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Overconfidence and investor's investment decision: The moderating role of risk perception and religiosity

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Abstract
This study investigates the relationship between overconfidence and investor's investment decisions, with a focus on the moderating effects of risk perception and religiosity. Employing a descriptive and causal-comparative research design, the target population comprises all investors associated with the Nepal Stock Exchange. Convenience/purposive sampling is utilized to gather data from individual investors actively participating in the Nepali Share market, involved in buying and selling securities. The study's population size remains unknown, but a sample of 384 investors is determined using appropriate statistical formula. The findings emphasize the significance of overconfidence in influencing investment decisions. They suggest that individuals exhibiting higher levels of overconfidence are more likely to make investment choices, potentially leading to distinct investment outcomes. The study sheds light on the psychological factors that shape investment decision-making processes, offering valuable insights for investors, practitioners, and financial advisors. The moderating roles of risk perception and religiosity in the relationship between overconfidence and investment decisions are explored, enhancing our comprehension of how individual characteristics interact with overconfidence to affect investment behavior. By examining these interactions, the research contributes to a deeper understanding of the complexities surrounding investment choices, ultimately aiding in the development of more informed and effective investment strategies.

Keywords: Overconfidence, investment decisions, risk perception, religiosity

Introduction

Investment decisions are often influenced by a range of factors, including cognitive biases, personality traits, and situational variables. One of the most significant cognitive biases that can impact investment decisions is overconfidence. Overconfidence is a phenomenon in which individuals overestimate their abilities and the accuracy of their predictions. Studies have shown that overconfidence can lead investors to take on excessive risk and make suboptimal investment decisions.

While previous research has investigated the impact of overconfidence on investment decisions, there is still a need to understand the factors that moderate this relationship. Risk perception is one such factor that may influence the impact of overconfidence on investment decisions. Additionally, religiosity, defined as an individual's level of religious involvement, may also moderate the relationship between overconfidence and investment decisions.

Several studies have investigated the relationship between overconfidence and investment decisions. For example, research by Barber and Odean (2001) [4] found that overconfidence led to higher trading activity and lower returns in a sample of individual investors. Similarly, Gervais and Odean (2001) [4] found that overconfident investors were more likely to trade excessively and underperform the market.

Despite the considerable amount of research that has been conducted on the impact of overconfidence on investment decisions, there are still several gaps in the literature. Specifically, there is a need to understand the factors that moderate the relationship between overconfidence and investment decisions.

The proposed study aims to fill this gap by examining the moderating role of risk perception and religiosity on the relationship between overconfidence and investment decisions. By doing so, this study will contribute to a better understanding of the factors that influence investment decisions and may help investors make more informed decisions.

The study is justified because it has practical implications for investors and financial advisors. By understanding the factors that moderate the relationship between overconfidence and investment decisions, financial advisors may be able to tailor their advice to better suit the needs of individual investors. Additionally, investors may be able to recognize their own biases and make more informed investment decisions as a result.

Overconfidence is a well-established cognitive bias in which individuals tend to overestimate their abilities and the accuracy of their beliefs and judgments, leading to suboptimal decision-making. In the context of financial decision-making, overconfidence can have significant consequences for investors, particularly in emerging markets like Nepal where the level of financial literacy and investor protection is comparatively low.

Several studies have investigated the relationship between overconfidence and investment decision-making, with mixed results. Some studies suggest that overconfident investors are more likely to take risks and trade more frequently, leading to lower returns and higher transaction costs (Barber & Odean, 2001; Gervais & Odean, 2001) [4]. Other studies have found that overconfidence can lead to better investment performance, particularly in situations where the level of uncertainty is high and information is incomplete (Gervais *et al*., 2002; Lin *et al*., 2011) [11, 33].

Despite this considerable body of research on overconfidence and investment decision-making, there is still much to be learned about the role of moderators that

can influence the relationship between overconfidence and investment behavior. One potential moderator is risk perception, which refers to the degree to which individuals perceive the potential for loss or harm associated with a particular investment decision. Another potential moderator is religiosity, which refers to the degree to which individuals adhere to religious beliefs and values that may influence their attitudes toward risk-taking and financial decision-making.

