



## Investment Decision Making With Investment Satisfaction As An Intervening Variable: Availability Bias And Financial Literacy

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### Abstract

This study aims to analyze the role of investment satisfaction mediation on the influence of availability bias and financial literacy on investment decision-making. This quantitative study uses a purposive sampling technique to select 93 young investors in Surabaya from a population of 911 young investors who actively engage in daily investing transactions and have Single Investor Identity (SID) with an age range of 18 to 25. The data analysis method used is the Partial Least Square which shows some results. First, financial literacy significantly influences investment satisfaction. Second, investment satisfaction mediates the interaction between investor decision-making and financial literacy. Investors favor making selections that produce pleasing results and are consistent with their expectations above maximizing results. Additionally, financial literacy is crucial for avoiding losses and maximizing Returns On Investments. The results of this study provide positive implications on the role of financial literacy in impacting investment satisfaction, which in turn affects investment decision-making.

**Keywords:** Investment decision making, investment satisfaction, availability bias, financial literacy

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## INTRODUCTION

Developing a favorable investment climate is one of the key factors in achieving economic growth. Most investors are anticipated to be interested in the convenience given if a favorable investment climate is created. Investments are sums of money that people or businesses put into assets with the hopes of reaping significant returns in the future. Today's Indonesians know the value of saving money and placing financial security first. The rise of investors in the Indonesian stock market is evidence of this. The public's growing interest in investing in the Indonesian capital market reflects KSEI's successful performance. From 3.88 million investors at the end of December 2020 to 7.48 million as of December 29, 2021, 92.7% more investors were on the Indonesian capital market. Compared to 2017, this number has climbed by almost seven times. By October 19, 2021, according to KSEI, Indonesian capital market investors continue to be dominated by those between the ages of 30 and 40, with a combined share of 81.02%. By the end of December 2020, young investors owned 81.02% more assets than the average of 77.41%. In particular, Millennials (born 1981–1996) and Gen-Z (born 1997–2012), or people under the age of 40, boosted the increase of retail investors in 2021, accounting for 88 percent of all new retail investors as of November 2021 (KSEI, 2021). The rise in local investors is evidence that Indonesians are becoming more aware of the value of investing and are turning to the capital market as a substitute for actual investments. By the end of 2021, there were 3,451,513 stock investors, up from 1,695,268 by 103.59% (CNBC Indonesia, 2022).

Many young people are interested in investment, but young investors tend to be aggressive (Paramita, 2018). The expansion of the capital market and the rise in Single Investor Identification (SID) make investing a desirable endeavor for young investors. As of December 2021, the increase in the number of SIDs of East Java Shares was 105.32 percent, and the increase in SIDs of national shares was 105.23 percent, where the East Java SIDs based on age were dominated by the 18-25 year group which experienced an increase of 141 percent from 2020 for that age group (Dinas Kominfo Provinsi Jawa Timur, 2021). Investors can make decisions about their investments either logically or irrationally. The aggressive nature of young investors is to make decisions with high risk, so investors must be prepared to lose some investment funds to expect high returns. One occurs to young investors when they invest without considering future losses; instead, they are more concerned with obtaining significant and rapid profits. The aggressive nature of young investors affects investment decision-making. When making investing decisions, investors frequently use the information they get first. Still, they are also susceptible to biases that might create irrational behavior that will impact performance (Shantha Gowri & Ram, 2019). Action taken by young investors is not always gets along with financial theory. These failures are mostly influenced by internal investor factors, commonly known as biased behavior.

Investor behavior is one of the big phenomena that cannot be separated from the investment topic. Many previous studies have stated that investor psychology factors have the most role in determining investor behavior. These

psychological factors influence investing and also influence the results to be achieved. In scientific discussions, this phenomenon that uses psychological and financial theories is known as behavioral finance. Investors perform several elements of irrationality in decision-making (Z. Ahmad, 2017). Bias behavior is found in many young investors because of their relatively young age, so they tend to have high emotions. They are not controlled, which can result in them making investment decisions quickly. Behavioral biases impact investment decisions (Saivasan & Lokhande, 2022). Behavioral bias affects investment decision-making and gives rise to irrational investor behavior (Kumar & Goyal, 2015). One of them is availability bias, which is the ease of obtaining information so that investors can make investment decisions according to the information obtained, without studying more or looking for more data to prove its correctness (Siraji, 2019). Availability bias is a strategy used to make decisions quickly. Still, it often leads to mistakes (Dimara, Dragicevic, & Bezerianos, 2016)—the tendency of young investors to have irrational behavior and affect investment performance.

