

Investment Bias in Millennial New Investors (Phenomenological Study of Millennial Generation in South Tangerang City)

Habiba Alfiani^{1*}, Mirwan Surya Perdana²

^{1,2}Faculty of Economics and Business, Universitas Diponegoro, Indonesia
habibahalfiani@gmail.com

Abstract

This pandemic turned out to bring good news to the investment world, where the increase in the number of investors occurred very significantly. However, some time ago JCI experienced a decline caused by investor panic, based on this it is known that psychological factors also deserve to be considered in line with the increase in the number of investors that occurred. This study aims to find out what millennial investors consider, especially in the city of South Tangerang, in their portfolio strategy decisions which include buying, selling and retaining, as well as knowing what biases are in these decisions. This research uses qualitative methods with a phenomenological approach, with the research subjects as many as 10 new investors who belong to the millennial generation. The results of this study show that this millennial investor shows that both emotional and cognitive biases exist in the process of determining the decision of this millennial generation portfolio strategy.

Keywords

behavioral finance; emotional bias; millennial generation



I. Introduction

The ease of digital access offered in the world of investment, and the returns offered make these millennials look and are interested in entering into investment, especially since these millennials are often associated with the slogan of *financial freedom* which is their goal. To achieve *financial freedom*, of course, millennials are required to make healthy and appropriate investments. Meanwhile, to make a good investment, investors are required to make rational decisions in their investments (Puspawati & Yohanda, 2022). However, the fact in the field is that many say that these millennials often break off their investments irrationally, which is caused by the involvement of psychological factors or *behavioural finance* in the decisions they make. In fact, according to circulating data, it is stated that millennials do not have a strategy in their investments even though it is important to achieve the goals of *financial freedom* associated (Leiwakabessy et al., 2021; Syafina, 2019).

To achieve *financial freedom*, one way is to make an investment (BFI, 2022), with a record of investments made carefully, wisely (Candy & Vincent, 2021) and consistently or disciplined (Dewi, 2022). However, in some existing studies it is said that in determining investor decisions, often these investors decide irrationally which at the time of the decision-making process psychological factors are involved in it (Leiwakabessy et al., 2021; Septi et al., 2019) or also known as *behavioral finance* (Pompian, 2011). This psychological factor is important to study because in addition to being detrimental to investors' personalities, this also makes the JCI's movements unstable ups and downs, where one of the causes is investor panic and insufficient self-control makes these investors panic and results in conformity. As a result, JCI fell at the lowest level (Fernando, 2021; Septian et al., 2022). In another study, it is also said that the stability of

the JCI is determined by the factor of sales or purchases made by investors (Bunting, 2021) which is also related to investor behavior.

According to (Elhussein & Abdelgadir, 2020) despite living in an adequate environment, for example in a big city, and having pocketed knowledge, it still does not guarantee that a person is biased to avoid bias in the decision to buy, sell or maintain the shares he owns, where all return to the information he has and self-control in the face of various existing pressures (Candy & Vincent, 2021). As happened in Solo City (Puspawati & Yohanda, 2022) and Surabaya (Fridana & Asandimitra, 2020) where the city is included in a big city and has many human resources who are educated with a minimum strata one background, but still found bias in the investment decisions it makes. Human Resources (HR) is the most important component in a company or organization to run the business it does (Niati et al., 2021).

South Tangerang City is one of the big cities in Java, where when referring to the demographics of the spread of the number of investors on the island of Java is the largest contributor to the number of investors. According to BPS data, 71% of the population of South Tangerang city is of productive age (Statistics, 2020), which shows that millennials in the city are in the dominating number. Because yes, researchers decided to conduct research with the millennial generation in the city of South Tangerang, considering that this city is one of the cities with a large number of millennial generation .

Based on this, this study tries to find out millennial considerations in deciding their investment decisions precisely on portfolio strategies that include buying, selling, and decisions when losing money, in millennials in the city of South Tangerang. To then find out what biases exist in their decisions and what biases dominate on those decisions so as to provide advice in avoiding those biases on investment decisions for readers of this study.