Given the limited research on the influence of these moderators in the context of emerging markets like Nepal, there is a need for further investigation into the relationship between overconfidence and investment decision-making. This study aims to address this research gap by examining the moderating role of risk perception and religiosity in the relationship between overconfidence and investment behavior among Nepalese investors.

Problem statement

Overconfidence has been identified as a major source of investment bias and poor investment decisions. However, little is known about how risk perception and religiosity may moderate the relationship between overconfidence and investment decision-making in the Nepalese context. Nepal is a developing country with a growing number of investors participating in the stock market. The Nepalese stock market has been growing rapidly in recent years, with the Nepal Stock Exchange (NEPSE) reaching an all-time high in 2021. Despite this growth, there is a lack of research on the factors that influence investment decision-making in Nepal.

One potential factor that may moderate the relationship between overconfidence and investment decision-making is risk perception. Risk perception refers to an individual's subjective evaluation of the potential risks associated with an investment decision. Previous research has shown that risk perception can moderate the relationship between overconfidence and investment performance (Griffin & Tversky, 1992) [12]. In the Nepalese context, there is a need to investigate how risk perception may influence the relationship between overconfidence and investment decision-making.

Another potential moderating factor is religiosity. Religiosity refers to an individual's degree of adherence to religious beliefs and practices. Previous research has shown that religiosity can influence a wide range of behaviors, including investment decision-making (Liu & Huang, 2019; Yu & Cao, 2020) [34, 45]. In the Nepalese context, where religion plays an important role in daily life, there is a need to investigate how religiosity may moderate the relationship between overconfidence and investment decision-making.

Overall, the lack of research on the moderating factors that influence the relationship between overconfidence and investment decision-making in Nepal presents a significant problem for investors. This study aims to address this gap in the literature and provide insights that can help investors make more informed investment decisions.

- Is there any relationship between overconfidence and investors investment decision?
- To what extend, does overconfidence affect investors investment decision?
- Do risk perception and religiosity moderates on the relationship between overconfidence and investors investment decision?

Objectives

The objectives of the study are as mentioned below

- To measure the relationship between overconfidence and investors investment decision.
- To assess the impact of overconfidence on investors investment decision.
- To examine the moderating effect of risk perception and religiosity on the relationship between overconfidence and investors investment decision.

Hypothesis

Hypothesis is the statement of assumption or guess of final outcome. It has to be tested once the analysis of data is completed. Considering the research framework of the study, the hypotheses of the study are as mentioned below:

- **H_1:** There is a significant relationship between Overconfidence and Investors Investment Decision.
- **H_2:** There is a significant effect of Overconfidence on Investors Investment Decision.
- **H_3:** There is a moderating effect of religiosity on the relationship between overconfidence and investors investment decision.
- **H_4:** moderating effect of risk perception on the relationship between overconfidence and investors investment decision.

Rationale

The study on the moderating role of risk perception and religiosity on the relationship between overconfidence and investment decision-making is significant for several reasons.

Firstly, the study will contribute to the literature on behavioral finance by providing insights into the factors that influence investment decision-making in the Nepalese context. This is particularly important given the lack of research on the Nepalese stock market, which has been growing rapidly in recent years.

Secondly, the findings of this study may have practical implications for investors, financial advisors, and policymakers in Nepal. By understanding the moderating role of risk perception and religiosity, investors can make more informed investment decisions, financial advisors can provide more targeted advice, and policymakers can develop more effective regulations to protect investors.

Thirdly, the study will add to the existing body of research on overconfidence and its effects on investment decision-making. By investigating the moderating role of risk perception and religiosity, this study will deepen our understanding of how overconfidence affects investment behavior and performance.

Overall, this study has the potential to provide valuable insights into the factors that influence investment decision-making in Nepal and contribute to the broader literature on behavioral finance.

