability to adapt to various situations and people, and consistency in behavior and opinions (Rahman & Gan, 2020). Using these instruments, the research is expected to provide in-depth insights into the factors influencing investment behavior and individual financial decisions in a specific context in Banjarmasin.

**Table 1. Measurement**

Variable	Operational Definition	Items	Indicator	Source
Financial Literacy	Financial literacy includes the ability to understand and effectively use a range of financial skills, including personal financial management, budgeting, and investing, to make effective decisions in a variety of financial contexts to improve an individual's financial well-being	fns.1	Understanding that the stock market helps predict stock prices and earnings.	Raut, (2020)
		fns.2	Considering long-term periods (e.g., 10-20 years), stocks generally offer the highest return rates.	
		fns.3	Stocks typically exhibit the highest fluctuations over time.	
		fns.4	Does the risk of losing money increase when investors diversify their money among various assets?	
		fns.5	In general, my investment decisions support my investment objectives	
Self-Monitoring	Self-monitoring is defined as a personality trait that indicates the degree to which people monitor their expressive	sfm.1	I feel awkward in public and do not perform as well as I should	Rahman and Gan, (2020)
		sfm.2	I feel awkward in public and do not perform as well as I should	
		sfm.3	I can only defend ideas that I already believe in	

**eCo-Buss**

Variable	Operational Definition	Items	Indicator	Source
	behaviours and self-presentations	sfm.4	At parties and social gatherings, I do not attempt to do or say things that others will like	
		sfm.5	I have difficulty changing my behavior to adapt to different people and situations	
		sfm.6	I find it hard to imitate the behavior of other people	
		sfm.7	I would not change my opinions (or how I do things) to please someone or gain their favor	
Investment Decisions	Investment decision is the process of choosing where, when, and how to allocate funds or resources to purchase assets or financial instruments with the expectation of gaining profits in the future.	ind.1	Generally, my investment decisions support my investment objectives	Raut, (2020)
		ind.2	My reactions to losses are expected	
		ind.3	Typically, I achieve the expected returns from my investment decisions	
		ind.4	I have risk tolerance towards my investment decisions	
		ind.5	Generally, my investment decisions align with my investment goals	

Source: data processed, 2022

The analysis stages include checking the outer model for construct validity, evaluating reliability with Cronbach's alpha, convergent validity with item loading factors, and discriminating validity with fornell & lacker and HTMT (Bustani & Juniar, 2023). The fit model was evaluated with R-squared for endogenous variance and Q2 for model predictability. T-statistical and bootstrapping tests carry out hypothesis testing. This approach will provide a comprehensive understanding of the influence of financial literacy and self-monitoring on investment decisions in Banjarmasin.

**Financial Literacy and Investment Decisions**

In the financial literature, especially in Behavioral Finance, research on financial literacy and investment decisions has become increasingly relevant (Gallery et al., 2011; Janor et al., 2014, 2016; Kumari, 2020; Saputra et al., 2024). Behavioral Finance theory emphasizes that investor behavior is not always rational (Antony, 2020; Kamoun & Ibenrissoul, 2022; Kumari, 2020) but is somewhat influenced by complex psychological and social factors. Financial literacy includes the ability to understand and effectively use a range of financial skills, including personal financial management, budgeting, and investing, to make effective decisions in a variety of financial contexts to improve an individual's financial well-being (Lusardi & Mitchell, 2005; Oppong et al., 2023). Meanwhile, according to Thesman and Wahyudi (2024), Financial literacy combines essential skills, knowledge, attitudes, and traits that enable individuals to make informed financial decisions, improve financial security, and contribute to economic well-being.

A study by Lusardi and Mitchell (2011) revealed that high levels of financial literacy can significantly affect individuals' ability to plan and manage their investments more effectively, especially regarding retirement well-being. Financial literacy includes understanding basic concepts such as interest, inflation, and portfolio diversification, and it influences long-term investment decisions based on accurate knowledge of investment risks and returns (Lusardi & Mitchell, 2011).

