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26

THE MODERATING ROLE OF FINANCIAL LITERACY (FINLIT) ON THE INFLUENCE OF BEHAVIORAL FINANCE ON BUSINESS DECISIONS FOR IKM BATIK IN EAST JAVA

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Abstract

Purpose: This study aims to examine and analyze financial literacy (finlit) variables as a moderating relationship between mental accounting, overconfidence, and risk attitudes towards the business decisions of IKM (small and medium industry) batik owners in East Java. **Theoretical framework:** Finlit has a positive influence on the growth of IKM, which is supported by IKM managers in understanding finlit and financial concepts including debt management, interest rates and bookkeeping (Lusimbo & Muturi, 2016). **Design/methodology/approach:** The research sample used is the owner of IKM handmade batik throughout East Java has been registered

with the Ministry of Industry of the Republic of Indonesia in 2017, which is as many as 31 IKM handmade batik. The analysis technique used is MRA. **Findings:** The results shown from this study that there is a relationship between mental accounting, overconfidence, risk attitudes that affect decision making with the moderating variable, namely financial literacy. This proves that good financial literacy is very important for IKM batik owners in East Java to be wise in the decision-making process. **Research, Practical & Social implications:** The implication is this study shows that finlit does not only have a role as a moderating variable on business decisions, but financial literacy is able to shape the behavior of IKM batik owners in East Java in the decision-making process so as to increase profitability. **Originality/value:** The novelty of this research is the object under study is the owner of the batik tulis IKM in East Java and is included in the behavioral finance micro research, meaning that it only examines individual behavior based on their characteristics.

Keywords

Financial literacy; Mental accounting; Overconfidence; Risk attitudes; Behavioral finance micro

RESUMEN

O objetivo deste estudo foi examinar e analisar variáveis de educação financeira como uma relação moderadora entre contabilidade mental, el exceso de confianza y las actitudes de riesgo hacia las decisiones comerciales de los propietarios de batik IKM (pequeña y mediana industria) en Java Oriental. La muestra de investigación utilizada es el propietario del batik tulis de IKM en Java Oriental que se registró en el Ministerio de Industria de la República de Indonesia en 2017, lo que equivale a 31 batik tulis de IKM. La técnica de análisis utilizada es MRA. A novidade desta pesquisa é que o objeto em estudo é o proprietário do batik tulis IKM em East Java e está incluído na micro pesquisa de finanças comportamentais, ou seja, examina apenas o comportamento individual com base em suas características. Os resultados deste estudo indicam que existe uma relação entre contabilidade mental, excesso de confiança e atitudes de risco que afetam a tomada de decisão com variáveis moderadoras e alfabetização financeira. Esto demuestra que una buena educación financiera es muy importante para que los propietarios de batik tulis IKM en Java Oriental sábio no processo de tomada de decisão. La implicación es que este estudio muestra que la educación financiera no solo tiene un papel como variable moderadora en las decisiones comerciales, sino que la educación financiera puede moldear el comportamiento de los propietarios de batik IKM en Java Oriental no processo de tomada de decisão para aumentar a lucratividade.

Palabras clave: educación financiera, contabilidad mental, exceso de confianza, actitudes de riesgo, finanzas conductuales micro

INTRODUCTION

The development of economic information and technological advances make the business world grow more rapidly. All businesspeople, both in the private sector and in the government sector, must be able to compete in a strong and healthy, competitive and open manner with business players from other countries. IKM Batik entrepreneurs must be able to think intelligently in order to properly face the high level of competition so that they can make wise decisions. In addition, as an IKM businessperson, you must also know and study various information obtained related to the business. This research was conducted with the aim of testing and analyzing literacy of financial (finlit) variables as a moderating relationship between mental accounting, overconfidence, risk attitudes towards business decisions of batik IKM owners in East Java.