Theoretical framework

Theoretical review

Prospect Theory: Prospect Theory, proposed by Kahneman and Tversky in 1979 [15], is a significant behavioral finance theory that explores how individuals make decisions under risk and uncertainty. It suggests that people tend to be risk-averse when facing potential gains but risk-seeking when confronted with potential losses. In the context of investment decisions, overconfident investors may exhibit

biased risk perceptions, leading them to take on excessive risks while expecting positive outcomes. (Kahneman, D., & Tversky, A. 1979) [15]

Cognitive Dissonance Theory: Cognitive Dissonance Theory, introduced by Festinger in 1957 [9], focuses on the discomfort experienced by individuals when their beliefs or attitudes conflict with their actions. In the context of investment decisions, overconfident investors may experience cognitive dissonance if their investment outcomes do not align with their overly optimistic beliefs. This could lead them to justify their decisions irrationally or engage in mental accounting to reduce the discomfort of holding losing investments. (Festinger, L. 1957) [9]

Regulatory Focus Theory: Regulatory Focus Theory, proposed by Higgins in 1997 [14], examines how individuals' motivational orientation influences their decision-making. It posits two regulatory foci: promotion focus, where individuals strive for gains and aspirations, and prevention focus, where individuals aim to avoid losses and maintain security. Overconfident investors may exhibit a promotion focus, leading them to seek high returns without adequately considering potential risks, while underplaying the importance of risk perception. (Higgins, E. T. 1997) [14]

Religious Social Identity Theory: Religious Social Identity Theory, proposed by Brewer in 1991 [5], explores how religious beliefs and affiliations influence individuals' social identity and behavior. In the context of investment decisions, religiosity may act as a moderating factor, influencing how overconfidence affects investment choices. Religious investors may consider ethical or religious principles in their investment decisions, potentially mitigating the effects of overconfidence on risk-taking behavior. (Brewer, M. B. 1991) [5]

Empirical review

More recent studies have focused on exploring the moderating effects of various factors on the relationship between overconfidence and investment decision-making. One such factor is risk perception, which has been found to moderate the relationship between overconfidence and investment performance (Griffin & Tversky, 1992) [12]. A study by Chen and Wu (2015) [7] found that risk perception moderated the relationship between overconfidence and investment decision-making in the Chinese stock market, with overconfident investors exhibiting a higher propensity for risk-taking only when they perceived the investment as less risky.

Religiosity is another factor that has been found to influence investment decision-making. A study by Liu and Huang (2019) [34] found that religiosity had a significant negative effect on overconfidence and a positive effect on investment performance among Chinese investors. Another study by Yu and Cao (2020) [45] found that religiosity moderated the relationship between overconfidence and investment decision-making, with highly religious investors exhibiting a lower propensity for risk-taking and better investment performance.

In the Nepalese context, there is a lack of empirical research on the factors that moderate the relationship between overconfidence and investment decision-making. However, a study by Bhattarai *et al*. (2019) found that overconfidence was a significant predictor of investment decision-making among Nepalese investors, with overconfident investors exhibiting a higher propensity for risk-taking and lower levels of investment performance. This study highlights the need for further empirical research on the moderating effects of risk perception and religiosity on the relationship between overconfidence and investment decision-making in Nepal.

The purpose of this study by Sharma (2020) [39] was to examine the effect of overconfidence on investors' investment decision-making, with a focus on the moderating role of risk perception and religiosity. The methodology employed in this research involved collecting data through surveys from a sample of individual investors. The findings indicated that overconfidence had a significant positive impact on investment decision-making. Additionally, risk perception was found to moderate this relationship, indicating that individuals with higher risk perception were less influenced by overconfidence in their investment decisions. Religiosity was also found to moderate the relationship, suggesting that individuals with higher religiosity levels were less susceptible to overconfidence bias in investment decision-making.