The Behavioral Finance approach also highlights how investor behavior can be affected by cognitive and emotional biases. For example, the prospect theory that Kahneman and Tversky (1979) developed shows that people tend to be more sensitive to losses than gains in investment decision-making. This can affect how investors evaluate and choose investments, even when objective information is available. A study by Shiller (2012) in Finance and the Good Society

underscores the importance of understanding how individuals' perceptions and beliefs towards financial markets can affect their overall investment behavior.

Empirically, research by Remund (2010) illustrates that good financial literacy improves an individual's ability to make more informed investment decisions and helps reduce the uncertainty and anxiety associated with complex financial markets. This study shows that better financial education can help overcome psychological and cognitive barriers affecting optimal investment decision-making (Remund, 2010).

Studies in behavioral finance highlight the importance of financial literacy in investment decision-making. For example, studies by Oppong et al. (2023) in Ghana and Prasad et al. (2021) in India show a positive relationship between financial literacy and investment decisions, emphasizing the importance of financial literacy in managing the complexity of the investment market. Mireku et al. (2023) found that financial literacy courses in Mexico City positively impact short-term knowledge and savings. Meanwhile, research by Kaur and Maheshwary (2020) in Ludhiana and Fadhiil and Fariska (2020) in Bandung highlights the need for financial and psychological analysis to support investors in making informed and profitable investment decisions.

These studies provide an essential foundation for understanding how financial literacy affects individual investment behavior and its implications in developing more effective financial education strategies and policies that support better investment decision-making at different levels of society. A high level of financial literacy will be positively related to more optimal investment decisions. Therefore, the hypothesis is as follows:

H1: Financial literacy affects investment decisions

### **Self-monitoring and Investment Decisions**

In Behavioral Finance, the study of self-monitoring and investment decision-making offers in-depth insights into how psychological factors influence investor behavior (Lachhwani & Oza, 2024; Sarin & Sharma, 2023; Sunderaraman et al., 2021). Self-monitoring, a concept introduced by Snyder (1974), refers to the ability of individuals to control their behavior and adjust their responses to a changing social environment. In financial settings, self-monitoring can influence impulsive behavior and improve consistency in investment decision-making (Snyder, 1974).

A study by Furnham and Argyle (1998) highlights how self-monitoring can affect overall financial behavior. They found that individuals with high levels of self-monitoring tended to be better able to control their consumptive behavior and make more rational and planned investment decisions (Furnham & Argyle, 1998). In the context of Behavioral Finance, this suggests that psychological factors such as self-monitoring can influence complex financial decision-making.

Empirical research conducted by Agnew and Szykman (2005) also supports this idea by finding that individuals with high self-monitoring are likelier to choose a more balanced asset allocation and manage investment information more effectively. They emphasized that self-monitoring is relevant for controlling emotions in investment decision-making and is essential in optimal portfolio management (Agnew & Szykman, 2005).

In the theory of Behavioral Finance, this concept is extended to understand how self-monitoring can affect risk evaluation and investor reward. Further research explores how the interaction between self-monitoring, risk perception, and investment decisions can provide deeper insights into investor behavior in dynamic and complex financial markets.

A study by Agnew and Szykman (2005) found that good self-monitoring can reduce speculative behavior and improve individuals' ability to manage investment portfolios better. The results of this study indicate that individuals with high self-monitoring tend to be more risk-aware and more able to make decisions that align with their financial goals. A high level of self-monitoring will positively correlate with more optimal investment decisions, hence the following hypothesis:

H1: self-monitoring affects investment decisions

Based on the theoretical foundation and previous studies as outlined earlier, the framework of this research can be seen in the following Figure 1.