Literacy of financial ³⁹ is one of the most important factors in business decision making. This is supported by several studies, including (Fatoki & Oni, 2014) which states that financial literacy helps improve behavior such as avoiding excessive debt decisions, besides helping individuals and business owner make better financial decisions managing risk. Finance literacy is very important in the growth of SMEs which is also supported by IKM managers and understands literacy of financial and concepts of financial including management of debt, interest rates and bookkeeping (Lusimbo & Muturi, 2016).

This research focuses on behavior micro finance because behavior finance micro examines the individual classification of batik IKM owners in East Java. According to (Alwisol, 2018) psychology was born as a science that seeks to understand the whole person, which can only be done through an understanding of personality. Psychology can influence a person to invest and get the desired results. Thus, investment analysis which is influenced by psychology and financial science is known as behavioral finance. (Manurung, 2012).

Previous research that examined behavioral finance only discussed irrational factors or only rational thinking in decision making. In addition, research on behavioral finance is mostly focused on companies that have gone public and have complete financial data and reports. For example, research (Shefrin, 2009) identifies various psychological factors in financial decision making or what is called a psychological phenomenon which is divided into three categories including bias, heuristic, and framing effect. The novelty of this research is that the object under study is the owner of the written batik IKM in East Java, the written batik IKM is a small industry that still rarely has financial reports. Behavioral finance discussed in this study is for individuals, namely IKM business owners. This study uses finlit as a moderating variable.

Literacy of financial is very interesting to study because it is related to the emotional level and behavior of individuals. This study discusses individual behavior, namely a businessperson/business owner. Small and medium-sized industrial businesses (IKM) are one of the factors that make an important

contribution and create many job opportunities and greatly help the country's economic growth. Small and medium-sized industries (IKM) also have many advantages, namely as the main pillar of economic development, high employment absorption although it is still not optimal and many fail. The failure is related to how the IKM owners make decisions.

Financial literacy should be given to all businesspeople and individuals, because education in the field of knowledge and financial management is very important. With strong financial literacy, it is hoped that businesspeople and individuals can manage finances effectively and efficiently. Financial behavior is very interesting to study because it is related to the emotional level and behavior of individuals. Grou and Tabak (2008) explains that in making financial decisions, humans must be rational in identifying and using relevant information so that they can make wise and optimal decisions. In addition, because of the information in the market, it causes individuals to process the information they get. Because of these limitations, it encourages individuals to think irrationally, and then behavioral finance emerges.

MATERIALS AND METHODS

Behavioral Finance

Economic scientists began to be interested in researching financial behavior since the 1970s. later, academics developed the science with a more comprehensive model, namely by linking financial theory and psychological theory of human behavior with financial markets (Shiller, 2003). Behavioral finance is the study of how someone responds to available information to make decisions, so as to maximize the rate of return by considering the inherent risk (element of human attitude and action is a determining factor in investing) (Lintner, 1998). For some authors in psychological matters affirm that, the person pursues purchasing behavior based on beliefs, customs, traditions and certain religious cases, therefore, if a service goes against with characteristics (Salazar Raymond et al., 2018). The economic behavior and financial of person is also a result of their ethical and social values (Salazar Raymond et al., 2018).

Behavioral finance according to Ricciardi (2008) that behavioral of finance isn't only about human actions, but about understanding patterns of understanding as well, including the emotional processes that influence the decision-making process. (Hoffmann & Shefrin, 2014) defines behavioral financial as a science that studies psychological phenomena that affect behavior of financial (behavior of practitioners).

Mental Accounting

Mental accounting was first introduced by Thaler in 1999. According to (H. Thaler, 1999) suggests that accounting of mental is a cognitive operation that is used by everyone in managing, evaluating, and tracking financial activities. R. H.

Thaler (2008) argue accounting of mental is a psychological factor where the measurement has a specific purpose. First, it becomes a tool for someone in self-control that makes people think rationally, so that each individual can make wise decisions. Second, it helps someone to see finance problems better but is less efficient, so that there are possibilities that contrary to these two goals, accurate representation may not always make individuals happy in the short term (Prelec & Lowenstein, 1998).

