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THE INFLUENCE OF FINANCIAL MANAGEMENT BEHAVIOR, FINANCIAL LITERACY, AND RISK TOLERANCE ON INVESTMENT DECISIONS

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Abstract: This study aims to analyze the influence of financial management behavior, financial literacy, and risk tolerance on investment decisions among accounting students in Bali. The research sample consisted of 312 respondents from Udayana University, Ganesha University of Education, Mahasaraswati University Denpasar, Warmadewa University, and University of National Education. Data were collected through online questionnaires and analyzed using the Partial Least Squares Structural Equation Modeling (SEM-PLS) technique. The results indicate that financial management behavior, financial literacy, and risk tolerance have a positive and significant effect on students' investment decisions.
Keywords: Financial Literacy, Financial Management Behavior, Investment Decisions

INTRODUCTION

Investment refers to an economic activity in which individuals or entities allocate capital, either directly or indirectly, with the expectation of generating future returns from the invested funds (Safryani et al., 2020). Over time, people are increasingly encouraged to recognize the importance of investing. This trend is evident in data from the Indonesia Central Securities Depository (KSEI), which demonstrates a notable rise in the number of capital market investors in Indonesia, reflecting heightened public engagement in investment activities.

With the increasing number of capital market investors in Indonesia, it indicates that the development of investment decision-making in the country is moving in a positive direction, including among students. According to Listyani et al. (2019), university

students, as one group within the student population, are a primary target for capital market investors. This is due to an advantage they possess that other groups such as employees or homemakers do not have, namely "age wealth."

From an academic perspective, accounting students have high potential as prospective investors because they are generally closely related to financial aspects, reporting, and economic decision-making. However, not all accounting students are capable of making appropriate investment decisions. Factors such as the ability to manage personal finances, known as financial management behavior, financial literacy, and risk tolerance, influence their investment decisions.

This study employs two theories: the Theory of Planned Behavior and Behavioral Finance Theory. The Theory of Planned Behavior, an extension of the Theory of Reasoned Action, states that individuals tend to act according to their intentions, which are influenced by behavior, subjective norms, and perceived behavioral control (Ajzen, 1991). According to Nofsinger (2001), Behavioral Finance Theory examines how individuals behave in making real financial decisions.

Investment is an activity conducted within a certain period involving the placement or storage of funds or capital with the aim of generating profits (Ramadhani et al., 2022). The indicators used to measure investment decisions in this study are adapted from the instrument developed by Waweru et al. (2008, cited in Wirayana, 2020), namely investment motives, offerings, and expected rate of return.

According to Ulfa et al. (2023), financial management behavior refers to an individual's ability to manage daily finances, including planning, budgeting, auditing, managing, controlling, searching, and storing. The indicators used to measure financial management behavior in this study are adapted from Dew & Xiao (2011, cited in Madini et al., 2023), including effective cash flow management, consumption, debt, savings, and investment.

Financial literacy is the fundamental knowledge or understanding of investment that an individual should possess to recognize the risks involved, avoid undesired losses, and achieve the expected return. The indicators used to measure financial literacy in this study are adapted from Putri & Hamidi (2019, cited in Diva & Suardana, 2023), namely general knowledge, savings, insurance, and investment.

Risk tolerance refers to an investor's ability or willingness to accept or tolerate risk, in this case, investment-related risk. The indicators used to measure risk tolerance in this study are adapted from Putra (2019, cited in Diva & Suardana, 2023), including investing in high-return, high-risk stocks, willingness to take risks by investing with debt, and prioritizing profit over safety.

RESEARCH METHODS

This study employed a quantitative approach conducted at the top five nationally ranked universities in Bali in 2025, selected based on uniRank rankings. The population consisted of accounting undergraduate students from the 2021 cohort at these top five universities in Bali: Udayana University, Ganesha University of Education, Mahasaraswati University Denpasar, Warmadewa University, and University of National Education. The sample selection used a proportionate stratified random sampling technique. The total sample size was determined using Slovin's formula, resulting in 312 respondents.

Data were collected using a survey method through the distribution of questionnaires. The questionnaires were used to measure the variables of financial

management behavior, financial literacy, risk tolerance, and investment decisions. A Likert scale was applied for the measurement. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (SEM-PLS) with the assistance of SmartPLS 4.0 software.

