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The Dynamics of Determinants Making Stock Investment Decisions: Does Investor Sentiment Possess Significant Influence?

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Abstract — *In 2024, the Composite Stock Price Index underwent a significant fall due to multiple domestic and worldwide issues. Numerous prior research have investigated financial behavioral elements as a connection in investment decisions; nevertheless, this study presents originality by concentrating on these factors that exert a direct influence. This study analyzes the financial behavioral aspects that affect stock investment decisions in Indonesia, particularly in the Jakarta region. This research employs a quantitative approach via a questionnaire survey to gather primary data, which is subsequently analyzed using SmartPLS. This discovery alters the current paradigm. This study revealed that, despite the common belief that investor sentiment affects investing decisions, the findings indicate that investor sentiment does not exert a substantial influence. This study demonstrated that, contrary to numerous other studies indicating that investor sentiment affects investment decisions, investor sentiment does not exert a substantial influence. This discovery contests the current paradigm and demonstrates that elements such as economic fundamentals, market volatility, and individual investor traits are more influential in investment decision-making. This study encourages research on other factors affecting Indonesian stock market investment decisions. Future research should include more factors and widen the study region to better understand investment behavior.*
Keywords: *Investment decisions in stocks, Behavioral financial considerations, Stock market investors.*

Abstrak — Sepanjang tahun 2024 ini, Indeks Harga Saham Gabungan mengalami penurunan yang drastis, yang dipicu oleh berbagai faktor baik dari dalam negeri maupun global. Banyak penelitian sebelumnya telah meneliti faktor perilaku keuangan sebagai penghubung dalam keputusan investasi, namun penelitian ini menawarkan kebaruan dengan fokus pada faktor-faktor tersebut berpengaruh langsung. Penelitian ini mengkaji faktor-faktor perilaku keuangan yang mempengaruhi keputusan investasi saham di Indonesia, khususnya di wilayah Jakarta. Penelitian ini menggunakan metode kuantitatif dengan survei kuesioner untuk mengumpulkan data primer dan menganalisisnya menggunakan SmartPLS. Temuan ini menggeser paradigma yang ada. Penelitian ini menemukan bahwa meskipun sentimen investor sering dianggap berpengaruh terhadap keputusan investasi, hasilnya menunjukkan bahwa sentimen investor tidak memiliki pengaruh signifikan. Meskipun banyak penelitian sebelumnya menunjukkan bahwa sentimen investor berpengaruh terhadap keputusan investasi, hasil penelitian ini justru menemukan bahwa sentimen investor tidak berpengaruh signifikan. Temuan ini menantang paradigma yang ada dan menunjukkan bahwa faktor-faktor lain seperti fundamental ekonomi, volatilitas pasar, dan karakteristik individu investor lebih dominan dalam pengambilan keputusan investasi. Penelitian ini membuka ruang untuk penelitian lebih lanjut mengenai faktor-faktor lain yang mungkin memengaruhi keputusan investasi di pasar saham Indonesia. Rekomendasi untuk penelitian mendatang dapat menambahkan variabel lain dan perluasan cakupan wilayah studi untuk mendapatkan pemahaman yang lebih komprehensif tentang perilaku investasi.
Kata Kunci: Keputusan investasi saham, Faktor perilaku keuangan, Investor saham.

INTRODUCTION

The stock market is a crucial element of the financial system that mirrors the fluctuations of a nation's economy. In Indonesia, the Composite Stock Price Index (IHSG) underwent considerable volatility during 2024. In March 2024, the IHSG had a peak of 7,433.315, although by June 2024, it had decreased to 6,811.67, representing a loss of around 9.1%. This fall was affected by basic issues and market or investor sentiment, both internationally and nationally. Financial statistics for Q1 2024 indicated that over 50% of issuers had a performance decline, with an average profit reduction of 10.6% relative to Q1 2023 (Malik, 2024).