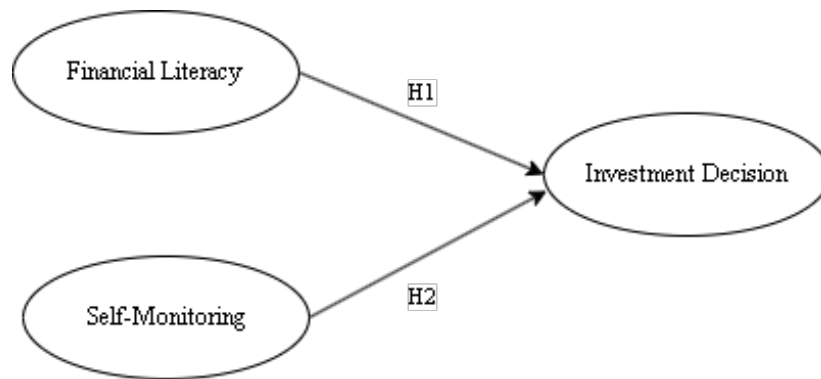


Figure 1. The Framework of this Research

## Results

### Validity and Reliability

Based on the data processing results from 17 measurement items, there were three invalid measurement items (fns.5, ind.5, and sfm.2) see Figure 2, because they had a loading factor value of less than 0.70 (Hair et al., 2017).