Another factor that can affect satisfaction in investing is stock investment literacy. Stock investment literacy is formed by the individual self and the surrounding environment and affects investor satisfaction (Paramita, 2018). Stock investment literacy for each individual has a different level and will influence decision-making as a form of stock investment behavior. Financial literacy among young people is influenced by their information-seeking behavior (Pahlevan Sharif & Naghavi, 2020). Financial literacy affects behavioral aspects (Potrich & Vieira, 2018). According to Pandey and Jessica (2019), the real estate market behavioral bias and investment decision-making are mediated by investment satisfaction. Individual investor behavior and financial decision-making are influenced by their level of financial literacy (Rasool & Ullah, 2020). Investors need to improve financial literacy and knowledge such as training programs, workshops, and seminars to overcome behavioral biases when making decisions (Adil, Singh, & Ansari, 2022).

Financial behavior researches how social, cognitive, and emotional aspects affect how people make financial decisions. Although the conduct is not a consequence, it can influence and help create one. Investor behavior is a tool that helps individual investors reach their financial objectives and will ultimately provide them joy. According to M. Ahmad and Shah (2022), behavioral biases are to blame for the irrationality of individual investors. Still, financial literacy can also enhance the standard of investment decisions and the performance of such investments. This study aimed to examine the factors that influence stock investing choices by considering the mediating effect of investment satisfaction. Based on the gap in the studies mentioned earlier, researchers conducted additional research to ascertain how availability bias and investment literacy affect young investors' stock investment decisions by using satisfaction as a mediating variable.

## LITERATURE REVIEW

### Availability Bias

Individual stock investors' investment decisions are impacted by behavioral biases (Jain, Walia, & Gupta, 2020). Zahera & Bansal (2018) mentioned that behavioral bias has a concurrent impact when individual and institutional investors make investment decisions. Pandey & Jessica (2019) found that investment satisfaction mediates behavioral bias and investment decision-making. Behavioral bias affects investment decision-making and gives rise to irrational investor behavior (Kumar & Goyal, 2015). When a decision-maker relies on information that is easily accessible, this is known as availability bias (Siraji, 2019). The phenomenon known as availability bias occurs when people gauge the likelihood of an event based on how quickly they can recall it (Ritika & Kishor, 2022). It demonstrates that people often analyze information based on how quickly it can be remembered to avoid the difficulties and suffering involved in making investment decisions. Availability bias is the ease of obtaining information so that investors can make investment decisions according to the information obtained, without studying more or looking for more data to prove its correctness (Siraji, 2019). Availability bias is also a strategy used to make quick decisions, but it often leads to mistakes (Dimara et al., 2016). The availability bias affects investors' investment decisions and choosing stocks for their portfolios (Shantha Gowri & Ram, 2019). Investor preferences are determined by the information that is accessible, and as a result, even unrelated information might occasionally affect the investment decision. Investors susceptible to availability bias typically invest in local stocks and choose stocks thoroughly reviewed by specialists (Jain et al., 2020).

Due to their inability to properly appraise the information, figure, and occurrence due to forgetfulness, availability bias causes investors and professional experts to attach more significance to the information (Shantha Gowri & Ram, 2019). Unconscious availability bias can impair judgment and cause individuals to make erroneous decisions (Dimara et al., 2016). Thus, availability bias reduces the investor's possibilities, although there are many, and it also omits making the suitable and appropriate choice of investment routes. Investors must digest the information they get to be utilized for decision-making. Investors need to do a post-analysis of each investment to find out the mistakes made in the past and not make the same mistake (Mushinada & Veluri, 2019).

