

## CHAPTER V

### CONCLUSION

This chapter provide the results of previous chapter including conclusion of the study, important results of the study, application of study, research limitation, and suggestion for future research. This research is intended to analyze the influence of certain behavioral bias on young investor stock investment decision in West Sumatera.

This research using quantitative approach and using primary data which collected through online questionnaire using google form and distributed to young investor in West Sumatera. After the questionnaires were collected, 127 respondents were obtained which meet the research criteria. Furthermore, the data obtained is processed using Microsoft excel and SmartPLS4 software.

#### 5.1 Research Conclusion

This research is intended to study the influence of representativeness bias, loss aversion, and herding behavior on young investor investment decision in West Sumatera, with 127 respondents used as sample.

This research using four variables including representativeness bias, loss aversion, herding behavior, and investment decision where the object of this research are young investors in West Sumatera. The data used in this research obtained through the distribution of questionnaire using google form, distributed to young

investors in West Sumatera. The measurement for each variable using 5 items of questions to measure representativeness bias, 5 items questions to measure loss aversion, 5 items questions to measure herding behavior, and 7 items of questions to measure investment decision. Furthermore, the data processed using SmartPLS4.

Two out of three hypothesis are accepted. According the results of the research, it can be concluded specifically:

1. Research on young investors in West Sumatera show that representativeness bias has positive and significant influence on investment decision. The results of this research in line with previous study on college students in China (Ma, 2023) where young investors often making investment decision based on simple judgment which lead to impulsive decision. From this results it can be concluded that young investor in West Sumatera using representativeness bias in making investment decision and the more representativeness bias used by investors the more investment decision they make.
2. Loss aversion has positive and significant influence on young investor investment decision in West Sumatera. This results of this research have the same results with study by Gupta & Shrivastava (2022) and Nalurita et al. (2020) which denote investors making decision by avoiding risk and having less risky investment choice. This indicates young investor in West Sumatera tend to loss averse in making investment decision, the decision they make are more focus on avoiding risk which influence their investment decision.

3. Herding behavior has positive and significant influence on young investor investment decision in West Sumatera. The results of this research supported by previous research (Saputri et al., 2023), signifies the investment decision made by young investor in West Sumatera influenced by others investment decision denote decision they made has been discussed before or imitate other investor decision.

The results of this research showed that representativeness bias, loss aversion, and herding behavior have positive and significant influence on young investor investment decision in West Sumatera which denote young investor in West Sumatera often making decision using simple or mental shortcut, based on past performance and popularity of stocks, tend to be loss averse in making decision, and rely on other suggestion or action. This is reasonable when referring to the characteristics of respondents with low level of experience.

## 5.2 Research Implications

According to the research that has been carried out, several important implications are obtained namely:

1. Theoretical Implications

The results of this research show that representativeness bias has positive and significant influence towards young investors investment decision. From this research it can be concluded that young investors using stereotype, rely on

certain characteristics of stocks and company, and using past performance as the consideration in making investment decision.

Furthermore, loss aversion also found to have positive and significant influence on young investors' investment decisions. This shows that young investors tend to be loss averse in making decisions, characterized by investors' reaction towards probability of loss and gains, and their decisions towards shares with increase or decrease in value. They tend to invest in less risky stocks, selling stocks with increased value to avoid the possibility of loss, and keeping stocks with decreased value and assume it will increase to the prior price in the future.

Herding behavior shows similar results with the previous tested variables, where herding behavior has a positive and significant influence on young investor investment decision. This result shows that young investors tend to rely on others' decision such as type of investment, volume of shares, and decisions of buy or sell. They prefer to invest in stock where the majority of investors already invest in certain stock, and are more confident to make investment decision after discussing with their family or peers. This shows how herding behavior is used and how it influences young investor investment decision.

## 2. Practical Implications

Several implications of this research also addressed to several parties, namely:

a. For Investors

The results of this research provide information for investors, especially young investors to be aware and discern of existing bias that could influence their investment decision. By recognizing existing bias in making investment decision, investors could avoid bias that could harm their decision and psychological effect that help their investment decision.

b. For Company

The results of this research also provide information for the company related to existing bias used by investors in making investment decision, which is meant to assist company establish appropriate risk prevention policies as the consequences of the used of behavioral bias in investment decision by investors. Furthermore, company could increase their performance since representativeness bias influence investment decision positively and significantly which prove that investor making decision based on company past performance. Moreover, investors tendency to herd behavior which influence investors decision positively and significantly can be a



reference for companies related to investment pattern and behavior of investors.

### **5.3 Research Limitations**

Based on the research conducted on young investors in West Sumatera, the researcher realized this study does suffer from certain limitations which could influence the research results. The limitations contained in this research, as follows:

1. The sample size is limited and limited to young investors in West Sumatera.
2. The uniqueness and unpredictable human behavior and psychological could limits the true correct intention while answering the questions during the study and it's possible to be changed because of certain event.
3. This study only studied the influence of three variables of behavioral bias on investment decision.

### **5.4 Suggestions**

According to the conclusions and limitations of this research, there are several suggestions that can be put forward for future research, as follows:

1. Larger sample size should be taken to generalize the sample findings to population and diversify the respondents.
2. Factors such as cultural different and investment experience could be taken into consideration to broaden the scope of this field.

3. Future research can examine the other behavioral bias such as overconfidence, availability bias, anchoring, etc. or including moderating variable.
4. Continuous refinement of the scale proposed and supported in this study is possible based on future research and time to time changes occurring in the field of behavioral finance.