In 2024, global economic circumstances are anticipated to deteriorate, driven by escalating geopolitical tensions between Iran and Israel, with the US central bank's high interest rate policy, which bolsters the dollar (IMF, 2024). Global economic growth is anticipated to remain at 3.2%, whilst Indonesia is expected to have a growth rate of 5.0% in the same year (Nugroho, 2024). Global economic uncertainty exerts pressure on the home economy, including issues stemming from the faltering economies of industrialized nations, commodity prices influencing inflation, elevated interest rates, exchange rate volatility, and the danger of international violence. The transfer of new government leadership in Indonesia, alongside foreign issues, is a concern for investors. Notwithstanding apprehensions about the transition process, the Coordinating Minister for Economic Affairs asserted that the leadership shift would proceed efficiently and seamlessly. Nonetheless, historical precedents indicate that governmental transitions in Indonesia are frequently tumultuous, posing a danger of foreign capital withdrawal from the market, perhaps amounting to trillions of rupiah (Sukarta, 2024).

Traditional finance theory posits that investors ought to engage in logical thought. Investors has the capability to accurately recognize and analyze information (Trinugroho & Sembel, 2011). The prevailing conditions of the capital market cannot be entirely elucidated by conventional financial theory. This arises from circumstances in which investors behave irrationally in their stock investment selections. The conduct of irrational investors is intimately associated with behavioral finance theory, which elucidates how various psychological traits influence their financial actions. Investor behavior is shaped by psychological and emotional factors, as elucidated by behavioral finance (Kengatharan & Kengatharan, 2014). Conversely, investors will seek to acquire or maintain firm shares if there exists an equilibrium among all stakeholders (Selly et al., 2022). Similarly, a perspective that is mostly analogous underscores that financial behavior correlates with genuine human conduct in financial decision-making, as noted by Fitriarianti (2017).

This research employs prospect theory, which posits that individual decision-making is influenced by loss and gain factors rather than outcomes (Kahneman & Tversky, 1979). Individuals' values fluctuate according to their gains and losses; this value must be assessed relative to the reference point. Numerous factors can affect an investor's stock investment decisions. This study examines behavioral aspects that affect stock investment decision-making, namely investor sentiment, overreaction and underreaction, overconfidence, and herding behavior, all of which significantly impact investment decisions (Metawa *et al*., 2019).

Moreover, in an age of heightened diversity and readily available digital information, financial markets are affected by news and perspectives that are extensively circulated across multiple media platforms. The examination of sentiment in stock news is crucial for comprehending market reactions to information. Market sentiment denotes the overarching market conditions that might lead to discrepancies between securities prices and their underlying values, hence disturbing pricing mechanisms (Ma *et al*., 2018; Piccoli & Chaudhury, 2018).

This study is to examine the behavioral financial elements that affect stock investment decisions. Behavioral financial considerations can exert a substantial impact on stock investment decisions. By acquiring the appropriate comprehension, investors can make more informed selections and mitigate risks. Positive sentiment can enhance investor trust in stock investments, whilst negative sentiment may lead to withdrawals and affect market liquidity. Sentiment analysis enables investors to modify their strategy for purchasing and divesting assets to optimize earnings or mitigate losses. In the case of governmental transitions or policy alterations, comprehending behavioral financial aspects is crucial for forecasting the effects on economic stability and financial markets. This study's conclusions are anticipated to offer guidance for policymakers in formulating strategies that bolster investor confidence and promote economic growth.

This study is pertinent as most of the prior research has concentrated on wealthy nations while neglecting developing countries in Asia, particularly Indonesia. This study seeks to solve the constraints of behavioral finance research pertaining to the Indonesian stock market and to rectify the behavioral discrepancies that frequently arise among investors, despite their efforts to adhere to planned strategies. These factors also underscore the urgency and originality of the research.

Literature Review

This research employs prospect theory, which posits that individual decision-making is influenced by loss and gain factors rather than outcomes (Kahneman & Tversky, 1979). Individuals' values fluctuate according to their gains and losses; this value

must be assessed relative to the reference point. Numerous factors can affect an investor's stock investment decisions. This study examines behavioral aspects that affect stock investment decision-making, namely investor sentiment, overreaction and underreaction, overconfidence, and herding behavior, all of which significantly impact investment decisions (Metawa *et al*., 2019).