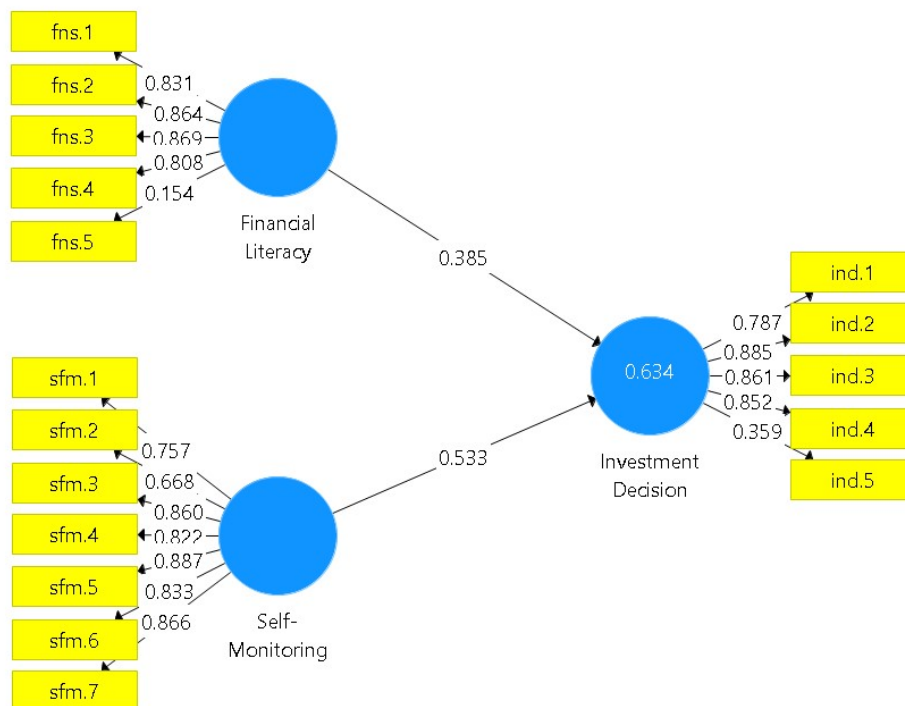


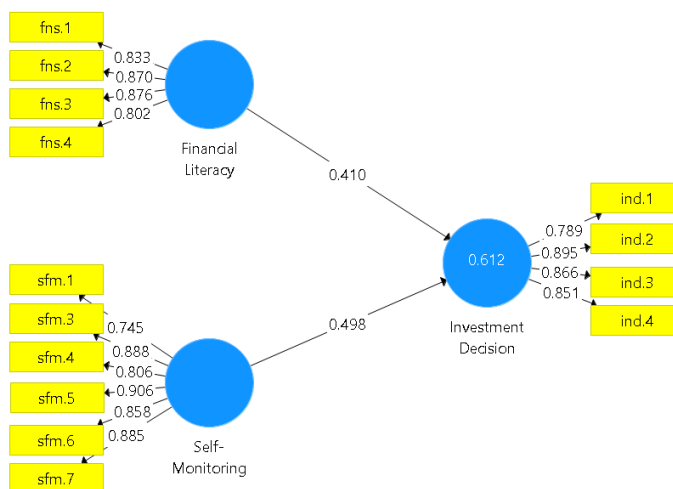
Figure 2. Outer Model

Furthermore, the data was processed again by removing invalid question items, with the results in Table 2 and Figure 3.

Variable	Items	Indicator	FL	VIP	CA	CR	AVE
Financial Literacy	fns.1	Understanding that the stock market helps predict stock prices and earnings.	0.833	2.079	0.868	0.909	0.715
	fns.2	Considering long-term periods (e.g., 10-20 years), stocks generally offer the highest return rates.	0.870	2.483			
	fns.3	Stocks typically exhibit the highest fluctuations over time.	0.876	2.207			
	fns.4	Does the risk of losing money increase when investors diversify their money among various assets?	0.802	1.936			
Self-Monitoring	sfm.1	I feel awkward in public and do not perform as well as I should.	0.745	1.887	0.922	0.939	0.722
	sfm.3	I can only defend ideas that I already believe in.	0.888	3.886			
	sfm.4	At parties and social gatherings, I do not attempt to do or say things that others will like.	0.806	2.181			
	sfm.5	I have difficulty changing my behavior to adapt to different people and situations.	0.906	4.715			
	sfm.6	I find it hard to imitate the behavior of other people.	0.858	3.986			
	sfm.7	I would not change my opinions (or how I do things) to please someone or gain their favor.	0.885	4.007			
Investment Decisions	ind.1	Generally, my investment decisions support my investment objectives.	0.789	2.365	0.873	0.913	0.724
	ind.2	My reactions to losses are expected.	0.895	3.436			
	ind.3	Typically, I achieve the expected returns from my investment decisions.	0.866	2.822			
	ind.4	I have risk tolerance towards my investment decisions.	0.851	2.255			

Note: FL (Factor Loading), VIP (Variable Importance in Projection), CA (Composite Reliability), CR (Cronbach’s Alpha), AVE (Average Variance Extracted).

Source: data processed, 2024



**Figure 3. Outer Model Final**

Table 2 and Figure 3 evaluate the validity and reliability of the indicators used to measure this study's three primary constructs: financial literacy, self-monitoring, and investment decisions. The loading factor analysis shows that each indicator in the financial literacy variable significantly correlates with the concept in question, such as the understanding of stock price prediction (FL = 0.833) and investment diversification risk (FL = 0.802). The indicators in the self-monitoring variable also showed a strong correlation with their constructs, for example, difficulty changing behavior according to different situations (FL = 0.906) and inability to imitate the behavior of

others (FL = 0.858). Meanwhile, the investment decision variable shows indicators such as the support of the investment decision against the investment objective (FL = 0.789) and the normal reaction to losses (FL = 0.895). This evaluation also showed a low Variance Inflation Factor (VIP) value, indicating the absence of multicollinearity problems among the indicators in each variable. Internal reliability is measured through Cronbach's Alpha (CA) and Composite Reliability (CR), with values confirming good internal consistency for all variables. The Average Variance Extracted (AVE) for each variable also showed a reasonably high value (between 0.715 and 0.724), confirming the ability of these variables to explain the variation of their indicators. These results provide confidence that the measurement instruments used in this study are valid and reliable (Hair et al., 2017). This study seeks to deepen understanding of the influence of financial literacy, self-monitoring, and investment decisions on individual financial behavior.