Overconfidence

Overconfidence makes someone too trusting of their knowledge, ignore risks and overestimate ability to control things happen (Nofsinger, 2005). It was empirically proven that the gift is part of the culture of Ecuadorians and constitutes the emotional link to strengthen relationships, especially in the evaluation stage of alternatives, information that allowed micro-enterprises to strengthen the consumer-company relationship through the customization of products (Aguilar Méndez et al., 2022). Ritter (2003) argues that "behavioral financial has two parts: cognitive psychology and boundaries for arbitration". Cognitive psychology is about how a person thinks.

Risk Attitude

The application of the Methodology for the Administration of Risks has begun to contribute to making managers aware of the need to deal with risks objectively, which results in greater efficiency of their entities (Díaz, 2021). Basically in theory of economic suggests that humans is a creature that avoid risk. Avoiding risk is a common attitude for humans, but it is not used for all situations (Tversky & Kahneman, 1991). There is a good or positive relationship between the level of risk and the rate of return expected by investors. Investors who avoid risk (risk averse) think irrationally in taking riskier investment opportunities if they can get a higher rate (Hidayati et al., 2014).

Financial Literacy

Someone who has the ability to make the right decisions regarding finances will have no problems in his finances for the future and can demonstrate healthy financial behavior and be able to prioritize individual needs over wants (Chinen & Endo, 2012). Personal financial literacy is the science of financial concepts (Lusardi & Mitchell, 2008).

Decision Making

Etzioni (2014) argues that decision making is an awareness in human processes, concerning individuals and social phenomena, based on facts and actual things that result in the choice of one behavioral activity that comes from one or more choices. Cost information is vital importance for business management; since

it will allow the best decision making (Sangadah & Kartawidjaja, 2020). Bikas et al. (2013) explains that behavior financial is closer to the analysis of decision making by non-professional investors and allows us to understand and justify the relevance and imported of behavioral finance.

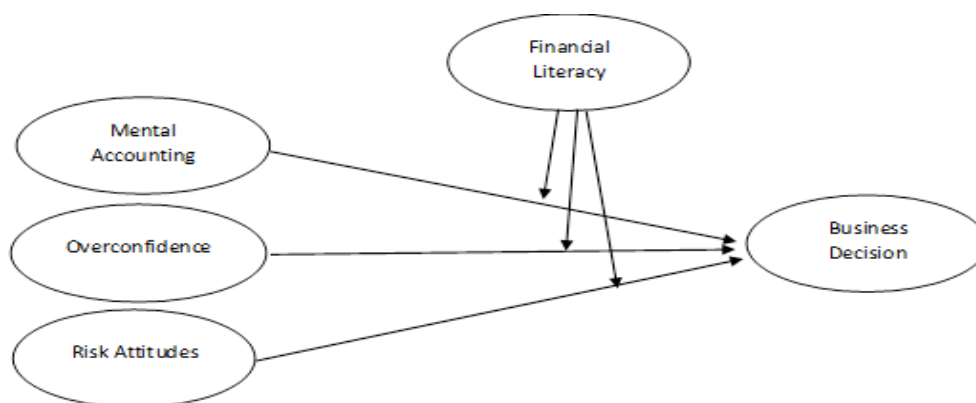


Figure 1. Conceptual framework

The Influence of Mental Accounting, Overconfidence and Risk Attitudes on Batik IKM Business Decision Making in East Java

Widyastuti (1990) argues that an accounting of mental can be seen in investors' habits in classifying their financial system in various accounts base on subjective criteria, for example source of capital and utilization of income. An investor who has mental accounting in making decisions when transacting is an investor who considers the costs and benefits of the decisions taken (Nofsinger, 2005). Business decision-making in this study focuses on business development and operations of handmade batik IKM in East Java. According to Nguyen et al. (2018), that excessive overconfidence can cause investors who dare to make excessive stock transactions, resulting in lower portfolio returns. Betz et al. (2002) argued that level in the risk-taking process or measurement of risk attitudes is highly dependent on acceptance of benefits and risks obtained by the individual, meaning that the level of risk attitude does not really affect the level of working capital invested. on his efforts. Through the explanation above, it can be summarized that first hypothesis is as follows:

H₁: mental accounting, overconfidence, and risk attitudes have a significant effect in IKM business decision making in East Java.