### Financial Literacy

The ability to make wise financial decisions is known as financial literacy (Nejad & Javid, 2018). Stock investment literacy is formed by the individual self and the environment surrounding it and affects investors' satisfaction (Paramita, 2018). The perception of investment management is seen through risk management in risk management and investment management to get the expected return. Bongomin et al. (2018), in their research, mentioned the importance of

cognition in improving financial literacy. Financial literacy among young people is influenced by their information-seeking behavior (Pahlevan Sharif & Naghavi, 2020). Financial literacy affects certain behavioral traits (Potrich & Vieira, 2018). According to Baker, Kumar, Goyal, & Gaur (2019), financial literacy and behavioral biases have a favorable association. Individual investors' behavior and financial decision-making are influenced by their level of financial literacy (Rasool & Ullah, 2020). Individual investors' behavior in making investment decisions is influenced by financial literacy, with influencing factors including demographics, knowledge sources, methodology, and program efficacy (Janor, Yakob, Hashim, Aniza, & Wel, 2016). Financial literacy, according to M. Ahmad & Shah (2022), can also enhance the standard of investment decision-making and the performance of such assets.

### Investment Satisfaction

Each individual has certain goals to be achieved in making investments. Such goals are achieved through actions that are reflected in the behavior of investors and are most likely to lead to the satisfaction of individual investors. Satisfaction for investors is seen as a trigger in increasing life satisfaction (Paramita, 2018). According to Schwaiger, Kirchler, Lindner, & Weitzel (2020), investor discontent develops when the results of an investment fall short of expectations. This occurs when the option that was chosen is not at least as good as or better than the investor's expectations. According to research on investor happiness and the factors that influence it, individual investors do not always act reasonably.

### Investment Decision Making

Investments have high risks but also have high returns. The success of investing is greatly influenced by the right decision-making by investors. Investors must be able to manage their investments that have many possibilities, whether the investment has a high or low return. Decision made by investors is not only based on rational considerations because the emotional aspect also influences investment decision-making. In prospect theory, Kahneman & Tversky (1979) explain how humans make decisions. Prospect theory asserts that a person does not always act rationally under risk and uncertainty.

Many young people are interested in investment, but young investors tend to be aggressive (Paramita, 2018). One of them happens to young investors investing without thinking about the losses received in the future; they are more focused on how to get large and fast returns. Investors perform several elements of irrationality in decision-making (Z. Ahmad, 2017). The value that shareholders believe will affect investment decision-making (Otuo Agyemang Abraham Ansong, 2016). Investing in the stock market sometimes results in losses for inexperienced individuals.

When making investing decisions, investors frequently use the information they get first. Still, they are also susceptible to biases that might create irrational behavior that will impact

performance (Shantha Gowri & Ram, 2019). To comprehend the actions of individual investors, it is necessary to identify the variables influencing their decision to purchase stock market securities (Sayyadi Tooranloo, Azizi, & Sayyahpoor, 2020). The external locus of control moderates the association between availability bias and risk tolerance, which mediates the relationship between availability bias and investment decision-making (Salman, Khan, Khan, & Khan, 2021). Investors can identify behavioral biases while making investing decisions by understanding the relationship between risk tolerance and investment decision-making (Raheja & Dhiman, 2020). Investment satisfaction impacts investment decision-making, according to Pandey and Jessica (2019). On the other hand, Novianggie & Asandimitra (2019) claimed that financial literacy, overconfidence, representativeness, and herding bias affect investment decision-making.

### Conceptual Framework of the Research

This research investigates two independent variables consisting of Availability Bias and Financial Literacy and one dependent variable Investment Decision Making with Investment Satisfaction as mediating variables; see Figure 1 below:

[Figure 1 about here.]

The hypotheses of this study are:

- H1: Investment satisfaction is positively impacted by availability bias.  
 H2: Investment satisfaction is positively impacted by financial literacy.  
 H3: Availability Bias favorably influences investment decision-making.  
 H4: Financial literacy beneficially influences investment decision-making.  
 H5: Investment satisfaction influences investment decision-making favorably.  
 H6: Investment Satisfaction mediates the connection between Investment Decision Making and Availability Bias.  
 H7: The association between financial literacy and investment decision-making is mediated by investment satisfaction.

### METHOD

This research consists of three stages: problem formulation, data collection, and analysis. This research begins with a literature study to identify gaps and map the phenomena that occur. The process of gathering data was then carried out. In this study, the procedures to be followed are to draft a writing plan framework, then assemble a questionnaire and send an online questionnaire survey to the analysis unit, comprised of young investors in Surabaya, for data collecting. The next stage is data processing using the SmartPLS version 3.2.9 program.