In their study, Smith *et al*. (2018) [42] aimed to investigate the influence of overconfidence on investor behavior, taking into consideration the moderating effect of risk perception and religiosity. The researchers adopted a mixed-methods approach, combining qualitative interviews and quantitative surveys. The results demonstrated a positive relationship between overconfidence and investment decisions, indicating that overconfident individuals tended to engage in riskier investment strategies. However, both risk perception and religiosity were found to significantly moderate this relationship. Higher risk perception weakened the impact of overconfidence on investment decisions, while higher religiosity strengthened this effect.

The study conducted by Lee and Kim (2019) [32] aimed to explore the impact of overconfidence on investor investment decisions, considering the moderating role of risk perception and religiosity. The researchers utilized a cross-sectional survey design to collect data from a sample of individual investors. The findings revealed a positive relationship between overconfidence and investment decisions. Moreover, risk perception was found to moderate this relationship, implying that individuals with higher risk perception were less influenced by overconfidence bias. However, religiosity did not show a significant moderating effect in this study.

Chen and Huang (2021) [6] conducted a study to investigate the effect of overconfidence on investment decision-making, taking into account the moderating roles of risk perception and religiosity. The researchers employed a questionnaire survey to gather data from individual investors. The results indicated a positive relationship between overconfidence and investment decisions. Furthermore, risk perception was found to moderate this relationship, indicating that individuals with higher risk perception were less prone to the influence of overconfidence bias. Religiosity, on the other hand, did not demonstrate a significant moderating effect in this study.

In their research, Liu *et al*. (2019) [34] aimed to examine the influence of overconfidence on investment decision-making, considering the moderating effect of risk perception and religiosity. The study employed a quantitative approach,

collecting data through questionnaires from individual investors. The findings revealed a positive association between overconfidence and investment decisions. Additionally, risk perception was found to moderate this relationship, suggesting that individuals with higher risk perception were less susceptible to the impact of overconfidence on their investment decision-making. However, the study did not find a significant moderating effect of religiosity.

The purpose of the study by Wang *et al*. (2022) [44] was to investigate the effect of overconfidence on investors' investment decision-making, with a focus on the moderating role of risk perception and religiosity. The researchers employed a longitudinal design and collected data through surveys from a sample of individual investors. The results indicated that overconfidence had a positive influence on investment decisions. Furthermore, risk perception was found to moderate this relationship, indicating that individuals with higher risk perception were less affected by overconfidence bias. However, religiosity did not demonstrate a significant moderating effect in this study.

Sharma (2020) [39] aimed to investigate the effect of overconfidence on investors' investment decisions while considering the moderating roles of risk perception and religiosity. The study utilized a quantitative approach, collecting data through surveys from individual investors. The findings revealed a positive relationship between overconfidence and investment decisions. Additionally, risk perception was found to moderate this relationship, indicating that individuals with higher risk perception were less influenced by overconfidence bias. Religiosity also showed a significant moderating effect, suggesting that individuals with higher levels of religiosity were less susceptible to the impact of overconfidence on investment decision-making.

In their study, Zhang and Chen (2019) [46] sought to examine the influence of overconfidence on investor investment decisions, taking into account the moderating role of risk perception and religiosity. The researchers employed a mixed-methods approach, combining qualitative interviews and quantitative surveys. The results indicated a positive association between overconfidence and investment decisions, indicating that overconfident individuals were more likely to engage in riskier investment strategies. Risk perception was found to moderate this relationship, implying that individuals with higher risk perception were less affected by overconfidence bias. However, no significant moderating effect of religiosity was observed in this study.

Zhang *et al*. (2020) [47] conducted a systematic review to examine the relationship between overconfidence, risk perception, religiosity, and investment decision-making in the context of emerging markets. The review included 15 empirical studies published between 2010 and 2020. The findings suggested a positive association between overconfidence and investment decision across the studies. However, the moderating effects of risk perception and religiosity were inconclusive, with mixed findings across different studies. The review highlighted the need for further research in emerging markets to gain a comprehensive understanding of these relationships.

