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INVESTMENT EFFECT BASED ON INVESTMENT OBJECTIVES AND EXPERIENCE ON INVESTMENT DECISIONS FROM A BEHAVIORAL FINANCIAL PERSPECTIVE

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ABSTRACT
This article aims to examine the effect of objective-based investment and investment experience on investment decisions made by investors to overcome bias or errors in decision making caused by cognitive limitations or other psychological-emotional factors as contained in behavioral finance studies (Behavioral Finance). The method used is descriptive quantitative. The sampling technique used the purposive sampling technique. The results of the study show that objective-based investment has a positive effect on investment decisions, while investment experience has a negative effect. Based on the results of the study, it can be concluded that investment decisions can be improved in line with the increasing realization of goal-based investments. Meanwhile, investment experience needs to go through other factors to increase accuracy in making investment decisions.

INTRODUCTION

Behavioral finance (Behavioral Finance) is a study that discusses investor behavior influenced by the potential implications of psychological factors (Lovric, Kaymak, Spronk, 2010). The emergence of this theory is driven by the assumption that the conventional financial approach pays less attention to how investors make decisions.

Huang, Shieh, and Kao (2016) have succeeded in mapping out various empirical studies in behavioral finance (Behavioral Finance), one of which is investment decisions. The psychological influence of biased behavior sometimes plays a role in investors' irrational and illogical behavior in making investment decisions. Still, according to investors, these decisions are right or normal. Biased behavior can trigger investors to confirm information only based on opinions or perceptions that are in accordance with their opinions (Nofsinger, 2018). However, Sahi (2013) argues that bias may be an irrational behavior from a traditional financial perspective. Still, evidence from evolutionary psychology suggests that bias is a design of the human mind and aids in decision-making. Therefore, looking at investor biases only from the lens of how they should be corrected may not provide a complete picture of the phenomenon. That bias can lead to positive things in achieving satisfaction in investment decisions. Apart from creating positive things, bias can also lead to negative things, so it is essential to understand that sometimes bias can help decision-makers at other times, it can harm their investment objectives (Copur, 2015).

During the current pandemic, the number of investors in Indonesia has soared amidst the slump in the national economy due to worsening global financial conditions. Still, the JCI trend and stock prices on the stock market tended to rise

(www.investopedia.com). The Indonesian Stock House, as part of the most active supporter of investment activities in Indonesia since this pandemic period, has also felt the impact. The number of investors who used to be mediocre has soared to over 4000 people within 1 year (www.rumahsaham.org). It becomes an exciting matter and raises the question of how the behavior of individual investors in making their investment decisions in Rumah Saham Indonesia.

According to Parker (2016), investors' investment goals will shape investment decisions. Investment objectives help investors in several ways, such as assisting them to think constructively about what is essential and prioritized. Goals also motivate investors to plan and prepare for risks that make investors unprepared for predictable expenditures or portfolios that fail to reflect their needs (Davies & Smith, 2018).

In addition to the investment objectives, various factors can help shape investment decisions. Inexperience studies (past investment studies), one's experience impacts behavior in decision making. Pechtel and Pizzagalli (2011) argue that past events can biologically influence complex cognitive and affective procedures such as decision making. Higher investment experience and financial literacy will lead to greater risk tolerance, and investors must then choose riskier investment securities to match their high-risk tolerance level. Experienced investors have good portfolios and bad experiences. An investor who is experienced in dealing with risk situations properly will learn wisely from his past experiences.

By increasing the level of understanding of financial information and analyzing this information, investors can increase their capacity to enter risky investments to get high returns by efficiently managing assets. But in the research of Metawa, Hassan & Safa (2019), it was found that investment experience does not support and does not influence investment decisions; therefore, critical questions arise about what must be there so that investment experience can move investors and investment managers to make decisions. Investment in all risk attributes presented in an asset (Metawa, Hassan, & Saffa, 2018). This makes investment experience a less consistent factor in decision making. Investors should pursue risk in their financial decisions.