II. Review of Literature

2.1 Investment

Investment means investment, which is generally carried out for the long term with the aim of procuring complete assets or purchasing shares and other securities for profit (Financial Services Authority, 2015).

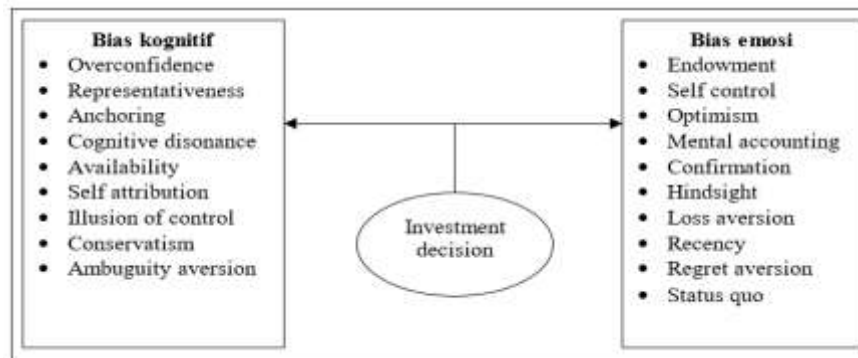
2.2 Millennials

According to the book "Millennial Generation" generation Y, those who belong to this generation believe that science is one of the paths to success, but often they do not realize that skills and abilities to adapt and socialize are also no less important (Madiistriyatno & Hadiwijaya, 2020).

2.3 Financial Behavior Bias

Biases that play a role in decision-making in investors are divided into two types, namely cognitive biases and emotional biases. Cognitive biases are biases that occur because individuals make their decisions due to the perception of their own views, or the individual's failure to think systematically and logically. Emotional bias is a behavioral bias that occurs because individuals make their decisions under the influence of their emotions. Cognitive biases and emotional biases have their own types, an elaboration of the types of cognitive biases and emotional biases according to (Pompian, 2011).

2.4 Frame of Mind



Source: (Pompian, 2011)

Figure 1. Theoretical Framework of Thought

III. Research Method

The research method to be used is a qualitative research model, because this type of research is considered the most suitable to answer the research questions asked and understand the phenomena that occur without ignoring the possibility of certain focus choices specifically (Nugrahani, 2014). The respondents in this study were 10 investors who belonged to the millennial generation and had a financial background, and lived in the city of South Tangerang. Data collection was carried out by conducting semi-structured interviews and after that triangulation was carried out with reference to (Miles et al., 2014) as an analysis method carried out in this study.

IV. Results and Discussion

4.1 Results

a. Description of Research Samples

This sample on the study is as follows:

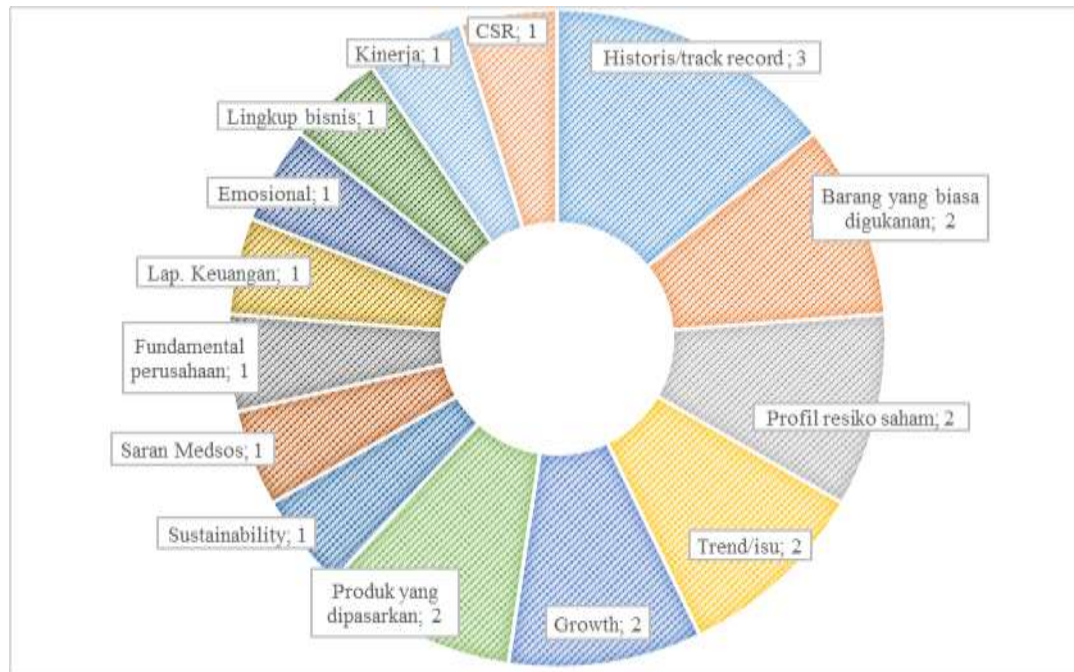
Table1. Description of Research Samples

Name	Age (years)	Educational Background	Domicile
Investor 1	25	Sharia economy	South Tangerang
Investor 2	23	Accounting	South Tangerang
Investor 3	24	Financial management	South Tangerang
Investor 4	27	Business management	South Tangerang
Investor 5	25	Economic education	South Tangerang
Investor 6	25	Management	South Tangerang
Investor 7	25	Economics	South Tangerang
Investor 8	25	Islamic banking	South Tangerang
Investor 9	24	Sharia Economy	South Tangerang
Investor 10	26	Accounting	South Tangerang

Source: (Data Processing Results, 2022)

b. Consideration of Investor Decisions

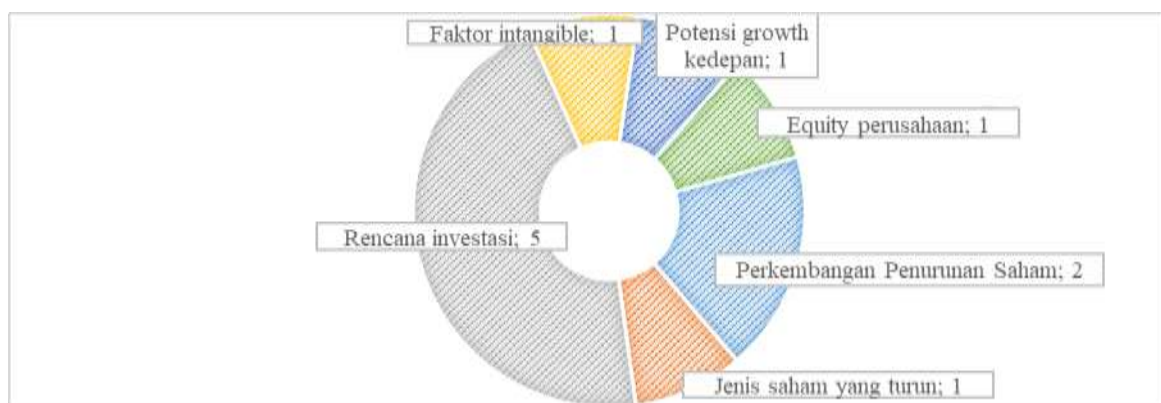
Based on interviews conducted with respondents above, the following results were obtained that the generation when deciding to buy shares millennials considered various things before finally arriving at a final decision. However, it is known that the dominating consideration is the history / *track record* of the company. Here is an illustration of the purchasing decision in this study.



