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The Role of Risk Perception in Social Media Influence, Overconfidence, and Investment Decisions

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Abstract

This study examines the effects of Social Media Influence and Overconfidence on Investment Decision, with Risk Perception serving as a mediating variable among retail stock investors in Indonesia. A quantitative approach was employed using survey data collected from 86 retail stock investors through purposive sampling. Data were analyzed using multiple regression analysis and Hayes' PROCESS Macro Model 4. The results indicate that Overconfidence and Risk Perception have positive and significant effects on Investment Decision. In addition, Social Media Influence and Overconfidence positively influence Risk Perception. However, Social Media Influence was found to have a significant negative direct effect on Investment Decision. The mediation analysis further revealed that Risk Perception significantly and partially mediates the relationships between Social Media Influence and Investment Decision, as well as between Overconfidence and Investment Decision. These findings suggest that investment decisions are influenced not only by external information obtained through social media but also by investors' perceptions of risk. This study contributes to the behavioral finance literature by highlighting the important role of Risk Perception in explaining investment decision-making behavior among retail investors.

Keywords: *Investment Decision, Overconfidence, Retail Investors, Risk Perception, Social Media Influence.*

Introduction

The rapid development of digital technology has fundamentally transformed investment behavior, particularly in capital markets. The widespread use of the internet and social media has enabled retail investors to access investment-related information more quickly and easily than ever before. As a result, investment decisions are no longer solely based on rational analysis but are increasingly influenced by social interactions and psychological factors. Social media has evolved from a communication platform into an important source of financial information that shapes investor attitudes and decision-making processes(Candra et al., 2025; Singh & Chakraborty, 2024).

This phenomenon is particularly evident in Indonesia, where participation in the capital market has grown significantly over the last few years. Data from the Indonesian Central Securities Depository (KSEI) indicate that the number of capital market investors exceeded 20 million in 2025. In addition, KSEI (2026) reported that more than half of Indonesian investors are under the age of 30, highlighting the growing dominance of digital-native investors in the market. The increasing presence of digital-native investors has strengthened the role of social media and digital platforms as major sources of financial and investment-related information. Consequently, many investors utilize media platforms such as YouTube, Instagram, TikTok, and online investment information and recommendations (Yuniasih et al., 2025; IDN Research Institute, 2025).

The growing participation of retail investors has also been accompanied by increasing market volatility. Another phenomenon that reinforces the importance of this study is the substantial fluctuation of the Indonesian capital market during the first half of 2026. After reaching a record high at the beginning of the year, the Indonesia Composite Index (IHSG) experienced a significant decline in the following months, reflecting heightened uncertainty and rapidly changing investor sentiment (Indonesia Stock Esxhange, 2026). The market correction triggered widespread discussions across social media platforms and online investment communities, where investors actively exchanged opinions, recommendations, and expectations regarding market conditions. Such circumstances illustrate how social media has become an influential source of investment information capable of shaping investor perceptions and decision-making processes (Singh & Chakraborty, 2024; (Yuniasih et al., 2025) . During periods of market turbulence, information circulating through digital platforms may intensify optimism or pessimism, leading investors to react differently to the same market conditions (Thaler, 2017).

Despite the increasing participation of retail investors, financial literacy in the capital market sector remains relatively low. According to the 2025 National Survey of Financial Literacy and Inclusion, capital market literacy was only 17.78 percent. Limited financial knowledge encourages investors to seek alternative information sources, particularly social media (SNLK 2025). At the same time, the growing influence of financial influencers (finfluencers) has attracted increasing regulatory attention due to concerns regarding misleading investment information and investor protection. OJK has responded by strengthening regulations and supervision related to financial influencers operating in the capital market sector (OJK, 2026). Such conditions suggest that social media can significantly influence investor behavior and potentially distort investment judgments (Yuniasih et al., 2025).