**Outer Loadings**

**Table 4. Outer Loadings**

	<b>Financial Literacy</b>	<b>Investment Decision</b>	<b>Self-Monitoring</b>
fns.1	0.833		
fns.2	0.870		
fns.3	0.876		
fns.4	0.802		
ind.1		0.789	
ind.2		0.895	
ind.3		0.866	
ind.4		0.851	
sfm.1			0.745
sfm.3			0.888
sfm.4			0.806
sfm.5			0.906
sfm.6			0.858
sfm.7			0.885

Source: data processed, 2024

Table 3 presents the Outer Loadings, which measure the strength of the relationships between observed indicators and their respective latent variables. For Financial Literacy, the outer loadings of the indicators range from 0.802 to 0.876, indicating that the indicators (fns.1 to fns.4) have a strong association with the latent variable. These values suggest that the indicators are highly effective in measuring Financial Literacy, as loadings above 0.70 are generally considered high. For investment decisions, the loadings range from 0.789 to 0.895, reflecting strong relationships between the indicators (ind.1 to ind.4) and the latent variable. These high loadings imply that the indicators are robust in capturing the Investment Decision construct. For Self-Monitoring, the outer loadings range from 0.745 to 0.906, showing strong associations between the indicators (sfm.1 to sfm.7) and the latent variable. All loadings exceed the threshold of 0.70, demonstrating that the indicators effectively represent Self-Monitoring. Overall, the strong outer loadings for all latent variables suggest that the measurement model is reliable and that the indicators accurately reflect their underlying constructs.

**Table 4. Discriminant Validity used the Fornell-Larcker Criterion and HTMT**

	<b>Financial Literacy</b>	<b>Investment Decision</b>	<b>Self-Monitoring</b>
<b>Fornell-Larcker Criterion:</b>			
Financial Literacy	<b>0.846</b>		
Investment Decision	0.649	<b>0.851</b>	
Self-Monitoring	0.481	0.695	<b>0.850</b>
<b>Heterotrait-Monotrait Ratio (HTMT):</b>			
Financial Literacy			
Investment Decision	0.728		
Self-Monitoring	0.529	0.747	



Source: data processed, 2024

Table 4 presents an analysis of the validity of discrimination using the Fornell-Larcker Criteria and the Heterotrait-Monotrait Ratio (HTMT) for the constructs of Financial Literacy, Investment Decisions, and Self-Monitoring. According to the Fornell-Larcker Criterion, the diagonal element represents each construct's square root of the Average Variance Extracted (AVE), indicating how much variance the construct indicators describe. Financial Literacy has an AVE of 0.846, Investment Decision of 0.851, and Self-Monitoring of 0.850. The diagonal elements indicate squared correlations between the constructs: 0.649 between Financial Literacy and Investment Decisions, 0.481 between Financial Literacy and Self-Monitoring, and 0.695 between Investment Decisions and Self-Monitoring.

The HTMT value, which measures the correlation ratio between constructs compared to correlations within the same construct, supports the validity of discrimination. A value close to 1 indicates that the correlation between constructs is not significantly higher than that in the same construct, indicating a clear difference between the constructs. Specifically, the HTMT value for Financial Literacy vs. Investment Decisions was 0.728, Financial Literacy vs. Self-Monitoring was 0.529, and Investment Decisions vs. Self-Monitoring was 0.747.

These findings show that each construct captures a unique and distinguishable variant from the others, confirming the validity of the measurement model used in this study. In other words, this study is valid (Bustani & Juniar, 2023). These results provide confidence that the constructs of Financial Literacy, Investment Decisions, and Self-Monitoring are adequately distinguishable and reliable for studying the impact of individuals on financial behavior.