Source: (Author, 2022)

Figure 1. Considerations in Purchasing

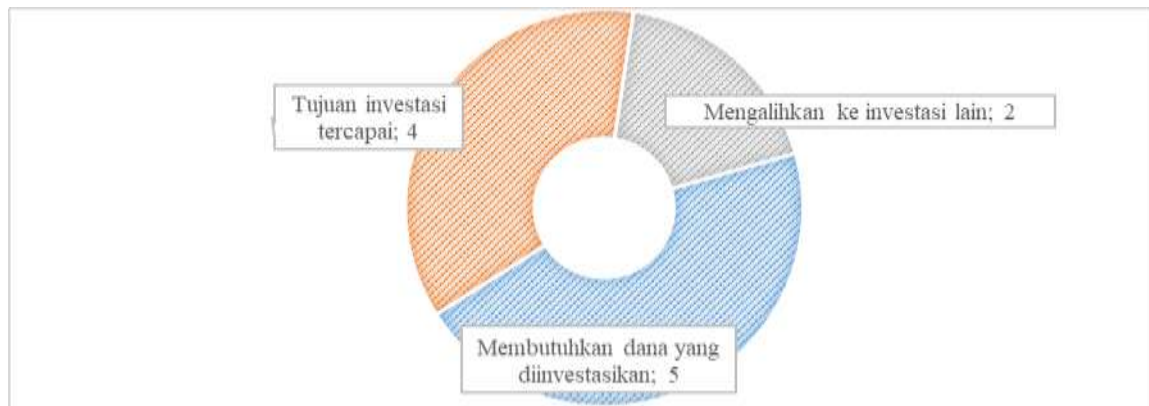
When investing, it is not uncommon for individuals to be faced with the condition of stocks whose price has decreased or in more familiar expressions lose money. When faced with this situation, the individual has two choices, namely to release or maintain the shares he owns. Before making the final decision, of course, investors will consider things that support their decision. In this study, it is known that the consideration that dominates investors is the investment plan they make. Here are the various reasons and reasons most voted by respondents in this study.



Source: (Author, 2022)

Figure 2. Considerations When Losing Money

The decision that investors will face in other investments is the decision to sell the shares they own, here is a summary diagram of the respondents' considerations in selling the shares owned.



Source: (Author, 2022)

Figure 3. Consideration Sell

4.2 Discussion

a. Determining the Shares to Buy

The biases that exist in the respondent's decision in determining their decision on the shares to be purchased are:

1. Endowment bias
2. Availability bias
3. Representativeness bias

Endowment bias is a bias that belongs to emotional bias, and *availability* and *representativeness biases* are included in cognitive biases. Respondents who experienced emotional bias, namely *endowment*, were respondents to investors 1 and 8. Respondents who experienced cognitive bias *availability biases* were respondents 2, 3, and 9. And respondents who experienced cognitive *representativeness bias* were 5 respondents. Meanwhile, respondents 4, 6, 7, and 10 were not influenced by bias in their decisions.

b. When Faced With Losses

Of the 10 respondents in the study, only 2 respondents decided to give up their shares when losing money, while choosing to keep their shares.

Based on this, it can be known the bias that exists in decisions when determining actions when faced with loss-making stocks including:

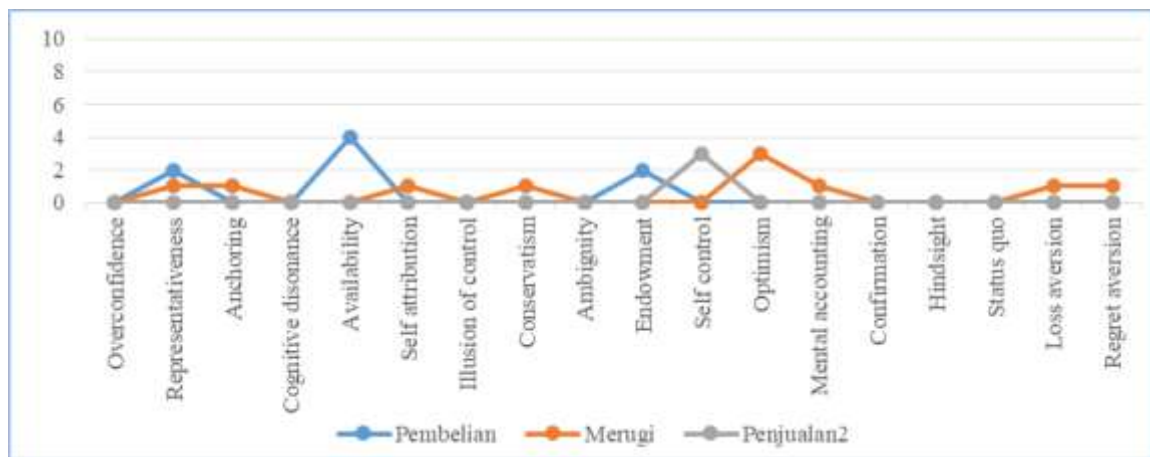
- a. Optimism
- b. Regret aversion
- c. Loss aversion
- d. Self attribution
- e. Mental accounting
- f. Anchoring and adjustment
- g. Conservatism
- h. Status quo
- i. Representativeness
- j. Availability biases