Behavioral finance theory argues that investment decisions are not always rational because investors are susceptible to cognitive biases. One of the most widely studied biases is overconfidence, which refers to an excessive belief in one's knowledge, analytical skills, and ability to predict market movements (Almansour et al., 2023). Overconfident investors tend to overestimate their capabilities while underestimating potential risks, leading to suboptimal investment decisions (Kaban & Linata, 2024). The abundance of information available through digital platforms may further strengthen this bias by creating a false sense of competence among retail investors (Yuniasih et al., 2025). Consequently, investors may place excessive confidence in their own judgments, even during periods of heightened market uncertainty.

Another important factor influencing investment behavior is risk perception. Risk perception refers to an individual's subjective assessment of the uncertainty and potential losses associated with an investment. Existing studies suggest that investment decisions are strongly affected by how investors perceive risk rather than by objective risk measures alone (Badriatin et al., 2022). Information obtained from social media and investor communities may shape risk perception by influencing how investors evaluate opportunities and threats in the market (Yoga et al., 2025; Sathya & Prabhavathi, 2024). Consequently, risk perception may act as an important psychological mechanism linking social media influence and overconfidence to investment decisions (Almansour et al., 2023; Prayudi & Purwanto, 2023)

Although previous studies have examined the relationships between social media influence, overconfidence, risk perception, and investment decisions, several research gaps remain. First, empirical findings regarding the effect of behavioral factors on investment decisions remain inconsistent (Mahmood et al., 2024; Adielyani & Mawardi, 2020; Kaban & Linata, 2024; Prayudi & Purwanto, 2023). Second, most studies investigate social media influence and behavioral biases separately, limiting the understanding of their combined effects on investor behavior (Bhutto et al., 2025; Yuniasih et al., 2025; Aqham et al., 2024). Third, limited attention has been given to the mediating role of risk perception in explaining how digital and psychological factors jointly affect investment decisions (Prayudi & Purwanto, 2023; Limarus & Pamungkas, 2023). Moreover, many prior studies were conducted outside Indonesia or focused on specific groups such as students and Generation Z investors, reducing the generalizability of the findings to broader retail investor populations (Bhutto et al., 2025; Mahmood et al., 2024; Badriatin et al., 2022).

Therefore, this study aims to examine the influence of social media influence and overconfidence on investment decisions with risk perception serving as a mediating variable among Indonesian retail stock investors. The novelty of this research lies in integrating a digital factor (social media influence) and a psychological factor (overconfidence) into a single research model while simultaneously investigating the mediating role of risk perception. By focusing on Indonesian retail investors in the digital era, this study contributes to the behavioral finance literature and provides practical implications for investors, regulators, and capital market stakeholders.

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Literature Review and Hypothesis Development

Behavioral Finance Theory

Behavioral Finance Theory explains that financial decisions are not always based on rational considerations but are often influenced by psychological, emotional, and social factors. Developed from Prospect Theory by Kahneman & Tversky (1979), this theory argues that investors are subject to cognitive biases and bounded rationality when making investment decisions. Biases such as overconfidence, herding behavior, and loss aversion may cause investors to deviate from rational judgment. Therefore, Behavioral Finance Theory provides a relevant foundation for understanding how social media influence, overconfidence, and risk perception shape investment decisions

Social Media Influence

Social media influence refers to the impact of information shared through digital platforms on investors' attitudes and decision-making processes. Social media has become a major source of investment information due to its accessibility, speed, and broad reach. Previous studies suggest that social media significantly affects investment decisions by shaping investor expectations, market sentiment, and perceptions of investment opportunities (Yuniasih et al., 2025; Singh & Chakraborty, 2024). Consequently, social media influence is considered an important external factor affecting investor behavior in the digital era.

Overconfidence

Overconfidence is a cognitive bias in which investors excessively believe in their knowledge, analytical abilities, and capability to predict market movements. Overconfident investors tend to overestimate their competence while underestimating investment risks, leading to more aggressive investment behavior. Prior studies indicate that overconfidence significantly influences investment decisions and often encourages higher trading activity and risk-taking behavior (Kaban & Linata, 2024; Prayudi & Purwanto, 2023). Thus, overconfidence is recognized as an important internal factor affecting investor decision-making.