The analysis unit in this study used an individual analysis unit with individual respondent observation units. Also, the population of this study was young investors who invest in various securities companies in the city of Surabaya

who have Single Investor Identification (SID) with an age range of 18-25 years and actively carry out daily investment transactions with a total number of 911 people. We used a purposive sampling technique with 93 respondents who completed the online questionnaire. The criteria used to select respondents in this study were homogeneous purposive samples by selecting investors from the research population who are members of the Surabaya investor community who are active in certain social media groups and have traits and attitudes that are following the research objectives, namely being confident, liking high risks with high yields and actively applying them in daily investment transactions to provide the best data on the study. The data analysis technique employed is the Partial Least Squares method with Smart PLS version 3.2.3, with the analysis's focus on prediction rather than model validation. In this regard, the authors are interested in investigating the analysis of the effect of availability bias and financial literacy on investment decision-making for young investors in Surabaya using investment satisfaction as an intervening variable.

## RESULTS AND DISCUSSION

### Descriptive Analysis

According to the descriptive analysis findings, most respondents (52.2%) were men. Most of the respondents had an undergraduate education level (53.3%) and an average monthly income of > 5,000,000 – 10,000,000 (59.1%).

[Table 1 about here.]

### Partial Least Square Statistic Test

An Outer model to assess the relationship between indicators and construction and ensure that the indicators used are valid. Discriminant, Convergent Validity, and Reliability Tests are measured in this procedure using Composite Reliability (CR), Average Variance Extracted (AVE), and Outer Loadings (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014).

[Table 2 about here.]

The AVE value for all variables AB – Availability Bias, FL – Financial Literacy, IS – Investment Satisfaction, and IDM – Investment Decision Making is higher than the acceptable level of 0.5. The CR value for indicators that measure constructs AB – Availability Bias, FL – Financial Literacy, IS – Investment Satisfaction and IDM – Investment Decision Making with a value of > 0.70 indicates good internal consistency.

[Table 3 about here.]

The route coefficient represents the relationship between bootstrapped hypothesis constructs (Hair, Ringle, & Sarstedt, 2011). According to the test criteria, exogenous variables have a substantial impact on endogenous variables if the t-statistic is more than 1.96. The t-statistic for the relationship between financial literacy and investment satisfaction is 18.574. Therefore, it may be argued that H2 is true and that Financial Literacy greatly



impacts investment satisfaction. The t-statistic for the relationship between investment satisfaction and decision-making is 3.968, indicating that investment satisfaction significantly influences decision-making and that H5 is accepted.

[Table 4 about here.]

The goal of indirect effect hypothesis testing is to determine whether exogenous variables indirectly impact endogenous variables through mediating variables. According to the test criteria, exogenous variables have a significant effect on endogenous variables through intervening variables if the t-statistic threshold of significance is more than 1.96. According to the data in the table, a t-statistic of 3.606 is produced by the effect of financial literacy on investment decision-making through investment satisfaction. H7 is acceptable since it can be inferred that Investment Satisfaction mediates the relationship between the Financial Literacy variable and Investment Decision Making.

## Discussion

### *The Effect of Availability Bias on Investment Satisfaction*

Investment satisfaction is not directly affected by availability bias. With a p-value of 0.787 and a t-statistic of 0.270, Investment Satisfaction shows that Availability Bias has a negligible impact. The study's findings imply that the importance of the Availability Bias has little bearing on investment satisfaction. Shantha Gowri & Ram (2019) explained that although investors frequently use the information they receive first, they are also prone to biases that could develop irrational behavior that will affect performance when making investment decisions. These results, however, are not consistent with that study. Unconscious availability bias can cloud judgment and lead people to make bad choices (Dimara et al., 2016). Yet, the study's findings show that availability bias does not impact investment satisfaction.