Relationship between variables and hypothesis development

Susanti *et al*., (2021) identify several motivations for investing, including the desire for an improved future standard of living, the mitigation of inflationary effects, and the incentive to minimize tax liabilities. Concurrently, the fundamental principles underpinning investment decisions are as follows: Return refers to the profit level derived from investments made by investors, while risk is the likelihood of achieving a realized return that is inferior to the anticipated minimum return. In investing, investors anticipate substantial rewards; nevertheless, the associated risk must also be considered.

Investor sentiment reflects the inclination of investors to engage in transactions depending on a company's financial data (fundamentals). Investor sentiment results in the allocation of funds into assets that do not yield optimal returns for a given degree of risk (Beer & Zouaoui, 2013). Consequently, market sentiment highlights confidence in prospective cash flows and investment dangers that lack fundamental substantiation. This sentiment manifests as elevated optimism or pessimism, impacting investor trading decisions (Black, 1986). If fundamental analysis advises selling a specific stock, yet an investor chooses to retain it due to personal belief, the investor's response reinforces the sentiment hypothesis.

A prior study identified a significant correlation between the monthly returns of NYSE businesses and fluctuations in closed-end fund discounts, highlighting that investor sentiment is a crucial determinant of individual investment behavior Lee *et al*., (1991). Additional research indicates that sentiment affects stock price reactions to news, with stock prices exhibiting positive responses to favorable earnings announcements at times of elevated sentiment (Mujtaba Mian & Sankaraguruswamy, 2012). Conversely, some research have yielded contrasting findings, indicating that sentiment is not a significant predictor of fluctuations in value and momentum premiums. Lemmon and Portniaguina, (2006) Rashid *et al*., (2014) demonstrated that interest rates, currency indexes, and the FTSE Bursa Malaysia Composite Index exert a more significant impact on the Islamic pricing index than investor sentiment. Nevertheless, investor sentiment continues to be a significant determinant in stock price discovery and market fluctuations.

The behavioral aspect of investor sentiment refers to the opinions, convictions, or conjectures held by investors about future investment opportunities. This feeling may be affected by emotional and psychological variables, in addition to the information accessible in the market. This aligns with prospect theory, which posits that investors do not consistently behave rationally. Individuals exhibit a propensity to engage in risk-taking when confronted with prospective rewards and tend to eschew chances when presented with potential losses. Therefore, this study proposes the following hypothesis (H) based on the presented explanations:

H1: Investor sentiment influences stock investment decisions.

Self-confidence behavior is characterized by an overabundance of self-assurance and self-deception, leading to inaccuracies in stock price predictions (Kufepaksi, 2008). This conduct can produce harmful results. This aligns with other research indicating that self-confidence behavior might lead to excessive trading, characterized as stock investors' propensity to engage in excessive transactions in the stock market (Barber & Odean, 2001; Graham *et al*., 2009).

Numerous prior studies have sought to elucidate the correlation between self-confidence behavior and stock investment decisions. A prior study in behavioral finance indicated that individuals generally perceive the likelihood of success as elevated while underestimating the probability of failure or risk (D. Hirshleifer et al., 2012). This also indirectly elucidates that overconfidence, or extreme self-assurance leads individuals to perceive their abilities or prospects as superior to reality.

Additional research indicates that overconfidence correlates positively with suboptimal choices and difficult decision-making, while exhibiting a negative correlation with age and decision uncertainty (Dittrich *et al*., 2005). Similarly, study by Wang (2001) concluded that in high-risk situations, somewhat overconfident investors may endure or even excel in the market, whereas pessimistic investors cannot. A second approach indicates that, under conditions of misinformation, overconfident decisions are not invariably bad (Besharov, 2004).