### Hypothesis Testing

Table 5. Hypothesis Testing

Hypothesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Decision
fns -> ind	0.410	0.410	0.077	5.350	0.000	Accepted
sfm -> ind	0.498	0.501	0.090	5.551	0.000	Accepted

Note: fns: financial literacy, sfm: self-monitoring, ind: investment decision

Source: data processed, 2024

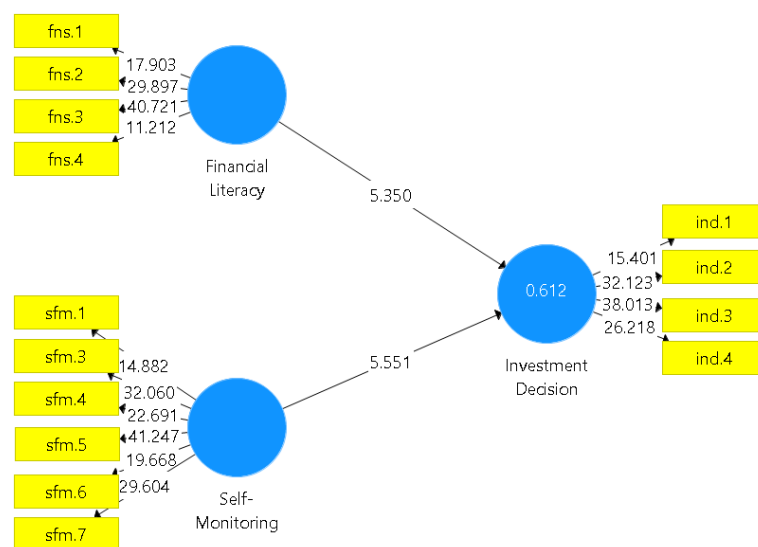


Figure 4. Inner Model

Table 5 and Figure 4 present the results of hypothesis testing for the influence between constructs in this study. This analysis examines the relationship between financial literacy (fns),

self-monitoring (sfm), and investment decisions (ind). For the effect of financial literacy (fns) on investment decisions (ind), the standardized coefficient of influence was 0.410, with a standard deviation of 0.077, resulting in a T-statistic of 5.186 and a significant p-value of 0.000, indicating statistical solid support. Therefore, the hypothesis that financial literacy influences investment decisions is accepted. The 95% confidence interval for this influence ranges from 0.267 to 0.567.

Similarly, for the effect of self-monitoring (sfm) on investment decisions (ind), the normalized coefficient was 0.498, with a standard deviation of 0.090 and a T-statistic of 5.548, resulting in a p-value of 0.000, confirming the statistical significance. This influence was also accepted, suggesting that self-monitoring significantly influenced investment decisions. The 95% confidence interval for this influence ranges from 0.298 to 0.664. The Inner VIP is 1,301, indicating no multicollinearity issues.

These findings provide strong empirical evidence that financial literacy and self-monitoring are essential in shaping investment decisions, highlighting their importance in understanding individual financial behavior. These results support the theoretical framework and provide valuable insights into how psychological and educational factors affect financial decision-making.

### R Square

**Table 6. R Square**

	<b>R Square</b>
Investment Decision	0.612

Source: data processed, 2024

R Square ( $R^2$ ) is a measure used in regression analysis to evaluate the extent to which the variability of the dependent variable can be explained by the independent variables in the model (Hair et al., 2017). In the context of this table, R Square indicates the proportion of variance in investment decisions that the tested model can explain. In Table 6, the R Square value for investment decisions is 0.612. This means that approximately 61.2% of the variation in investment decisions can be explained by financial literacy and self-monitoring included in the model. In other words, the model accounts for most of the relevant information needed to understand investment decisions, while the remaining 38.8% of the variation in investment decisions may be influenced by other factors not included in this model.