c. When Faced with Losses

To identify the bias that occurs at this stage, we can attribute the considerations that the respondents made to their original purpose of investing, if the reasons or considerations correspond to the original purpose or intention of investing, then the decision is not influenced by bias.

The bias that exists in the decision when going to sell shares owned is emotional bias, namely *self-control bias*. Respondents whose decisions contained this bias were investor respondents 1, 3, and 6. Meanwhile, the remaining respondents did not have any bias in this decision because it was in accordance with the investment objectives they made. An illustration in the chart of the dominating bias in the decision to sell stocks can be seen in the chart below. The following is an illustration of the biases present in each decision studied in this study.

d. Dominating Bias



Source: (Author, 2022)

Figure 4. Summary of Dominating Biases on Investment Decisions

Based on the chart, it is known that the bias that dominates investment decisions within the scope of portfolio strategies that include buying, selling, and losing money, the decisions of these millennial investors is still dominated by emotional bias.

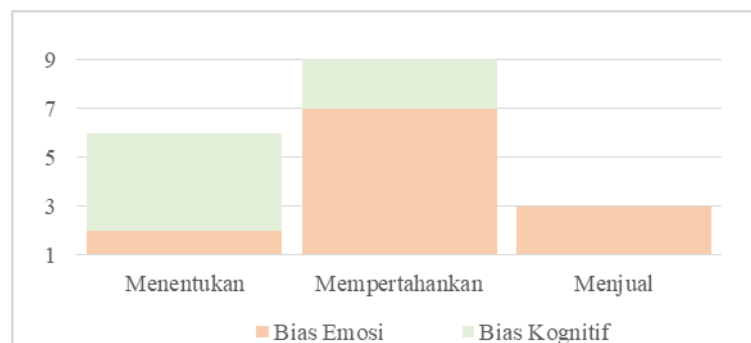
In the face of the decision to buy shares usually we will find out various information that supports our decision, but sometimes because of too much information there we find it difficult to filtering and knowing which information is relevant and which is not, it is at this stage that bias will be involved in our decisions. And in this study, the bias that dominates the purchasing decision is *availability bias*, it occurs because of our mistakes in finding available information, so we must diligently and meticulously in analyzing to avoid this bias.

When losing money, investors will be faced with two choices, namely to release or maintain the shares owned. At this stage the emotional bias will overshadow investors, because naturally everyone will inevitably avoid losses. But sometimes giving up the shares we own will save us from even greater losses. At this stage, it is not uncommon for us to be reluctant to feel at a loss so that we think optimistically that one day the stock price will rise again as before. As happened in the respondents of this study, this is supported by the bias that dominates at this stage is *the optimism bias*. At this stage, in order to avoid *optimism*, investors must reanalyze and follow the latest news circulating, in addition to finding out what causes of the decline in the stock price that occurs is

also necessary. If the analysis has been done and the results signal for *cut-loss* then we have a good idea to do it, or do a reanalysis with more data again. But if it turns out that the results have not changed, investors should be able to be heartened to release the shares they own because it is likely to save us from an even greater loss. Then having different strategies on different types of stocks can also be applied at this stage.