Risk Perception

Risk perception refers to an individual's subjective assessment of the uncertainty and potential losses associated with an investment. Unlike objective risk, risk perception is influenced by personal experience, psychological factors, and information received from the surrounding environment. Previous studies demonstrate that risk perception plays a crucial role in determining investment behavior and decision-making (Badriatin et al., 2022). Moreover, risk perception may act as a mediating mechanism through which social media influence and overconfidence affect investment decisions, making it a key variable in behavioral finance research.

Hypothesis Development

According to Behavioral Finance Theory, investors do not always make rational decisions because they are influenced by external information and social interactions.

Social media has become an important source of investment information that can shape investor expectations, attitudes, and behavior. Through social media platforms, investors are exposed to market news, investment recommendations, opinions from financial influencers, and discussions within online communities. Such information may affect how investors evaluate investment opportunities and ultimately influence their investment decisions. Previous studies have reported that social media significantly affects investment decision-making. Singh & Chakraborty (2024) found that social media interactions influence investor participation and decision-making behavior. Similarly, Candra et al. (2025) and Efendi et al. (2023) demonstrated that social media positively influences investment decisions among individual investors. Therefore, the following hypothesis is proposed:

H1: Social media influence positively affects investment decisions.

Overconfidence refers to an excessive belief in one's knowledge, analytical ability, and capability to predict market movements. Behavioral Finance Theory suggests that overconfident investors tend to overestimate their skills while underestimating potential risks. Consequently, they are more likely to make investment decisions based on personal judgment rather than objective market information.

Empirical evidence supports the relationship between overconfidence and investment decisions. Mahmood et al. (2024), Prayudi & Purwanto (2023), Adielyani & Mawardi (2020) found that overconfidence positively influences investment decisions. Investors with higher levels of overconfidence tend to trade more actively and make riskier investment choices. Therefore, the following hypothesis is proposed:

H2: Overconfidence positively affects investment decisions.

Information obtained from social media can shape how investors evaluate investment risks. Continuous exposure to positive or negative market sentiment may alter investors' perceptions regarding the level of risk associated with specific investments.
Previous research suggests that social media significantly influences investor perceptions and behavior (Singh & Chakraborty, 2024; Yuniasih et al., 2025). Accordingly, social media may also influence how investors perceive investment risk. Therefore, the following hypothesis is proposed:

H3: Social media influence positively affects risk perception.

Behavioral Finance Theory argues that overconfident investors tend to underestimate risks because they excessively trust their own knowledge and abilities. As a result, they may perceive investment risks as lower than they actually are. Kaban & Linata (2024) reported that overconfidence significantly influences risk perception among investors. Therefore, the following hypothesis is proposed:

H4: Overconfidence positively affects risk perception.

Risk perception reflects an investor’s subjective assessment of the uncertainty and potential losses associated with an

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investment. Investors who perceive higher risks tend to be more cautious, whereas those who perceive lower risks are generally more willing to invest in risky assets.
Previous studies have shown that risk perception plays a significant role in determining investment behavior. Badriatin et al. (2022) and Kaban & Linata (2024) found that risk perception significantly influences investment decisions. Therefore, the following hypothesis is proposed:
H5: Risk perception positively affects investment decisions.

Risk perception is considered an important psychological mechanism through which external and internal factors influence investment decisions. Information obtained from social media may alter investor perceptions of risk, which subsequently affects investment decisions. Likewise, overconfident investors may develop lower perceptions of risk, leading to more aggressive investment behavior.

Previous studies by Almansour et al. (2023), Bhutto et al. (2025), and Kaban & Linata (2024) found that risk perception mediates the relationship between behavioral factors and investment decisions. Therefore, the following hypotheses are proposed:
H6: Risk perception mediates the relationship between social media influence and investment decisions.
H7: Risk perception mediates the relationship between overconfidence and investment decisions.