### F Square

**Table 7. F Square**

	<b>Investment Decision</b>
Financial Literacy	0.333
Self-Monitoring	0.490

Source: data processed, 2024

Table 7 presents the F Square ( $F^2$ ) values, which measure the effect size of exogenous variables on endogenous variables in structural equation modeling. These values help assess the relative strength of one variable's impact on the variability of another variable within the model. The F Square value of 0.333 for the relationship between Financial Literacy and Investment Decision indicates a medium to large effect size. This suggests that financial literacy significantly impacts investment decisions, meaning it plays an important role in explaining the variability of investment decisions. Conversely, the F Square value of 0.490 for the relationship between Self-Monitoring and Investment Decision indicates a large effect size. This suggests that Self-Monitoring strongly influences Investment Decisions, highlighting its crucial role in understanding investment behavior.

**Q Square**

**Table 8. Q Square**

	SSO	SSE	Q <sup>2</sup> (=1-SSE/SSO)
Investment Decision	400.000	230.069	0.425

Source: data processed, 2024

The Q<sup>2</sup> value for Investment Decision is 0.425, indicating moderate predictive relevance. This value suggests that the model accounts for 42.5% of the variance in Investment Decisions, demonstrating a reasonable level of predictive accuracy (see Table 7). Q<sup>2</sup> measures how well the model captures variability in the outcome, with positive values indicating that the model has some degree of predictive power. In this case, a Q<sup>2</sup> of 0.425 shows that the model effectively explains a significant portion of the variability in Investment Decisions, although there is still room for further refinement or the inclusion of additional explanatory factors.

**Model Fit**

**Table 9. Model Fit**

<b>Saturated Model</b>	
SRMR	0.099
d_ ULS	1.024
d_ G	0.562
NFI	0.750

Source: data processed, 2024

Table 8 shows the model suitability evaluation for the model saturated in this analysis using several standard metrics. The Standardized Square Mean Root Error Index (SRMR) recorded a value of 0.099, indicating a reasonable degree of model conformity with the observation data, close to the ideal value of less than 0.08 (Hu & Bentler, 1999). The Degree of Freedom for Unweighted Least Squares (d\_ ULS) is 1.024, and Generalized Least Squares (d\_ G) is 0.562, signifying that the complexity of the model is relatively straightforward under the parsimony principle in modeling (Kline, 2011). The Normed Fit Index (NFI) reached 0.750, indicating a reasonable agreement between the proposed model and the data relative to the unstructured baseline model (Bentler & Bonett, 1980). Overall, this evaluation confirms that the statistical model used can reflect the phenomena observed in this study well, providing confidence in the model's suitability with the available observational data.

**Discussion**

**The Influence of Financial Literacy on Investment Decisions**

The study revealed a significant relationship between financial literacy and investment decisions. The analysis results show that financial literacy positively influences investment decisions, with a significant trajectory coefficient (0.410) and a very low p-value (0.000). These findings support the hypothesis that individuals with higher financial literacy tend to make better-informed investment decisions. Higher financial literacy allows individuals to understand better the risks and potential rewards of various investment options, thus influencing their behavior in allocating funds.

Financial literacy is essential in shaping individual financial behavior, especially in the context of investment. This finding aligns with previous research that shows that high financial literacy can increase individual confidence in making more rational and informed investment decisions (Jesica & Haposan Banjarnahor, 2023; Lusardi & Mitchell, 2005). In addition, good financial literacy is also associated with better risk management behavior, which is a critical aspect of making intelligent and sustainable investment decisions (Huston, 2010).

The latest study confirms previous empirical studies' findings that financial literacy is vital in investment decision-making. Research by Oppong et al. (2023) in Ghana, Prasad et al. (2021) in

India, Mireku et al. (2023) in Mexico City, Kaur & Maheshwary (2020) in Ludhiana, and Fadhiil & Fariska (2020) in Bandung consistently found that a good understanding of financial concepts can improve effectiveness in managing investments. As such, these findings strongly support the need to improve financial literacy to help individuals make more innovative and more sustainable investment decisions.