Meanwhile, in selling shares owned, the results of this study show that the dominating bias is *self-control bias*, hal this is because investors act outside the long-term plan that they made. At this stage investors will be faced with an investment plan they create or their need for the funds they invest in the stock. Therefore, in investing, we still have to set aside another emergency fund so that the investment that investors are undergoing does not turn halfway. Calls to use really cold funds have actually been done a lot, but some investors do not understand the intention in detail. In addition, investors are also faced with the choice of selling or not, investors with insufficient self-control will certainly not think twice about selling shares they are when they need more funds. Therefore, careful investment planning is needed and mastery of psychological matters is also needed. Not only in this stage, but in every decision-making action that will be made.

Based on this, it is known that cognitive bias dominates in purchasing decisions, while in decisions when faced with falling stocks the dominating bias is emotional bias, and in the decision to sell the shares held the dominating bias is the emotional bias. Then it can be inferred from the decisions in determining, maintaining and selling, the dominating bias is the emotional bias. Here is an illustration of the type of bias that predominates in the chart.



Source: (Author, 2022)

Figure 5. Types of Dominating Bias

Meanwhile, according to the division of bias regardless of the type of bias, *availability biases* are seen dominating in the investment decisions made by respondents in the investment decisions they make, This is, can be seen in Diagram 5.

V. Conclusion

The study ends by providing answers to the research questions made in the first chapter. Here are the conclusions of the study presented in the bullet points.

1. How do millennials decide their investment decisions?

This millennial generation investor in the city of South Tangerang decides his investment decision when determining the shares to be owned with various considerations, but the biggest consideration is in the historical performance of the company. Whereas in the decision when faced with the state of stocks that are below *the average* value of 9 out of 10 respondents choose to keep their shares with various

considerations as well, the most consideration taken by the respondents of this study is because they tried to be consistent on the initial investment plan made, but after being understood more deeply they were reluctant to experience losses on their investments. Meanwhile, the decision to sell the shares they own depends on their financial situation at that time.

2. What biases dominate millennials in their investments?

The dominating bias in decisions when buying is *availability bias*, in the face of stock values that are below the *average* value is *optimism*, and in selling decisions is *self-control bias*. Whereas overall the dominating bias is the emotional bias and the most common bias in the series of decisions is *availability bias*.

3. What are they doing to avoid similar things happening in the future?

Most respondents revealed that they would increase their knowledge from various sources and learn how to conduct analysis both technically and fundamentally, and be more selective in determining the stocks to buy.

Research Limitations

The limitations in the research carried out are as follows:

1. This research is limited to the millennial generation in South Tangerang City with, and the number of those who are limited as well.
2. Because the study was conducted in a time that required limitations in everything, the study was conducted virtually, so it was found that some of the same time difficulties in conducting respondents' interviews. Because it was carried out virtuously technical problems were inevitable so they were forced to be unable to conduct interviews with a camera that was on.
3. Research with this method of collecting data in interviews sometimes respondents do not answer with the desired answer, so in some respondents an *open-ended question* method is used to get answers that are relevant to the intention of the research question.

Suggestions

To perfect this research, here is the advice that can be given for further research:

1. In this qualitative study, the method used to collect data only uses the interview method. For further research, the data should be combined with a questionnaire to increase credibility to the answers given by the respondent.
2. These respondents are only limited to millennials. For further research, it is recommended to divide this millennial generation by gender category in order to get more specific results.
3. Linking decisions with portfolio performance to reinforce the irrationality of the decisions made. And connecting a wide variety of variables in measurements.
4. This study only focuses on what bias dominates the millennial generation in the city of South Tangerang. In future research, this bias can be related to portfolio performance in detail.
5. Future research can use a mix of methods to get more and unlimited information with questions in the questionnaire.