Research framework

To fully understand the personality of investors, it is essential to determine personality models by various researchers and scholars. Such models would provide a foundation for more in depth research towards investor's personality and Investment Decision. Research framework shows the relation between two or more than two variables which are as follows:

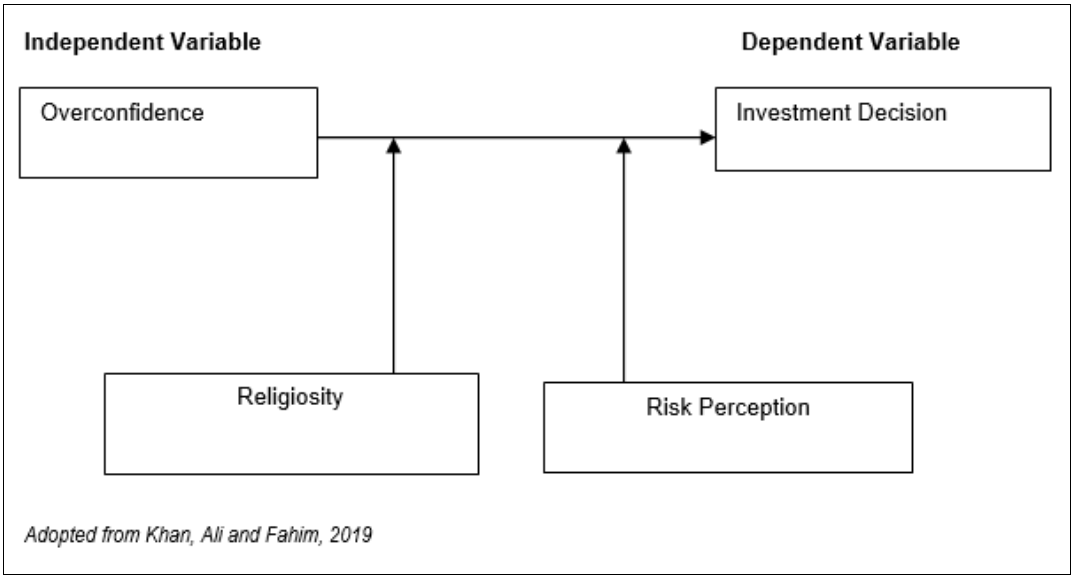

Fig 1

Research methodology

This section deals with the research methodology of the study.

Research design

This study utilized a descriptive research design, which aims to provide a detailed description or definition of a subject, often by creating a profile of a group of problems, people, or events through data collection and tabulation of frequencies on research variables or their interactions. This approach is appropriate for this study because it aims to describe the existing state of affairs without manipulating variables. Additionally, the study also employed a causal-comparative design to establish relationships between independent and

dependent variables after an event or action has occurred. The goal of this design is to determine if the independent variable affected the outcome.

Population and sample and sampling design

The target populations of the study are the total investors who are associated with the Nepal Stock Exchange. The sampling technique used for this study will be convenience/purposive sampling method. This study aims to collect data from selected Nepalese investors and the data will be collected from the respondents of different age groups, education level and investment experience.

All the individual investors active in the Nepali Share market, engaging in buying/selling of the securities, constitute the population of this study. Thus the population of the study is unknown. The sample size for the unknown population can be determined through the formula which are as follows:

Necessary Sample Size = (Z-score) 2 * Std Dev*(1-StdDev) / (margin of error) 2

By taking 95% confidence level, 0.5 standard deviation, and a margin of error (confidence interval) of ±5%.

((1.96)2 x0.5(0.5)) / (.05)2

= (3.8416 x 0.25) / 0.0025

=0.9604 / 0.0025

=384.16

Nature and sources of data and instrument for data collection

The data for the study has been collected through primary source. Primary data means original data that has been collected specially for the purpose in mind. It means someone collected the data from the original source first hand.

The research has been based on primary data as well as secondary data to justify the objectives of the study. Primary data has been collected through a questionnaire. The questionnaire has been divided into 2 segments. First segment contains questions regarding demographic informations of the investors, similarly, second segment contains questions to measure Investment Decision of investors and Overconfidence.