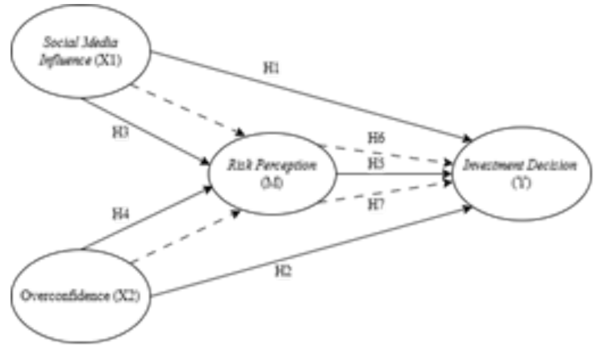

Figure 1. Research Model

Research Methods

Research Design

This study employed a quantitative research approach using a survey method to examine the relationships among Social Media Influence, Overconfidence, Risk Perception, and Investment Decision among retail stock investors in Indonesia. The research design was explanatory, aiming to test the direct and indirect effects among the proposed variables.

Population and Sample

The population of this study consisted of Indonesian retail stock investors who actively invest in the capital market. The sample was selected using purposive sampling, with the criteria that respondents were at least 18 years old, had an active stock investment account, and had conducted stock investment transactions within the last year. A total of 89 questionnaires were collected, and after data screening 86 valid responses were retained for further analysis.

Data Collection Technique

Primary data were collected through an online questionnaire distributed via investment communities and social media platforms. All measurement items were

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adapted from established literature and assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Social Media Influence was operationalized through the dimensions of information credibility, community and finfluencer influence, and social media usage intensity. Overconfidence was operationalized through confidence in analytical ability, confidence in personal information, and underestimation of risk. Risk Perception comprised perceived uncertainty, perceived loss, and risk evaluation dimensions. Investment Decision was measured through decision-making accuracy, confidence in investment decisions, and investment actions. Detailed operationalization of the variables is presented in Table 1.

Table 1. Variable Operationalization

Variable	Definition	Indicators	References
Social Media Influence (X_1)	The influence of social media information and interactions on investors' investment behavior and decision-making.	Information Credibility, Community and Finfluencer Influence, Intensity of Social Media Usage	Singh & Chakraborty (2024); Yuniasih et al. (2025)
Overconfidence (X_2)	Investors' excessive confidence in their abilities, knowledge, and judgment when making investment decisions.	Confidence in Analytical Ability, Confidence in Personal Information, Underestimation of Risk	Kaban & Linata (2024); Prayudi & Purwanto (2023)
Risk Perception (M)	Investors' subjective assessment of uncertainty and potential losses associated with stock investment.	Perceived Uncertainty, Perceived Loss, Risk Evaluation	Almansour et al. (2023); Bhutto et al. (2025)
Investment Decision (Y)	The process of selecting and executing investment decisions based on available information and personal judgment.	Decision-Making Accuracy, Confidence in Decision, Investment Action	Badriatin et al. (2022); Ayudiastuti (2021)

Source: Developed by the author based on previous studies and research instruments.

Data Analysis Methods

Data analysis was conducted using IBM SPSS Statistics. The analysis began with descriptive statistics, followed by validity and reliability testing to evaluate the quality of the measurement instrument. Classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests, were performed to ensure the suitability of the regression model. Hypothesis testing was conducted using multiple linear regression analysis. Furthermore, mediation analysis was performed using Hayes' PROCESS Macro Model 4 with 5,000 bootstrap samples to examine the mediating role of Risk Perception in the relationship between Social Media Influence, Overconfidence, and Investment Decision.

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Results and Discussion

Respondent Characteristics

A total of 89 questionnaires were collected from Indonesian retail stock investors. After data screening, 86 valid responses were retained for further analysis. Respondents were categorized based on gender, age, education level, and investment experience. The demographic profile of the respondents is presented in Table 1.