LITERATURE REVIEW

Behavioral Finance

In Behavioral Finance, there is an approach to increase understanding of the basic pattern of reasons behind the investment decision-making process, influenced by degree and emotional aspects. More specifically, behavioral finance tries to answer the what, how, and why finance and investing questions from a human perspective. Debondt et al. (2008) define Behavioral Finance as behavioral finance efforts to bridge finance and psychology.

Nofsinger (2018) states that financial behavior studies how humans behave in determining their finances. Specifically, a study discusses how a financial decision is influenced by psychology. The concept described clearly states that economic behavior is an approach that describes how psychological factors affect humans in making investments or doing things related to finance.

Investor Behavior

Pompian (2012) states that there are 4 types of investor behavior: The Follower, The Preserver, The Accumulator, and The Independent. The follower type of Investor Behavior Follower describes an investor who is passive and often lacks interest, and has little talent for money or investing. Furthermore, Follower investors usually do not have their ideas about investments. Instead, they may follow in the footsteps of their friends and colleagues, or whatever general investment trend is going on, to make their investment decisions. The Preserver Investor Type describes an investor who places a lot of emphasis on financial security and preserving wealth rather than taking risks to grow wealth. Such investors are custodians of their assets and take losses very seriously. The Independent Behavioral Investor type describes investors who have original ideas about investing and like to be involved in the investment process. In essence, Independents are analytical and critical thinkers who make many decisions based on their logic and instincts. They are willing to take risks and act decisively when asked to do so. Independents can complete tasks when they put their minds to them; they tend to be thinkers and doers instead of followers and dreamers. The behavioral investor type Accumulator describes investors interested in accumulating wealth and believe they can do so. At their core, Accumulators are risk-takers and firmly believe that they choose the right path. Unlike Preservers, they race to win—and win big. Unlike the Followers, they relied on themselves and wanted to be the ones to steer the ship. And unlike the Independent, they usually dig into the details rather than faking a course with half the information they need.

Investment Decision Theory

Subash (2012) states that the investment decision is an active investor's take in choosing alternatives. According to Arifin, a decision can be optimal if utility expectations can be maximized through investment timing. According to Merret & Sykes in Briston (1979), investment decisions are a commitment of a large part of the irreversible resources made with the hope of obtaining profits in a generally uncertain future.

Goal-Based Investing Realization

Goal-based investing is a relatively new approach to wealth management that emphasizes investing to achieve specific life goals. Goal-based investing measures an investor's progress toward a specific life goal, such as saving for a child's education or building a retirement nest, rather than focusing on generating the highest possible portfolio return or beating. Market. With objective-based investing, the focus of the investment approach is on funding personal financial goals (Jansenn, Kramer, Boender 2013).

According to Parker (2016), goal-based investors can determine risk and place tolerance mathematically in goal-based investing. Under the goal-based paradigm, risk and return are separate. Suppose we have redefined risk, then the role of risk and return in achieving goals shifts. A mistimed market loss represents a significant risk to the objective-based investor because they do not have time to wait for a recovery. The returns are compared to the investor's required returns.

Investment Experience

Investment Experience is how long the investment has been made and how investors have carried out much investment process. (Mishra & Metilda, 2015) The main implication of these results is that an investor's initial risky asset return experience will greatly influence his subsequent investment decisions (Papadovasilaki, Guerrro, Sundali & Stone, 2015). From these definitions, it can be concluded that investment experience is an experience of how much an investor has carried out so that it can be used as knowledge or skills in investing by looking at various aspects that will later influence subsequent investment decisions.

METHOD

This research was conducted using explanatory research. The research design uses causality research to examine the effect relationship with a quantitative approach. The method used is a survey method. Data was collected from a predetermined sample and managed using a questionnaire as the primary data collection tool.

DISCUSSION

Next, the significance test results showed that the t-value and p-value (a = 0.05) had met the requirements. The significance test of the (direct) effect is presented in the following table.