RESULTS AND DISCUSSION

Once the data had been gathered, they were organized and categorized employing a proportionate stratified random sampling method. Subsequently, the data were analyzed using the Partial Least Squares Structural Equation Modeling (SEM-PLS) approach. The details are presented as follows:

Table 1: Outer Loading Results

Instrument	Financial Management Behavior	Financial Literacy	Risk Tolerance	Investment Decisions	Note:
X1.1	0.859				Valid
X1.2	0.818				Valid
X1.3	0.831				Valid
X1.4	0.828				Valid
X1.5	0.840				Valid
X1.6	0.806				Valid
X1.7	0.832				Valid
X2.1		0.807			Valid
X2.2		0.825			Valid
X2.3		0.804			Valid
X2.4		0.819			Valid
X2.5		0.823			Valid
X2.6		0.803			Valid
X2.7		0.817			Valid
X2.8		0.823			Valid
X2.9		0.819			Valid
X2.10		0.810			Valid
X2.11		0.800			Valid
X3.1			0.827		Valid
X3.2			0.841		Valid
X3.3			0.808		Valid
X3.4			0.808		Valid
X3.5			0.850		Valid
Y1.1				0.837	Valid
Y1.2				0.801	Valid
Y1.3				0.858	Valid

Source: Data processed by researchers (2025)

Based on Table 1, the outer loading values show that all statements for the variables Financial Management Behavior, Financial Literacy, Risk Tolerance, and Investment Decisions have outer loading values greater than 0.70. This indicates that the statements

successfully measure the correlation between the statement scores and their constructs, thus supporting the construct validity of the measurement model.

Table 2: Cross Loading

	Financial Management Behavior	Financial Literacy	Risk Tolerance	Investment Decisions	Information
X1.1	**0.859**	0.612	0.439	0.484	Valid
X1.2	**0.818**	0.600	0.428	0.525	Valid
X1.3	**0.831**	0.593	0.425	0.506	Valid
X1.4	**0.828**	0.535	0.381	0.487	Valid
X1.5	**0.840**	0.564	0.384	0.491	Valid
X1.6	**0.806**	0.621	0.508	0.506	Valid
X1.7	**0.832**	0.607	0.363	0.542	Valid
X2.1	0.566	**0.807**	0.325	0.446	Valid
X2.2	0.581	**0.825**	0.280	0.470	Valid
X2.3	0.591	**0.804**	0.367	0.460	Valid
X2.4	0.614	**0.819**	0.267	0.485	Valid
X2.5	0.565	**0.823**	0.331	0.449	Valid
X2.6	0.534	**0.803**	0.276	0.406	Valid
X2.7	0.550	**0.817**	0.308	0.393	Valid
X2.8	0.632	**0.823**	0.413	0.516	Valid
X2.9	0.588	**0.819**	0.371	0.478	Valid
X2.10	0.587	**0.810**	0.337	0.488	Valid
X2.11	0.541	**0.800**	0.324	0.439	Valid
X3.1	0.426	0.368	**0.827**	0.372	Valid
X3.2	0.549	0.453	**0.841**	0.457	Valid
X3.3	0.315	0.237	**0.808**	0.237	Valid
X3.4	0.339	0.243	**0.808**	0.315	Valid
X3.5	0.373	0.292	**0.850**	0.320	Valid
Y1.1	0.498	0.440	0.289	**0.837**	Valid
Y1.2	0.483	0.432	0.412	**0.801**	Valid
Y1.3	0.539	0.532	0.367	**0.858**	Valid

Source: Data processed by researchers (2025)

Table 2 shows that the cross-loading values for the variables Financial Management Behavior, Financial Literacy, Risk Tolerance, and Investment Decisions all have correlations between the instrument and its construct, which are greater than those between the instrument and the other constructs. This indicates that the model used has a good fit and is able to effectively differentiate between different constructs. Therefore, it can be concluded that the measurement instrument used in this study is valid.