Table 2. Respondent Characteristics

Description	Frequences	Percentage
Gender	44	51.2
Male	42	48.8
Female		
Age		
< 25	12	14
26 - 30	47	54.7
31 - 40	22	25.6
41 - 50	3	3.5
> 50	2	2.3
Educational Level		
Intermediate	25	29
Bachelor	39	45.3
Master	17	19.8
PhD	5	5.8
Experiences (years)		
< 1 - 2	24	27.9
3 - 5	54	62.8
> 6	8	9.3

Source: Processed primary data (2026)

Table 2 presents the demographic characteristics of the respondents. The sample consisted of 86 retail stock investors, with a relatively balanced gender distribution, comprising 44 male respondents (51.2%) and 42 female respondents (48.8%). In terms of age, the majority of respondents were between 26 and 30 years old (54.7%), followed by those aged 31–40 years (25.6%). This indicates that most participants belonged to the young adult investor segment, which is generally characterized by high familiarity with digital technologies and social media platforms. Regarding educational background, most respondents held a Bachelor's degree (45.3%), while 29.0% had intermediate-level education, 19.8% held a Master's degree, and 5.8% possessed a doctoral degree. These figures suggest that the respondents generally had adequate educational qualifications to understand investment-related information and evaluate investment opportunities. In terms of investment experience, the majority of respondents had invested in stocks for 3–5 years (62.8%), followed by those with less than 2 years of experience (27.9%) and more than 6 years of experience (9.3%). Overall, the demographic profile indicates that the respondents possessed sufficient educational backgrounds and investment experience, making them appropriate subjects for examining the effects of social media influence, overconfidence, and risk perception on investment decisions.

Descriptive Statistics

Table 3 presents the descriptive statistics of the variables. The results indicate that all variables have relatively high mean scores, suggesting that respondents generally exhibited strong perceptions regarding social media influence, overconfidence, risk perception, and investment decision-making. Among the variables, Investment Decision recorded the highest mean score (M = 39.08; SD = 3.63), followed by Risk Perception (M = 38.85; SD = 3.78), Social Media Influence (M = 38.27; SD = 4.39), and Overconfidence

(M = 38.14; SD = 4.42). The relatively low standard deviation values indicate a moderate level of response variability, suggesting that respondents' perceptions were relatively homogeneous across the measured constructs.

Table 3. Descriptive Statisctics

Variable	N	Minimum	Maximum	Mean	Std Deviation
Social Media Influence	86	12	43	38.27	4.39
Overconfidence	86	23	42	38.14	4.42
Risk Perception	86	22	42	38.85	3.78
Investment Decision	86	23	44	39.08	3.63

Source: Processed primary data (2026)

Measurement Quality Assessment

The validity and reliability of the research instrument were evaluated to ensure the quality of the collected data. The validity test results indicated that all measurement items were valid, as each item met the required correlation criteria and was therefore retained for further analysis. Reliability testing was subsequently conducted using Cronbach's Alpha to assess the internal consistency of each construct. The results are presented in Table 4.

Table 4. Reliability Testing

Variable	Cronbach's Alpha	Result
Social Media Influence	0.888	Reliable
Overconfidence	0.880	Reliable
Risk Perception	0.828	Reliable
Investment Decision	0.831	Reliable

Source: Processed primary data (2026)

As shown in Table 4, all constructs achieved Cronbach's Alpha values exceeding the recommended threshold of 0.70 (Hair et al., 2019). Social Media Influence exhibited the highest reliability coefficient (α = 0.888), followed by Overconfidence (α = 0.880), Investment Decision (α = 0.831), and Risk Perception (α = 0.828). These results indicate that all measurement scales possess satisfactory internal consistency and reliability, confirming their suitability for subsequent statistical analyses.