### *The Effect of Financial Literacy on Investment Satisfaction*

Financial literacy is proven to directly impact investment satisfaction in this study, with a p-value of 0.000 and a t-statistic of 18.574. The findings indicate that improvements in financial literacy affect investment satisfaction, with investment satisfaction increasing as financial literacy does. These findings are consistent with Paramita (2018), which found that an individual's self and surroundings shape stock investment literacy and influence how satisfied an investor is with their investment decisions. Meanwhile, Potrich & Vieira (2018) investigated the relationship between certain behavioral features and financial literacy. Investor resentment arises when the outcomes of investment fall short of expectations, according to (Schwaiger et al., 2020). This happens when the selected option falls short of the investor's expectations, whether met or exceeded. As a result, investment pleasure is influenced by financial literacy.

### *The Effect of Investment Satisfaction on Investment Decision Making*

Investment satisfaction directly influences investment decision-making with a p-value of 0.000 and a t-statistic of 3.968, indicating that investment satisfaction has a positive and significant effect on investment decision-making. Kahneman & Tversky (1979) explained how humans carry out a decision-making process that a person does not always act rationally under risk and uncertainty. These findings are consistent with Pandey & Jessica (2019), who explained that investment decision-making is impacted by investment satisfaction. Investors make decisions not only based on rational considerations because the emotional aspect also influences IDM. Investors perform several elements of irrationality in decision-making (Z. Ahmad, 2017). Investment satisfaction influences how an investor decides on their investment activity.

### *The Effect of Availability Bias on Investment Decision-Making by Mediation of Investment Satisfaction*

Investment satisfaction does not mediate between the availability bias variable and investment choice-making, as indicated by the t-statistic of 0.270 for the influence of availability bias on investment decision-making through investment satisfaction. These findings conflict with a study by Pandey & Jessica (2019), which discovered that behavioral bias and investment decision-making are mediated by investment satisfaction. The study's findings were at odds with the study of Kumar & Goyal (2015), which outlined how behavioral bias influences investing decision-making and leads to irrational investor behavior. It can be concluded that investment satisfaction, which might impact investment decision-making, is unaffected by availability bias.

### *The Effect of Financial Literacy on Investment Decision-Making by Mediation of Investment Satisfaction*

The influence of financial literacy on investment decision-making through investment satisfaction produces a t-statistic of 3.606, indicating that investment satisfaction fully mediates the financial literacy variable with IDM. Paramita (2018) revealed that the individual and their environment develop stock investment knowledge, impacting investment satisfaction. According to Pandey & Jessica (2019), investment decision-making is impacted by investment satisfaction. Rasool & Ullah, (2020) explained that the degree of financial literacy of an individual investor affects their actions and financial decisions. Financial literacy affects how individual investors behave while making investment decisions. Other impacting elements include demographics, information sources, technique, and program effectiveness (Janor et al., 2016). M. Ahmad & Shah (2022) mentioned that financial literacy could also improve the caliber of investment choices and the performance of such assets. It can be concluded that financial literacy influences investment satisfaction that can affect investment decision-making.

The study results demonstrate a direct relationship between financial literacy and investment satisfaction and a direct relationship between investment satisfaction and investment decision-making. The results of the study also demonstrate that the association between financial literacy and investment decision-making can be mediated by investment satisfaction. Investors not only use a rational estimate of the prospect of investment instruments but are also influenced by psychological factors. In addition, financial literacy is essential to avoid losses when investing in the capital market and obtain maximum returns from investments made. According to the study's findings, investment satisfaction is influenced by financial literacy and can impact investment decision-making. On the other hand, the study's results also show that availability bias does not affect investment satisfaction, where investment satisfaction is also not proven to mediate the effect of availability bias on IDM.

## CONCLUSION

Financial literacy significantly influences investment satisfaction, significantly influencing investment decision-making. Investment satisfaction mediates the interaction between investor decision-making and investment literacy. Investors favor making selections that produce pleasing results and are consistent with their expectations above maximizing results. Additionally, stock investment literacy is crucial for avoiding losses when trading on the stock market and maximizing Returns On Investments. The results of this study should contribute to the body of knowledge on the role of investment literacy in impacting investment satisfaction, which in turn affects investment decision-making.