The overconfidence behavioral element refers to investors' propensity to overrate their predictive abilities regarding investment outcomes, potentially resulting in suboptimal investment choices, such as purchasing stocks at inflated prices or divesting at depressed prices due to an unwillingness to acknowledge errors. This aligns with prospect theory, which posits that individuals exhibit a greater aversion to losses than to profits. Overconfident investors may fail to recognize the detrimental effects of possible losses, leading them to engage in riskier behavior. This study posits the following hypothesis based on the explanation:

H2: Overconfidence influences stock investment decisions.

In the process of making stock investment decisions, individuals frequently exhibit either excessive or insufficient reactions to the market. These are two inseparable aspects, particularly in elucidating market reactions, namely those deemed excessive or insufficient (low). Market overreaction transpires when investors make stock purchase or sale decisions influenced by emotions, experiences, and intuitions (Parveen *et al*., 2020). This may result from the quick assimilation of information acquired. Consequently, to capitalize on favorable news or mitigate the adverse effects of undesirable news, investors must respond promptly to new information.

Generally, investors exhibit a propensity to overreact to extraordinary occurrences and novel information while disregarding older data. De Bondt & Thaler, (1985) shown that investors frequently overreact to unforeseen news, resulting in breaches of market efficiency, as they place excessive emphasis on historical performance while disregarding mean-reversion tendencies. Desai & Jain, (1997) dan Ikenberry *et al*., (1996) elucidate an alternative viewpoint, indicating that, alongside overreaction, market underreaction may also manifest, particularly during the post-stock split performance interval.

A study by Kausar & Taffler, (2011) corroborated the findings of Daniel *et al*., (1998), revealing underreaction to negative news and reasonable response to positive news. Additionally, a separate study provided evidence of short-term overreaction on the Egyptian market Exchange, indicating that "losers" outperformed "winners" in the near run, and that terrorist incidents adversely affected market returns *Boubaker et al*., (2015). Piccoli *et al*., (2017) identified evidence of short-term overreaction in the Brazilian market index, indicating that stocks tend to overreact to both good and negative news, particularly during periods of low volatility.

The behavioral phenomenon of overreaction transpires when investors react disproportionately to news or new information, frequently engaging in impulsive buying or selling of stocks. Conversely, underreaction happens when investors do not respond effectively to fresh information, which can lead to missed chances. This aligns with prospect theory, which posits that investors frequently react to negative information by disproportionately selling assets, whereas positive information may lead them to increase their purchases. This causes stock prices to not reflect their fundamental value and creates market anomalies, such as the "loser-winner" phenomenon where stocks that initially performed poorly can turn around to do well after a certain period. Consequently, a correlation between the two variables is evident, prompting this research to offer the following hypothesis:

H3: Over or under reaction affects stock investment decisions.

Investors must comprehend the impact of market sentiment on their investment selections. Astute investors do not merely adhere to market sentiment; they also perform fundamental and technical analyses to make judicious and informed investment choices. Market sentiment refers to the collective disposition of investors towards the financial market (Shleifer & Summers, 1990). It suggests that sentiment can be embodied by feelings, emotions, sentiments, beliefs, or prospective expectations that affect decision-making. The term "sentiment," commonly employed to elucidate investor behavior, lacks a uniform definition in economics and finance (Bormann, 2013).

Another perspective posits that market sentiment highlights the aggregate sentiment or disposition of investors regarding a specific financial market or asset, shaped by diverse market and economic events (Srivastava, (2020). Investor sentiment is influenced by multiple market elements, including market circumstances such as bull or bear markets, uptrends or downtrends, market transparency, potential returns, and economic conditions like recession or depression. Economic elements that affect investor attitude encompass corporate earnings, real gross domestic product, economic growth, inflation rate, unemployment rate, bank interest rates, and economic fluidity. Market sentiment encapsulates investors' perceptions and anticipations concerning the prospective performance of the market or invested assets.

The behavioral aspect of market sentiment pertains to the prevailing mood in the market that can affect investment choices. It is frequently instigated by news, rumours, or economic fluctuations that might elicit a collective response among investors. Market sentiment may be either good or negative and frequently influences stock price volatility. It also aligns with prospect theory, which elucidates that investors do not consistently behave rationally. They are more inclined to evade losses than to seek earnings.