The Role of Financial Literacy in Moderating the Influence between Mental Accounting, Overconfidence and Risk Attitudes on Business Decisions for Batik IKM in East Java

Financial literacy variable is proxied with knowledge finance of management, management of credit, savings and management of investment, and management of risk. Finance literacy is a moderating variable where financial literacy in mental accounting, overconfidence and risk attitude will have a

significant influence in business decision making. Research by Riaz and Iqbal (2015) suggests that the effect of overconfidence on investment decisions is significant (Pradikasari & Isbanah, 2018). Wagland and Taylor (2009) suggests that literacy of financial has a significant effect on decision making. In this description, the second hypothesis used is:

H₂: finance literacy moderates the influence of mental accounting, overconfidence, and risk attitudes on business decision making in IKM Batik Tulis in East Java

RESEARCH METHOD

Based on the preliminary explanation and theoretical study, the object of this research is the owners of IKM handmade batik throughout East Java. The data taken are all owners of IKM handmade batik throughout East Java who have been registered with the Ministry of Industry of the Republic of Indonesia in 2017, there are 31 Batik Tulis IKM.

Data analysis method

The analytical method used is MRA. The MRA model used is as follows:

$$KBIS_1 = a_1 + b_1MACC + b_2OCD + b_3RISK + e_1$$
$$KBIS_2 = a_2 + (b_1MACC + b_2OCD + b_3RISK)FINLIT + e_2$$

Description:

KBIS_i = Business decision / Business decision making (investment decisions & funding decisions)

FINLIT = Financial Literacy (Basic knowledge of management financial, management of credit, savings and investment management, management of risk)

MACC = Mental accounting (cash, accounts receivable, inventory)

OCD = Overconfidence (optimism & self-confidence)

RISK = Risk attitudes (betting on self, capitalizing on opportunities & purchase activity)

Variable operational definition

The operational definition of this research is as follows:

Business Decision is a business choice taken by the IKM owner among one or more of these options to develop his business. The indicators of business decisions in this study are as follows:

- 1) Investment decisions are choices made by IKM business owners in the investment that will be chosen to develop their business.
- 2) Funding decisions are choices that will be made by IKM business owners in obtaining external funds (debt).

Mental accounting is the behavior of business owners in managing finances in making business decisions. Mental accounting indicators in this study include the following:

- 1) Cash is the amount of funds used for the company's operational costs.
- 2) Accounts receivable is the amount of receivables owned by the East Java batik IKM business owner.
- 3) Inventory is a product that is available and that has been produced/produced by East Java batik IKM which will become working capital.

Overconfidence is an attitude that is too optimistic and too daring to take risks or also called excessive self-confidence. Overconfidence indicators in this study include the following:

- 1) Optimism is the belief of an IKM owner in making business decisions.
- 2) Self-confidence is the ability of batik business owners in making business decisions.

Risk Attitudes is the attitude of the owners of batik IKM in East Java in facing risks. Indicators of risk attitudes in this study include the following:

- 1) Betting on self is a character who is willing to bet in a business which is proxied from the low investment security in the form of insurance and hedging.
- 2) Capitalizing on opportunities is the courage to take investment opportunities.
- 3) Purchase activity is an opportunity for the realization of a purchase.

Financial literacy is the level of knowledge that has been obtained by IKM batik owners in East Java, so that they can increase and increase knowledge as a basis for making investment decisions. Risk attitudes indicators in this study include the following:

- 1) Basic knowledge of financial management is a process carried out in managing financial functions effectively and efficiently.
- 2) Credit management is credit management carried out by batik business owners in order to manage credit effectively and efficiently.
- 3) Savings and investment management. Savings management is a process that assists the placement of excess funds owned by a person with the intention of facilitating access to liquidity, financial planning and security. While investment management is a process that helps in the formulation of policies and objectives as well as supervision of investments in order to get a profit.
- 4) Risk management is an activity that is detrimental to the company, that is, the event cannot be predicted by the company.