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**Conflict of Interest Statement:** The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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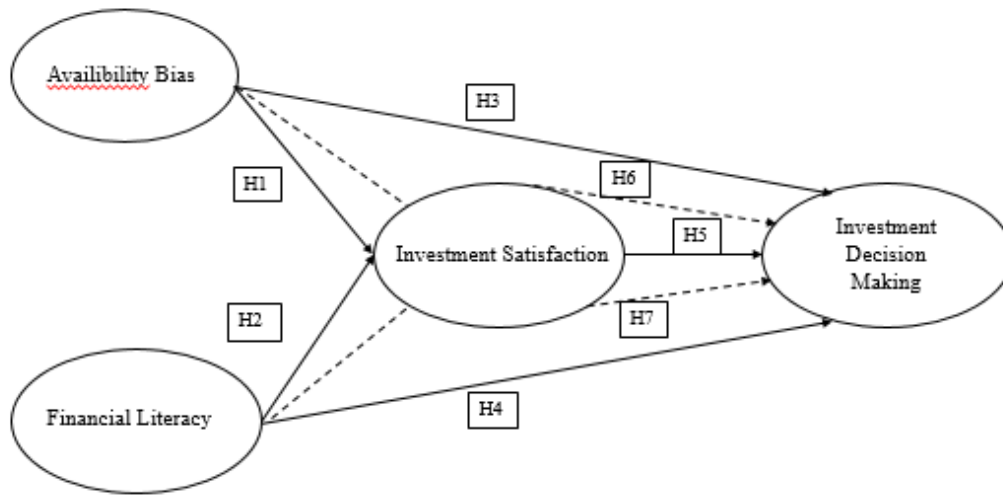
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**FIGURE 1 |** Conceptual Model



**TABLE 1** | Respondent Descriptive Profile

	Characteristic	Frequency	Percentage
Gender	Men	54	58.2%
	Women	39	41.8%
	Total	93	100.0%
Education Level	High School	15	16.3%
	Diploma	13	14.1%
	Undergraduate	50	53.3%
	Graduate	15	16.3%
Average Monthly Income	Total	93	100.0%
	>5,000,000 - 10,000,000	55	59.1%
	>10,000,000 - 25,000,000	23	24.7%
	>25,000,000	15	16.2%
	Total	93	100.0%

**TABLE 2** | Cronbach's Alpha, Composite Reliability, and AVE

<b>Variable</b>	<b>Composite Reliability</b>	<b>Cronbach's Alpha</b>	<b>AVE</b>
<b>Availability Bias</b>	0.820	0.680	0.604
<b>Financial Literacy</b>	0.932	0.912	0.695
<b>Investment Satisfaction</b>	0.947	0.917	0.857
<b>Investment Decision Making</b>	0.951	0.923	0.865

**TABLE 3** | Results of Testing Direct Effect Hypotheses

Hypothesis	Exogenous	Endogenous		T-Stat	P-Value	Result
H1	Availability Bias	Investment Satisfaction		0.270	0.787	Not Significant, Not Accepted
H2	Financial Literacy	Investment Satisfaction		18.574	0.000	Significant, Accepted
H3	Availability Bias	Investment Making	Decision	1.730	0.084	Not Significant, Not Accepted
H4	Financial Literacy	Investment Making	Decision	1.660	0.098	Not Significant, Not Accepted
H5	Investment Satisfaction	Investment Making	Decision	3.968	0.000	Significant, Accepted

Hypothesis	Exogenous	Endogenous		T-Stat	P-Value	Result
H1	Availability Bias	Investment Satisfaction		0.270	0.787	Not Significant, Not Accepted
H2	Financial Literacy	Investment Satisfaction		18.574	0.000	Significant, Accepted
H3	Availability Bias	Investment Making	Decision	1.730	0.084	Not Significant, Not Accepted
H4	Financial Literacy	Investment Making	Decision	1.660	0.098	Not Significant, Not Accepted
H5	Investment Satisfaction	Investment Making	Decision	3.968	0.000	Significant, Accepted



**TABLE 4** | Results of Testing Indirect Effect Hypotheses

Hypothesis	Exogenous	Intervening	Endogenous	T-Stat	Result
H6	Availability Bias	Investment Satisfaction	Investment Decision Making	0.270	Not Significant, Not Accepted
H7	Financial Literacy	Investment Satisfaction	Investment Decision Making	3.606	Significant, Accepted