The reasons highlight the correlation between market sentiment and the investment decisions made by investors in the stock market. Consequently, this study posits a hypothesis that states:

H4: Market sentiment influences stock investment decisions.

A prevalent aspect in stock investment decision-making is herding behavior. Herding conduct refers to the tendency of investors to buy or sell stocks without evaluating the fundamental causes for their investment decisions (Rahayu *et al*., 2020). This conduct may arise when investors disregard their personal convictions and place greater trust in the beliefs of other investors, neglecting psychological

considerations. In this context, stock investment managers often replicate the techniques of others to mitigate the danger of damaging their reputation (Scharfstein & Stein, 1990).

According to prior research, investors often exhibit herding behavior due to uncertainty regarding the quality of accessible private and public information (Bikhchandani & Sharma, 2023). Other research indicate that herding behavior among brokerage companies in the Indonesian market is particularly pronounced among foreign investors (Aggarwal, 2022). A study by Liang (2012) conducted an experimental investigation into the neural underpinnings of herding behavior in stock trading, predicting significant activation in two brain regions, the "anterior insula" and the "medial prefrontal cortex," when confronted with substantial price volatility and gradual price alterations. A study by Balcilar & Demirer, (2015) identified herding behavior during phases of high and extreme volatility in the Turkish market. A study by Huang *et al*., (2015) identified herding behavior exhibiting distinct patterns based on the idiosyncratic volatility of different industries within the Taiwanese equities market.

Herding behavior refers to the inclination of investors to emulate the actions of others when making investment choices. This frequently transpires when investors perceive a lack of knowledge or seek to mitigate risk by emulating the actions of others. This occurrence might result in a significant increase or decrease in stock prices. In financial markets, this indicates that investors are inclined to buy or sell assets according to the actions of others, rather than relying on their own reasonable analysis. This aligns with prospect theory, which posits that humans frequently behave irrationally in the presence of danger. This study posits the following hypothesis based on the explanations:

H5: Herding behavior influences stock investment decisions.

METHODS

This study employs a quantitative research methodology utilizing a primary data gathering approach through the random distribution of questionnaires. The questionnaire utilizes a 5-point Likert scale, with values from 1 (strongly disagree) to 5 (strongly agree). The research comprises one dependent variable (stock investment decisions) and five independent factors (investor emotion, overconfidence, overreaction or underreaction, market sentiment, and herding or bandwagon behavior). The assessment of the research variables adheres to the methodology employed in various prior studies (Baker *et al*., 2021), Metawa *et al*., 2019, Raut & Kumar, 2018).

The employed sampling method is non-probability sampling. This study used the quota sampling technique, targeting participants who are investors in the capital market, namely those investing in equities within the Jakarta region. This research topic is defined by the perception of Jakarta as one of Indonesia's most vibrant economic capitals, characterized by vigorous stock market activity. Moreover, the Jakarta region is perceived to possess superior access to financial education and stock investment resources.

This study calculates the required sample size utilizing the formula from Tabachnick & Fidel as referenced in Otoo *et al*., (2021) which ensures the smallest sample quantity necessary. The sample size for this study was 143 people, determined by the employed methodology. This study employs SmartPLS as an analytical tool. This modeling and analytic technique is employed due to its capacity to elucidate intricate interactions between independent and dependent variables, even with a restricted sample size. This study comprises two elements: the inner model and the outer model. The internal model is utilized for the reliability testing process (composite reliability > 0.7) and validity (average variance extracted > 0.5 and loading factor > 0.7) (Christian, Yulita, Sander, et al., 2024). During this evaluation process, items that fail to match the criteria will be eliminated. Concurrently, external models were executed for significance testing procedures (p-value < 0.05 and t-statistic > 1.96) (Christian, Yulita, Sunarno, et al., 2024)(Indriyarti et al., 2023)(Christian, Halim, et al., 2024) and coefficient of determination (R^2).