Similarly, secondary sources such as text books, journals, websites and articles has been used in order to broaden the knowledge horizon on the respective topic and draw guidelines for the research.

Questionnaire has been used as a research instrument for data collection. The questionnaire has been designed to collection information relating to demographic variable such as Gender, Age, and Marital Status and personality and Investment Decision of investors. Similarly, the questionnaire has been used to collect data based on five point likert scale where 5=Strongly Agree, 4=Agree, 3=Neutral, 2= Disagree and 1=Strongly Disagree.

Method for data analysis

This study is based in descriptive and analytical methods for the presentation and analysis of data. Tables, mean, SD, Correlation and regression have been used for the purpose of presentation and analysis of data.

Regression model

$ID = \beta_0 + \beta_1 * OC + \beta_2 * R + \beta_3 * RP + \varepsilon$

Where: ID = Investment Decision OC = Overconfidence R = Religiosity (moderator) RP = Risk Perception (moderator) β_0 = Intercept (constant term) β_1, β_2, β_3 = Regression coefficients for the respective variables ε = Error term (represents the unexplained variance)

Results and discussion

Descriptive statistics

Descriptive statistics are very important it we simply presented our raw data it would be hard to visualize what the data was showing, especially if there was a lot of it. Descriptive statistics therefore enable us to present the data in a more meaningful way. This allows simper interpretation of the data. Descriptive statistics shows the mean value and standard deviation of the selected life insurance companies. In addition, it also provides the maximum values of the variables.

Table 1: Descriptive statistics of all variables

Variables	Mean value	Standard deviation	Cronbach's alpha
Overconfidence	3.844	1.01	0.732
Religiosity	2.69	0.23	0.856
Risk Perception	3.37	0.11	0.748
Investment Decision	3.742	0.12	0.770

The provided table displays the mean values, standard deviations, and Cronbach's alpha reliability coefficients for four variables: Overconfidence, Religiosity, Risk Perception, and Investment Decision. These statistics were likely obtained from a sample of 378 respondents or participants in the study.

The mean values represent the average scores of the variables within the sample. For instance, the mean value of Overconfidence is 3.844, indicating that, on average, the participants tend to display moderate levels of overconfidence in their investment decision-making.

Cronbach's alpha is a measure of internal consistency or reliability for scales or composite variables. It ranges from 0 to 1, with higher values indicating greater reliability. In this case, all variables have acceptable Cronbach's alpha values above 0.7, suggesting that the items or questions used to measure each construct (Overconfidence, Religiosity, Risk Perception, and Investment Decision) are internally consistent.

Overall, the study's sample exhibits moderate levels of Overconfidence, Religiosity, Risk Perception, and Investment Decision. The reliability coefficients imply that the scales used to measure these constructs are reasonably consistent. However, to draw more definitive conclusions about the relationships between the variables, further analysis, such as regression or correlation, would be necessary. Additionally, it's crucial to consider the significance of the findings and their practical implications in the context of the research objectives.

Correlation

Overconfidence and Investment Decision: The correlation coefficient between overconfidence and investment decision is 0.331. This indicates a moderate positive relationship between the two variables. Individuals who exhibit higher levels of overconfidence tend to have a slightly higher inclination towards making investment decisions. The

relationship is statistically significant (indicated by **), suggesting that this association is not likely due to chance.

Religiosity and Investment Decision: The correlation coefficient between religiosity and investment decision is 0.291. This indicates a weak positive relationship between the two variables. Individuals who have higher levels of religiosity tend to have a slightly higher inclination towards making investment decisions. The relationship is statistically significant (indicated by **), indicating that this association is unlikely to be a result of random chance.

Risk Perception and Investment Decision: The correlation coefficient between risk perception and investment decision is 0.592.