Hypothesis Testing

Multiple regression analysis was conducted to examine the direct relationships among the research variables. Prior to hypothesis testing, the regression model satisfied the assumptions of normality, multicollinearity, and heteroscedasticity. The results of hypothesis testing are presented in Table 5.

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Table 5. Direct Effect Hypothesis Testing Results

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	Social Media Influence → Investment Decision	-0.123	-2.114	0.038	Not Supported
H2	Overconfidence → Investment Decision	0.215	3.272	0.002	Supported
H3	Social Media Influence → Risk Perception	0.373	7.079	<0.001	Supported
H4	Overconfidence → Risk Perception	0.389	9.362	<0.001	Supported
H5	Risk Perception → Investment Decision	0.752	7.823	<0.001	Supported

Source: Processed primary data (2026)

The results presented in Table 5 indicate that four of the five proposed direct hypotheses are supported. Overconfidence was found to have a positive and significant effect on Investment Decision ($\beta = 0.215$, $p = 0.002$), while Risk Perception exerted the strongest positive influence on Investment Decision ($\beta = 0.752$, $p < 0.001$). Furthermore, Social Media Influence ($\beta = 0.373$, $p < 0.001$) and Overconfidence ($\beta = 0.389$, $p < 0.001$) were both found to positively and significantly affect Risk Perception. Interestingly, Social Media Influence showed a significant negative effect on Investment Decision ($\beta = -0.123$, $p = 0.038$), which is contrary to the proposed hypothesis. Therefore, H1 was not supported, whereas H2, H3, H4, and H5 were supported. These findings suggest that Risk Perception plays a central role in explaining investment decision-making among retail stock investors.

Mediation Analysis

The mediating effect of Risk Perception was assessed using Hayes' PROCESS Macro Model 4 with a bootstrap procedure of 5,000 resamples. Bootstrap confidence intervals were employed to determine the significance of the indirect effects. A mediation effect is considered statistically significant when the lower and upper confidence interval limits do not cross zero (Hayes, 2022). The results are summarized in Table 6.

Table 6. Mediation Analysis Results

Hypothesis	Indirect Effect	BootLLCI	BootULCI	Result
H6: Social Media Influence → Risk Perception → Investment Decision	0.6267	0.294	0.8067	Supported
H7: Overconfidence → Risk Perception → Investment Decision	0.4332	0.202	0.657	Supported

Source: Processed primary data (2026)

The mediation analysis results indicate that Risk Perception significantly mediates the relationship between Social Media Influence and Investment Decision, as well as the relationship between Overconfidence and Investment Decision. For H6, the indirect

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effect was 0.6267, with a bootstrap confidence interval ranging from 0.2942 to 0.8067. Since the confidence interval did not include zero, the mediation effect was considered significant (Hayes, 2022). Similarly, H7 produced an indirect effect of 0.4332 with a bootstrap confidence interval ranging from 0.2018 to 0.6570, confirming the significance of the mediation effect.

Furthermore, the direct effects of Social Media Influence and Overconfidence on Investment Decision remained statistically significant after the inclusion of Risk Perception in the model. This indicates that Risk Perception acts as a partial mediator in both relationships. In other words, Social Media Influence and Overconfidence influence Investment Decision not only through Risk Perception but also through direct pathways. Therefore, both H6 and H7 were supported.

Discussion

Social Media Influence and Investment Decision

The results reveal that Social Media Influence has a significant negative effect on Investment Decision, leading to the rejection of H1. This finding indicates that increased exposure to investment-related information on social media does not necessarily encourage investors to make investment decisions. Instead, excessive information, conflicting opinions, and market speculation circulating on digital platforms may create uncertainty and information overload, causing investors to become more cautious in their decision-making process.

This finding differs from the initial expectation that social media would facilitate investment decision-making by providing easier access to information. However, it reflects the reality of today's digital investment environment, where investors are exposed to a large volume of unverified information, opinions, and recommendations from various online sources. Consequently, investors may hesitate to make decisions directly based on information obtained through social media. This result suggests that social media is insufficient to improve investment decisions unless investors are able to properly evaluate and interpret the information received. This finding is consistent with Behavioral Finance Theory, which argues that investors do not always process information rationally and may be influenced by psychological and environmental factors (Thaler, 2017; Shefrin, 2000).