This study contributes to Behavioral Finance by revealing that financial literacy is crucial in individual investment decision-making. The findings show that individuals with higher financial literacy tend to make better investment decisions. Financial literacy allows individuals to understand better the risks and potential returns of various investment options, influencing their overall fund allocation behavior. These results are consistent with the theory of behavioral finance, which emphasizes that psychological aspects and knowledge of finance play an essential role in the decision-making process of investment (Lusardi & Mitchell, 2014). By increasing financial literacy through education and appropriate programs, people can be expected to manage their finances better, reduce uncertainty, and improve their financial well-being sustainably (Huston, 2010).

These results highlight the importance of efforts to improve financial literacy among the public. Financial literacy education and programs can potentially increase an individual's capacity to manage their finances, especially in long-term investments. The emphasis on developing financial literacy is expected to bring benefits and improve the overall financial well-being of individuals.

### **The Effect of Self-Monitoring on Investment Decisions**

The results of this study show that self-monitoring has an essential role in the context of individual investment decision-making. The findings showed that individuals with high levels of self-monitoring tended to make better investment decisions, characterized by a significant trajectory coefficient (0.498) and a very low p-value (0.000). This indicates that individuals more sensitive to their responses and self-evaluation of their behavior and decisions have a better tendency to choose and manage their investments.

Self-monitoring, which describes an individual's ability to observe and regulate behavior and responses to social and situational environments, plays a significant role in investment decision-making. Individuals with high self-monitoring tend to recognize better and effectively evaluate investment risks and opportunities. They are also more likely to adapt their investment strategies to changes in market conditions and economic situations.

These findings have important implications for personal financial management, where high self-monitoring can help individuals make more adaptive and directed investment decisions. These results highlight the need to consider individual psychological and personality factors in developing adequate financial literacy and investment education programs. An approach focusing on developing self-monitoring skills can significantly improve individuals' ability to manage their investment portfolios more effectively.

This study confirms the findings of previous empirical studies that highlight the impact of self-monitoring and psychological factors on investment decisions. A study conducted in Indonesia by Adiputra et al. (2021) found that self-monitoring, overconfidence, and trend-following effects significantly shaped investment choices during the economic crisis. These findings align with previous research by Aslan Yılmaz and Hovardaoğlu (2015), which showed that self-monitoring positively correlates with decision evaluation. These results reinforce the need to increase financial literacy globally to support intelligent and sustainable financial decision-making in an increasingly complex economy.

In the context of Behavioral Finance, this study emphasizes that psychological aspects such as self-monitoring play an essential role in financial decision-making (Furnham & Argyle, 1998). This finding also aligns with research showing that high self-monitoring is associated with more

rational and planned investment decision-making (Agnew & Szykman, 2005). As such, the study provides additional insights into how psychological factors can influence investor behavior in the face of complex and dynamic financial market challenges.

## Conclusion

This study investigates the role of financial literacy and self-monitoring in investment decision-making in Banjarmasin. The goal is to understand better how psychological factors and financial knowledge affect individual investment behavior amid the city's volatile market dynamics and rapid economic changes. This research has revealed the importance of financial literacy and self-monitoring in shaping individual investment decisions in Banjarmasin. The findings show that high financial literacy is positively associated with better investment decisions, which reflects a better understanding of investment risks and returns. Self-monitoring also plays a crucial role in influencing investment behavior, with individuals with high self-monitoring tend to be more disciplined and adaptive in managing their portfolios. These results consistently support the theory of Behavioral Finance, which emphasizes that psychological factors, such as financial literacy and self-monitoring, influence financial decision-making. Although this study provides valuable insights into the role of financial literacy and self-monitoring in investment decision-making in Banjarmasin, it is worth acknowledging that generalizing results limited to a specific sample may reduce representation for the broader population in Indonesia or globally. Future studies should consider a longitudinal approach, comparative studies between regions, and focus on the influence of technology in financial literacy and investment decision-making to develop a deeper and more applicable understanding.

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