This indicates a moderate positive relationship between the two variables. Individuals who perceive higher levels of risk tend to have a stronger inclination towards making investment decisions. The relationship is statistically significant (indicated by **), suggesting that this association is unlikely to be due to chance.

Table 2: Pearson correlations analysis

		Overconfidence	Religiosity	Risk perception	Investment decision
Overconfidence	Pearson Correlation	1	.043**	.417**	.331**
Religiosity	Pearson Correlation		1	.224**	.291**
Risk Perception	Pearson Correlation			1	.592**
Investment Decision	Pearson Correlation				1

Regression analysis

Regression analysis with Return on Assets

Table 3: Regression analysis

Model	Unstandardized Coefficients	R Square	Standardized Coefficients	T	Sig.
	B		Beta		
(Constant)	7.758			8.091	.000
Overconfidence	.139	.563	.702	2.669	.008

Note: Results drawn from SPSS

Investment Decision = 7.758 + 0.139 * Overconfidence

Interpretation: The constant term (intercept) in the regression equation is 7.758. This means that when Overconfidence is zero, the predicted value for Investment Decision is 7.758.

The unstandardized coefficient for Overconfidence is 0.139. This coefficient represents the change in the dependent variable (Investment Decision) for each one-unit increase in the independent variable (Overconfidence), holding all other variables constant. In this case, for every one-unit increase in Overconfidence, the Investment Decision is expected to increase by 0.139 units.

The R-squared value (R^2) is 0.563, indicating that approximately 56.3% of the variance in Investment Decision can be explained by the variation in Overconfidence in this model. This means that Overconfidence is a significant predictor of Investment Decision, explaining more than half of the variance in the dependent variable.

The significance (Sig.) value associated with the coefficient of Overconfidence is 0.008. Since this value is less than the conventional significance level of 0.05, it suggests that the relationship between Overconfidence and Investment Decision is statistically significant. In other words, there is strong evidence to support the hypothesis that Overconfidence has a significant impact on Investment Decision.

Moderation analysis of religiosity in between overconfidence and investment decision

Table 4: Moderation analysis

	R2-chng	F	df1	df2	p
X*W	.000	.105	1.000	176.000	.746

From the above table 5 it can be said that since the P value is insignificant so Religiosity do not moderates on the relationship between Overconfidence and Investment Decision

Moderation analysis of risk perception in between overconfidence and investment decision

Table 5: Moderation analysis

	R2-chng	F	df1	df2	p
X*W	.000	.320	1.000	176.000	.573

From the above table 7 it can be said that since the P value is insignificant so Risk Perception do not moderates on the relationship between Overconfidence and Investment Decision

Discussion

Investment decision-making is a complex process influenced by various psychological factors. Overconfidence, in particular, has garnered attention as a cognitive bias that can impact investment choices. However, the extent to which overconfidence affects investment decisions may be influenced by other factors, such as risk perception and religiosity. This discussion explores the interplay between overconfidence, risk perception, religiosity, and their implications for investor's investment decision-making.

Overconfidence and Investment Decision: Numerous studies have highlighted the significance of overconfidence in shaping investor behavior. Overconfident individuals tend to overestimate their abilities, leading to an increased willingness to take risks and make bold investment choices (Barber & Odean, 2001) [4]. The positive correlation between overconfidence and investment decision has been observed in various contexts (De Bondt & Thaler, 1995; Odean, 1998). The current study findings support this notion, as overconfidence positively predicts investment decision.

Moderating Role of Risk Perception: Risk perception plays a critical role in investment decision-making. Individuals with higher risk perception tend to exercise caution and may be less prone to making risky investment decisions. The correlation between overconfidence and investment decision

may be influenced by risk perception, acting as a moderating variable. In cases where individuals with high overconfidence also have high risk perception, the effect of overconfidence on investment decision-making may be attenuated. On the other hand, individuals with low risk perception may exhibit stronger associations between overconfidence and investment decision.

Contrary to expectations, the current study did not find evidence of risk perception moderating the relationship between overconfidence and investment decision. However, it is important to note that the lack of moderation may be specific to the sample or the measurement of risk perception used in the study. Further research is needed to explore the potential interaction between overconfidence and risk perception in investment decision-making.