Overconfidence and Investment Decision

The findings show that Overconfidence positively and significantly influences Investment Decision, supporting H2. This result is consistent with Behavioral Finance Theory, which argues that investors often rely on subjective beliefs and personal judgments when making financial decisions (Thaler, 2017). Investors with higher levels of confidence tend to trust their own knowledge and analytical abilities, making them more willing to take investment actions.

The result also supports previous studies suggesting that overconfident investors are generally more active in trading activities and are more willing to assume investment risks

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(Prayudi & Purwanto, 2023; Kaban & Linata, 2024). In the context of retail investors, confidence in personal investment skills may increase decisiveness and encourage investors to execute investment decisions more quickly.

The Role of Risk Perception

Risk Perception was found to have a significant positive effect on Investment Decision and emerged as the strongest predictor among all variables examined. In addition, both Social Media Influence and Overconfidence significantly affected Risk Perception. These findings indicate that investors' perceptions of risk play a central role in shaping investment behavior.

The results suggest that information obtained through social media and investors' confidence in their abilities contribute to how investment risks are perceived. Investors who possess a clearer understanding of potential risks are more likely to make informed and rational investment decisions. This finding reinforces the importance of risk evaluation as a fundamental component of investment decision-making in modern financial markets and supports previous studies highlighting the role of risk perception in investor behavior (Ayudiastuti, 2021; Hasanah et al., 2024).

The Mediating Role of Risk Perception

The mediation analysis confirms that Risk Perception acts as a significant partial mediator in the relationships between Social Media Influence and Investment Decision, as well as between Overconfidence and Investment Decision. These findings imply that Risk Perception serves as an important psychological mechanism through which external information and internal cognitive biases influence investor behavior (Almansour et al., 2023; Kaban & Linata, 2024).

Interestingly, although Social Media Influence directly exhibited a negative effect on Investment Decision, its indirect effect through Risk Perception was positive and significant. This finding suggests that social media can contribute positively to investment decision-making when the information obtained helps investors develop a better understanding of investment risks. Therefore, Risk Perception plays a crucial role in transforming information and personal beliefs into more informed investment decisions, consistent with previous findings regarding the mediating role of risk perception in investment behavior (Prayudi & Purwanto, 2023; Almansour et al., 2023).

Conclusion

This study examined the influence of Social Media Influence and Overconfidence on Investment Decision, with Risk Perception serving as a mediating variable among retail stock investors in Indonesia. The findings demonstrate that psychological factors play a crucial role in shaping investment behavior. Specifically, investors with higher levels of overconfidence tend to make investment decisions more actively, while risk perception significantly influences the way investors evaluate and select investment opportunities. The results further indicate that Social Media Influence and Overconfidence significantly affect Risk Perception, suggesting that both external information and internal cognitive

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factors contribute to how investors assess investment risks.

However, contrary to the proposed hypothesis, Social Media Influence exhibited a negative direct effect on Investment Decision. This finding implies that exposure to investment-related information on social media does not necessarily encourage investors to make immediate investment decisions. Instead, excessive or conflicting information may lead investors to become more cautious in evaluating investment opportunities. Furthermore, Risk Perception was found to partially mediate the relationships between Social Media Influence and Investment Decision, as well as between Overconfidence and Investment Decision. This indicates that social media information and investor confidence influence investment decisions both directly and indirectly through the formation of risk perceptions.

These findings contribute to the behavioral finance literature by highlighting the importance of risk perception as a mechanism linking external information and psychological biases to investment decision-making. Future research may incorporate additional behavioral variables, such as financial literacy, herding behavior, or investor sentiment, and employ larger samples to enhance the generalizability of the findings.

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