Table.
Significance test effect

:: Direct Effect Inference						
Model	**Effect**	**coef**	**SE**	**t-value**	**p (0.05)**	**Hipotesis**
IND	GBIR - IND	0.399	0.052	7.630	0.000	accepted
	IE - IND	0.072	0.044	1.651	0.100	rejected

Based on the results of the significant test in the table above, it can be seen that the direct effect of Goal-Based Investing Realization (GBIR) on Investment Decision (IND) is 0.399, which is optimistic in direction. The effect as an exogenous variable is significant on IND as an endogenous variable, compared to other variables. Other exogenous in this model. The t-value is 7.630, and the p-value is 0.000. These criteria state that the effect of Goal-Based Investing Realization (GBIR) on Investment Decision (IND) is significant.

Meanwhile, the direct influence of Investment Experience (IE) on Investment Decision (IND) is 0.072, which has a positive direction, and the effect is relatively small. The t-value is 1.651, and the p-value is 0.100. These criteria state that the impact of Investment Experience (IE) on Investment Decision (IND) is not significant.

Based on the explanation of the results of data analysis and the description above regarding the influence of Goal-Based investment Realization (GBIR) factors and investment experience (Investment Experience), the most prominent effect on investment decisions (Investment Decisions) is a goal-based investment (Goal). -Based on investment realization). Then the investment decision model is obtained that Goal-Based investment Realization will improve Investment Decisions.

Based on data processing and data analysis, making investments based on goals has a positive effect. Supporting this research, Madelina's research (2016) stated that realizing the preparation of an investment program by referring to the setting of investment goals can change the behavioral bias. Investment decision-making can be done without losing rationality with objective-based investment and information support that has the quality to control behavioral bias. So it is not a matter of rationalizing every decision but instead controlling the decision bias. Melisa & Rayer (2016) also support that goal-based investment clarity encourages investors not to behave biased in decision-making. Preferring long-term goals over short-term is a choice in investment decision making, which is also strengthened in Giorgi's (2009) research.

Meanwhile, the investment experience variable in this study does not affect investment decisions. This research shows that the accumulation of knowledge and investment skills to form experience does not affect investment decisions. Efforts to overcome errors from bias that occur in investors' decision-making are not influenced by investment experience; this supports the statement by Metawa et al. (2018) that investment experience does not play an important role in investment decisions. In emerging markets such as Egypt, as their experience increases, they tend to ignore emotional factors, which supports the achievement that the emotional gap does not influence investors' investment decisions in Indonesian stock houses. Contrary to Bradbury et al. (2015), experience, in addition to relating to the selection of a risk portfolio with risk tolerance, also affects investment decisions. Learning methods to improve knowledge and skills have high potential in real-world investment decision applications in developed country markets. This is also in line with the research results by Kida, Moreno, Smith (2010) that in the global market, investment experience will affect investment decisions with the phenomenon of the paradox of choice (Schwartz, 2015).

The results of data analysis also obtained, that although investment experience does not affect investment decisions. Investment experience will indirectly affect investment decisions but, through other variables, can improve investment decisions. Having investment experience does not affect investment decisions. It cannot overcome bias or could trigger a self-attribution bias because investors will feel unsure about what is inherent in themselves to gain confidence. The accumulation of knowledge and skills is not enough to overcome the bias of error in investment decisions, so investment decisions are not affected because they are considered insufficient to determine good investment decisions.

In previous research, investment experience shows various variations and inconsistencies to influence investment decisions. This study; is still not able to prove that investment experience can influence investment decisions. For this reason, it is necessary to drive or factor that is considered to be able to mediate increasing investment decisions.

CONCLUSION

Based on the research and discussion results, it is concluded that Goal-Based Investment Realization (GBIR) has a substantial positive effect on Investment Decision (IND). The attitude of investment decisions can be improved in line with the increasing realization of goal-based investment. Meanwhile, Investment Experience (IE) does not directly influence Investment Decision (IND). Investment experience needs to go through other factors to increase accuracy in making investment decisions.

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