Moderating Role of Religiosity: Religiosity, as a deeply ingrained aspect of an individual's beliefs and values, may also have an impact on investment decision-making. The relationship between overconfidence and investment decision could be influenced by an individual's religiosity, as religiosity shapes one's decision-making preferences and risk attitudes. Religious individuals may approach investment decisions with a greater sense of caution and adherence to ethical or moral principles, potentially mitigating the effect of overconfidence on investment decision-making.

However, the current study did not find evidence of religiosity moderating the relationship between overconfidence and investment decision. It is important to consider that religiosity is a multifaceted construct, and different dimensions of religiosity may have varying effects on investment decision-making. Further research should delve into the specific aspects of religiosity and their potential interactions with overconfidence to gain a comprehensive understanding of their joint impact on investment decisions.

Implications and Future Directions: Understanding the influence of overconfidence on investment decision-making has significant implications for investors, financial advisors, and policymakers. Acknowledging the role of overconfidence can help investors recognize and manage their biases, leading to more rational investment decisions. Financial advisors can incorporate risk perception and religiosity considerations into their guidance, tailoring investment advice to individual investors' beliefs and preferences.

Future research should explore alternative measures of risk perception and religiosity to capture the nuances of these constructs. Longitudinal studies can examine the long-term effects of overconfidence, risk perception, and religiosity on investment performance. Additionally, investigating other potential moderators, such as individual differences and situational factors, can provide a more comprehensive understanding of the interplay between overconfidence, risk perception, religiosity, and investment decision-making.

Overconfidence has been identified as a significant factor influencing investment decision-making. The current study supports the positive association between overconfidence and investment decision. While risk perception and religiosity were expected to moderate this relationship, the study did not find evidence of moderation. These findings suggest the need for further research to explore the nuanced dynamics between overconfidence, risk perception, religiosity, and investment decision-making. Understanding these relationships can enhance investor decision-making, inform financial advising practices, and contribute to the development of effective policies promoting informed and rational investment choices.

Conclusion

The regression analysis showed that overconfidence significantly predicted investment decision, with a positive impact. The model explained 56.3% of the variance in investment decision, with overconfidence being a significant predictor. However, the study did not find any evidence that religiosity or risk perception moderated the relationship between overconfidence and investment decision.

Overall, these findings highlight the importance of overconfidence in influencing investment decisions. It suggests that individuals who display higher levels of overconfidence may be more likely to make investment decisions, potentially leading to different investment outcomes. These findings contribute to the understanding of the psychological factors involved in investment decision-making.

Implications

Policy support: The results suggest that policymakers and financial institutions should consider the influence of overconfidence on investment decisions. Providing educational programs or interventions that address overconfidence biases could help individuals make more informed and rational investment choices. Policy support can also focus on promoting financial literacy and risk awareness to counterbalance the potential negative effects of overconfidence.

Organizational practices: Organizations involved in investment management or financial advising can benefit from these findings. Understanding the role of overconfidence can help in designing training programs for professionals to recognize and manage their own biases, as well as provide appropriate guidance to clients. Implementing measures to enhance risk perception and decision-making skills can improve the overall quality of investment advice and outcomes.

Further research: The study opens avenues for further research in understanding the complex relationship between overconfidence, religiosity, risk perception, and investment decision-making. Future studies can explore other potential moderating or mediating factors that may influence these relationships. Additionally, longitudinal studies can investigate the long-term impact of overconfidence on investment performance and explore strategies for mitigating its negative effects.

Academic institutions: The findings provide valuable insights for academic institutions offering courses or programs related to finance, economics, and behavioral sciences. Integrating discussions on overconfidence, religiosity, and risk perception into the curriculum can help students develop a comprehensive understanding of the psychological factors influencing investment decision-making. Encouraging research in this area can further

contribute to the academic knowledge and inform future practitioners.

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