References

- BFI. (2022). *8 Ways to Achieve Financial Freedom the Best Version of Yourself!* 1–9. <https://www.bfi.co.id/id/blog/8-cara-mencapai-financial-freedom-versi-terbaik-dari-diri-sendiri>
- Bunting, S. (2021). Millennials and Gen Zers are here to Play. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3909669>
- Candy, C., & Vincent, K. (2021). Analysis of the Effect of Behavioural Finance on Investor Investment Decision Making in the Riau Islands. *Jesya (Journal of Sharia Economics & Economics)*, 4(2), 864–873. <https://doi.org/10.36778/jesya.v4i2.403>
- Goddess, H. kusuma. (2022). Is It Enough to Achieve Financial Freedom by Saving? Dong's investment. *Bareksa*, 1–6. <https://www.bareksa.com/berita/belajar-investasi/2022-07-04/apakah-cara-capai-financial-freedom-cukup-dengan-menabung-investasi-dong>
- Elhussein, N. H. A., & Abdelgadir, J. N. A. (2020). Behavioral Bias in Individual Investment Decisions: Is It a Common Phenomenon in Stock Markets? *International Journal of Financial Research*, 11(6), 25. <https://doi.org/10.5430/ijfr.v11n6p25>
- Fernando, A. (2021, November 11). 4-Year Wait, JCI Records ATH & Had Time. *CNBC*, 1–5. <https://www.cnbcindonesia.com/market/20211111100220-17-290649/penantian-4-tahun-ihsg-rekor-ath-sempat-ambruk-saat-covid>
- Fridana, I. O., & Asandimitra, N. (2020). Analysis of Factors Affecting Investment Decisions (Study on Female Students in Surabaya). *Estuary Journal of Economics and Business*, 4(2), 396. <https://doi.org/10.24912/jmieb.v4i2.8729>
- Leiwakabessy, A., Patty, M., & Titioka, B. M. (2021). Journal of Accounting and Taxes Psychological Factors Of Millennial Investors In Stock Investment Decision Making (Empirical Study on Millennial Investors in Ambon City). *JAP*, 22(02).
- Miles, M., Huberman, M., & Saldana, J. (2014). qualitative data analysis. In □ □ □ □ □ □ □ □ □ □ (3rd ed., Vol. 1999, Issue December). sage publications, Inc.
- Niati, D. R., Siregar, Z. M. E., & Prayoga, Y. (2021). The Effect of Training on Work Performance and Career Development: The Role of Motivation as Intervening Variable. *Budapest International Research and Critics Institute (BIRCI-Journal): Humanities and Social Sciences*, 4(2), 2385–2393. <https://doi.org/10.33258/birci.v4i2.1940>
- Nugrahani, F. (2014). in Language Education Research. 信阳师范学院, 1(1), 305.
- Pompian, M. (2011). Behavioral Finance and Wealth Management – How to Build Optimal Portfolios That Account for Investor Biases. In *Financial Markets and Portfolio Management* (Vol. 21, Issue 4). <https://doi.org/10.1007/s11408-007-0065-3>
- Puspawati, D., & Yohanda, A. R. (2022). Behavioral Bias on The Investment Decisions of the Younger Generation. *Accountability*, 16(1), 41–60.
- Septi, N., Ainia, N., & Lutfi, L. (2019). The influence of risk perception , risk tolerance , overconfidence , and loss aversion towards investment decision making. *Jebav*, 21(3), 401–413. <https://doi.org/doi.org/10.14414>
- Septian, W., Hasnawati, S., & Hendrawaty, E. (2022). *Impact of Behavioral Factors among Indonesian Individual Investors towards Investment Decisions during Covid-19 Pandemic*. 13(1), 43–52. <https://doi.org/10.9790/5933-1301044352>
- Syafina, D. chadiza. (2019). Why Millennials Find It Hard to Manage Finances. *Tirto*. <https://tirto.id/mengapa-generasi-milenial-sulit-mengelola-keuangan-eeDV>