RESULTS AND DISCUSSION

This study included 143 people with diverse profiles, as depicted in the distribution of participant profiles in Table 1. This study included 80 female participants and 63 male individuals, with a predominance of female participants. This study primarily comprised individuals under 20 years of age, accounting for 4% of the overall population. The survey indicated that bachelor's degrees (S1) constituted approximately 76% of the participants. Furthermore, the predominant category of participants consisted of powerful investors, comprising nearly 56% of the total. Over 54% of participants have less than 6 months of expertise in stock investment. Forty-four percent of participants indicated that the typical transaction amount to be invested predominantly falls within the range of IDR 500,000 to IDR 4,000,000. Over 68% of participants had knowledge regarding stocks.

Tabel 1. Participants Profile

Profile	Frequency	%
Gender		
Female	63	44.05%
Male	80	55.94%
Age		
< 20	69	48.25%
20-25	32	22.28%

26-40	42	29.37%
Education level		
Diploma	5	3.50%
Bachelor degree	109	76.22%
Master	29	20.28%
Stock investment experience		
< 6 month(s)	78	54.55%
6 months to less than 1 year	20	13.99%
1 to 5 years	31	21.68%
>5 years	14	9.79%
Types of individuals in investing		
Investor		
Trader	80	55.94%
	63	44.06%
Amount of funds per transaction to be invested		
< Rp 500.000	52	36.36%
Rp 500.000 - Rp 4.000.000	63	44.06%
Rp 4.000.001 - Rp 8.000.000	17	11.89%
Rp 8.000.001 - Rp 12.000.000	6	4.19%
> Rp 12.000.000	5	3.49%
Level of understanding about stocks		
Very little	7	4.89%
Not understanding	28	19.58%
Understanding	98	68.53%
Very much understanding	10	6.99%

This study conducted an outer model test to assess the relationship between latent variables and their indicators, as illustrated in Table 2. Reliability and validity tests were performed on this external model.

Tabel 2. Outer Model

Variable	Item	OL	CR	AVE
Investor Sentiment	Xa3	1.000	1.000	1.000
Overconfidence	Xb4	0.793	0.924	0.635
	Xb5	0.754		
	Xb6	0.752		
	Xb7	0.852		
	Xb8	0.848		
	Xb9	0.782		
Overreaction / Underreaction	Xb4	0.793	0.920	0.697
	Xc1	0.719		
	Xc2	0.863		
	Xc3	0.920		
	Xc4	0.799		
	Xc5	0.859		
Market Sentiment	Xd1	0.939	0.931	0.871
	Xd2	0.927		
Herding	Xe1	0.751	0.897	0.594
	Xe2	0.754		
	Xe5	0.760		
	Xe6	0.828		
	Xe7	0.780		
	Xe8	0.746		
Stock investment decisions	Yb1	0.882	0.933	0.637
	Yb2	0.782		
	Yb3	0.857		
	Yb4	0.842		
	Yb6	0.819		
	Yb7	0.771		
	Yb9	0.707		
	Yb14	0.709		

*OL = Outer Loading (>0.7); CR= Composite Reliability (>0.7); AVE = Average Variance Extracted (AVE>0.5)

This study also evaluates the inner model, which seeks to forecast the causal relationships among latent variables, alongside the aforementioned outer model. Testing may be conducted via the bootstrapping approach, thereafter analyzing the R-squared value.

Tabel 3. R-Square

Variable	R Square
Stock investment decisions	0.497

The hypothesis testing in this study was conducted by examining the P-value outcomes for each path, as demonstrated in Table 4. The research findings indicated that out of the five proposed hypotheses, four were accepted and one was rejected.