Table 3: Composite Reliability

	Composite Reliability	Information
Financial Management Behavior	0.940	Reliable
Financial Literacy	0.956	Reliable
Risk Tolerance	0.915	Reliable
Investment Decisions	0.871	Reliable

Source: Data processed by researchers (2025)

Based on Table 3, it is known that the composite reliability values for the constructs or variables of Financial Management Behavior, Financial Literacy, Risk Tolerance, and Investment Decisions are 0.940; 0.956; 0.915; and 0.871, respectively. Thus, all composite reliability values are above 0.70, so all variables can be declared reliable.

Table 4: R-Square

Variables	R Square
Investment Decision (Y)	0.423

Source: Data processed by researchers (2025)

According to the analysis presented in Table 4, the R-square value for the Investment Decision variable is 0.423. This suggests that 42.3% of the variation in investment decisions can be accounted for by Financial Management Behavior, Financial Literacy, and Risk Tolerance, while the remaining 57.7% is influenced by other variables or factors not included in the model.

Table 5: Hypothesis Test Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values	Note:
Financial Management Behavior -> Investment Decisions	0.357	0.360	0.051	6,929	0,000	H1 Accepted
Financial Literacy -> Investment Decisions	0.252	0.251	0.051	4,943	0,000	H2 Accepted
Risk Tolerance -> Investment Decisions	0.147	0.147	0.045	3,299	0,000	H3 Accepted

Hypothesis testing using the PLS approach was performed by simulating each proposed relationship through the bootstrapping procedure. As shown in Table 4.16, three relationships yielded p-values below 0.05: financial management behavior on investment decisions, financial literacy on investment decisions, and risk tolerance on investment decisions. This demonstrates that all three independent variables significantly influence the dependent variable.

The analysis revealed that financial management behavior exerts a positive and significant impact on investment decisions, with an estimated coefficient of 0.357 and a p-value of 0.000, indicating significance at the 95% confidence level. This suggests that students who exhibit stronger financial management behavior are more likely to make sound investment decisions. Those accustomed to effectively managing their finances tend to appreciate the importance of long-term financial planning and are better equipped to make rational and responsible investment choices. These results align with previous research by Alice & Haryanto (2022), which found that sound financial behavior promotes problem-solving-oriented financial thinking.

The study also identified a positive and significant relationship between financial literacy and investment decisions, with an estimated coefficient of 0.252 and a p-value of 0.000, significant at the 95% confidence level. This indicates that individuals with higher financial literacy are more likely to make informed and prudent investment decisions. Understanding fundamental financial concepts such as risk, return, inflation, diversification, and various investment instruments enhances confidence in investing. Such knowledge cultivates a positive attitude toward investment and strengthens self-regulation, thereby facilitating more rational decision-making. These findings are consistent with Diva & Suardana (2023), who reported that strong financial literacy supports better investment decisions among students.

Additionally, risk tolerance was found to positively and significantly affect investment decisions, with an estimated coefficient of 0.147 and a p-value of 0.000, significant at the 95% confidence level. This implies that individuals with higher risk tolerance are more inclined to pursue investment opportunities that offer potentially high returns despite associated risks. These results support the findings of Selviana et al. (2020), which concluded that greater investor risk tolerance enhances investment decision-making.

CONCLUSION

Based on the results and discussion, the conclusions of this study are as follows: financial management behavior has a positive and significant effect on students' investment decisions, meaning that better financial management behavior leads to more rational and responsible investment decisions. Financial literacy has a positive and significant effect on investment decisions, indicating that higher financial literacy results in wiser and more logical investment decisions. Risk tolerance has a positive and significant effect on investment decisions, suggesting that higher risk tolerance leads students to make investment decisions with potentially high returns despite higher risks.

RECOMMENDATIONS

The study obtained an R-square value of 0.423, suggesting that the independent variables—financial management behavior, financial literacy, and risk tolerance—account for 42.3% of the variance in investment decisions, while the remaining 57.7% is explained by factors beyond the scope of this research. Therefore, it is recommended that future studies broaden the sample to include students from other regions or institutions to improve representativeness. Moreover, subsequent research should consider incorporating additional variables that may affect students' investment decisions, such as family and peer influences, lifestyle, and psychological factors, in order to provide a more comprehensive understanding of investment decision-making.

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