Tabel 4. Hypothesis Testing

H	OS	T-statistics	P-value	Remark
H1	-0.019	0.231	0.817	Rejected
H2	0.166	2.204	0.028	Accepted
H3	0.234	2.116	0.035	Accepted
H4	0.241	2.427	0.016	Accepted
H5	0.287	3.112	0.002	Accepted

**P-values < 0.05; t-statistic >1.96; OS = original sample*

Nearly all independent variables have a significant influence

The research findings of the second hypothesis indicate that overconfidence affects investment decisions. This aligns with prior research by Bakar & Yi, (2016); Baker *et al*., (2021); Kengatharan & Kengatharan, (2014); Metawa *et al*., (2019); Raut & Kumar, (2018); Simões Vieira & Valente Pereira, (2015); Siratan *et al*., (2024). The study's findings reveal that participants possess a robust sense of self-confidence on their ability to survive or excel in the market. This approach also demonstrates their capability, expertise, and precision.

This findings supports the research by Salis et al. (2024), which emphasizes that overconfident investors frequently disregard hazards and make suboptimal decisions due to self-overestimation. This aligns with prospect theory, which posits that individuals exhibit a greater aversion to losses than to profits. Nevertheless, overconfident investors may not entirely comprehend the adverse effects of prospective losses, rendering them more inclined to undertake risks. The profile data indicates that participants in this study possess a comprehension of stock investment, exhibit superior analytical abilities, and are inclined to execute a greater number of stock investment transactions (Gupta & Shrivastava, 2022).

The subsequent finding in this study indicates that overreaction or underreaction affects investing decisions. This indicates that participants in the study often have tendencies to either overreact or underreact

to diverse unforeseen information. The study's respondents were predominantly young and lacked sufficient expertise, despite their comprehension of stock investment**.** This study supports the research by Natasya *et al*., (2022), which posits that less experienced investors are more vulnerable to cognitive errors, including overreaction and underreaction. This aligns with prospect theory, which indicates that investors frequently react to negative information by overly liquidating assets, but positive information tends to encourage further purchasing. This results in stock prices failing to represent their intrinsic value and generates market anomalies, exemplified by the "loser-winner" phenomenon, when stocks that initially underperform may then see a resurgence in performance after a designated interval.

Moreover, prior research indicates that various investor types often exhibit overreactions or underreactions to unforeseen news, that moderate investors display overconfidence in their ability to endure or even excel in the stock market, and that investors possessing superior analytical skills and stock comprehension tend to engage in a greater volume of stock transactions (De Bondt & Thaler, (1985); Glaser & Weber, (2007); Wang, (2001)).

This study elucidates that market sentiment affects investment decisions. The respondents in this study indicated confidence in the future performance of their invested stock market. Investors have comprehended information regarding economic policy and company earnings reports disseminated through numerous media outlets. Moreover, this elucidates that sentiment affects the stock price reaction to news, with stock prices reacting favorably to positive earnings announcements during times of elevated sentiment, while investors are prone to herding due to uncertainty regarding the reliability of available private and public information (D. A. Hirshleifer, (2001); Mujtaba Mian & Sankaraguruswamy, (2012)).

Respondents' perceptions of future stock performance illustrate a wider trend noted in behavioral finance literature, wherein sentiment influences investment behavior, especially during times of heightened optimism. This observation aligns with prior research and is consistent with prospect theory. The subsequent finding in this study elucidates that herding behavior influences investing decisions. The findings of this study enhance the contributions of research undertaken by P.H & Uchil, (2020), which indicates that herding behavior influences stock investment decisions. This finding elucidates that the respondents in this study, who were comparatively young and possessed an average experience of less than six months, exhibited a propensity to emulate the decisions of several other investors. This conduct occurs due to the ambiguity of the quality of personal information related to the stock investment in question.

This inclination is especially evident among novice investors, as indicated in this study, and is corroborated by prior studies demonstrating that herding can result in illogical investment choices. This aligns with prospect theory, which posits that humans frequently behave irrationally in the presence of danger.

Investors Are Not Necessarily Swayed By Market Sentiment

This study's findings demonstrate that investor sentiment does not influence stock investment decisions. This result is intriguing as it offers a contrasting perspective to prior studies, which indicated that investor sentiment significantly influences stock investment decisions (Bakar & Yi, 2016; Baker *et al*., 2021, Fang *et al*., 2021; Kengatharan & Kengatharan, 2014; Metawa *et al*., 2019; Raut & Kumar, 2018; Simões Vieira & Valente Pereira, 2015; Siratan *et al*., 2024). The findings of this study address the need for further discourse, particularly concerning additional elements such as fundamental factors, market volatility, cognitive biases, investor traits, and constraints in sentiment measurement that influence scenarios where sentiment is not the primary determinant in stock investment decisions. This demonstrates that the participants in this study were not influenced by prevailing attitudes from media, social interactions, or positive or negative financial news. The survey participants completed a comprehensive investigation and evaluated multiple factors prior to making stock investment selections.

Investor sentiment encapsulates the prevailing perception of market conditions, hence impacting investor confidence in stock investments. Affirmative sentiment promotes stock acquisitions, and adverse sentiment precipitates stock divestitures. Various elements, including media, social interactions, and analyst recommendations, contribute to shaping investor sentiment. While these characteristics may not consistently exert a direct impact on stock investing decisions, they nonetheless contribute to the formation of overarching market perceptions (P.H & Uchil, 2020).

This study's findings address the deficiencies in diverse literacy situations and investor perceptions about stock investment behavior theory. This hypothesis posits that investor emotions and psychology impact stock investment decisions. When investors exhibit optimism, they are inclined to assume bigger risks, increase their investments, and engage more actively in market activities (Khan *et al*., 2016). Numerous studies indicate that investor sentiment does not influence stock investing decisions, particularly the findings of Canbas & Kandir, (2009), which revealed no direct association between investor sentiment factors and the stock market. Moreover, Su *et al*., (2020) found no substantial impact of investor sentiment variables on

the bond market. The bond market will alone influence investor sentiment negatively. Lemmon & Portniaguina, (2006) discovered that sentiment did not significantly predict fluctuations in value and momentum premiums. Rashid *et al*., (2014) FTSE Bursa Malaysia Composite Index exerted a more significant impact on the Islamic pricing index than investor sentiment.

This study asserts that investor sentiment does not significantly influence investing decisions, which can be elucidated through prospect theory. Investors may prioritize rational criteria such as risk awareness, financial knowledge, or behavioral motivation above collective emotions. This indicates that investing decision-making frequently entails more intricate factors than only reacting to sentiment.

CONCLUSION

This study identified that behavioral characteristics, including overconfidence, overreaction/underreaction, market sentiment, and herding behavior, impact stock investment decisions. This discovery aligns with prior research. Furthermore, these findings elucidate that the study's participants are predisposed to higher risk-taking, frequently engage in less rational decision-making, and exhibit reactions to favorable or unfavorable news, potentially inducing unwarranted market volatility. Additionally, herding behavior is frequently instigated by market sentiment and can be exacerbated by influences such as media and social interactions. Investors must recognize these biases to enhance the rationality and quality of their stock investment selections.

The study revealed that behavioral elements, including investor sentiment, do not affect stock investment decisions. The influence of sentiment on stock investing decisions is largely overshadowed by other factors, including fundamental elements, market volatility, cognitive biases, investor traits, and constraints in sentiment measurement. This demonstrates that investors have performed a comprehensive investigation and evaluated multiple factors prior to making stock investment decisions. This study has various limitations and recommendations, including the omission of market volatility, cognitive biases, financial risks, psychological influences, and other relevant elements. The research solely investigates financial behavioral elements like investor sentiment, overconfidence, overreaction and underreaction, market sentiment, and herding behavior in relation to stock investing decisions. Consequently, more research in this context can incorporate these variables into the study. This study did not examine the sorts of stocks selected by participants. Furthermore, it can identify and generate additional pertinent statements for future questionnaires to minimize the number of eliminations. Additional research may potentially broaden the scope for questionnaire participants. The limitations identified in this study may serve as recommendations for future research. This study will offer detailed insights into financial behavioral determinants and stock investment choices.

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