The population in this research are the owners of IKM Batik Tulis in East Java, where the data used is based on the Ministry of Industry of the Republic of Indonesia in 2017 as many as 31 IKM handmade Batik Tulis. The sampling method used is saturated sampling. The author focuses on hand-drawn batik because so far, batik-makers often improvise in terms of design so that it will affect financial behavior. The creativity of handmade batik craftsmen continues to be demanded to be better and keep up with the times without eliminating the characteristics of

the batik. Handmade batik has one distinct advantage over stamped batik or others. Handmade batik is mostly cultivated by IKM and has a high level of creativity; besides that it also has a certain value based on the results of the batik scratches, and has a better quality.

RESULTS

Analysis results

Hypothesis test

The conclusion from the research of SPSS processing that data the hypothesis and the magnitude of influence of the independent variable on the dependent variable. Hypothesis testing without derating variables seen in Table 1 as follows:

Regression Analysis without moderating variables

The results of the MRA test on mental accounting variables (MACC), overconfidence (OCD) variables and risk attitudes (RISK) variables on business decisions (KBIS). Furthermore, the results of the MRA test on all variables (MACC, OCD, and RISK) seen in Table 1 below:

Table 1. MRA analysis without moderating variables

Variable	Coefficient	Std. Error	t-statistic	Sig.
Constanta	164,853	59,485	2,771	0,10
MACC to KBIS	0,799	0,707	1,131	0,268
OCD to KBIS	1,415	0,633	2,237	0,034
RISK to KBIS	-3,741	1,331	-2,811	0,009
R-Square (R ²)	0,762			
Adjusted R ²	0,736			
F-Statistic	28,882			
Prob (F-Statistic)	0,000			

Source: Processed data, year 2021

Based on Table 1, the following MRA equation is generated:

$$KBIS = 164,853 + 0.799 MACC + 1,415 OCD - 3,741RISK + 59,485$$

Information:

- KBIS = Dependent variable, namely business decision
- MACC = independent variable, namely mental accounting
- OCD = independent variable, namely overconfidence
- RISK = independent variable, namely risk attitude

Based on Table 1, it appears that the independent of variables, namely MACC, OCD and RISK, affect the dependent variable, namely KBIS. In addition, from these

results, that the dominant independent variable is the OCD variable of 1.415.

Regression Analysis with moderating

The results of the MRA test on mental accounting variables (MACC), overconfidence (OCD) and risk attitudes (RISK) variables on business decisions (KBIS) moderated financial literacy (ZFIN). Furthermore, the results of the MRA test on all variables (MACC, OCD, and RISK) moderated by ZFIN can be seen in Table 2 below:

Table 2. MRA analysis with moderating variables

Variable	Coefficient	Std. Error	t-statistic	Sig.
Constanta	79,411	38,307	2,073	
MACC.FINLIT to KBIS	0,821	0,454	1,806	0,082
OCD.FINLIT to KBIS	1,129	0,213	5,298	0,000
RISK.FINLIT to KBIS	-2,453	0,944	-2,597	0,015
R-Square (R ²)	0,744			
Adjusted R ²	0,715			
F-Statistic	26,088			
Prob (F-Statistic)	0,000			

Source: Processed data, year 2021.

Based on Table 2, the following MRA equation is generated:

$$KBIS = 79.411 + 0.821 MACC.FIN + 1.129 OCD.ZFIN - 2.453 RISK.ZFIN + 38.307$$

Information:

- KBIS = Dependent variable, namely business decision
- MACC.ZFIN = The independent variable is mental accounting with the moderating variable is financial literacy
- OCD.ZFIN = The independent variable is overconfidence with the moderating variable is financial literacy
- RISK.ZFIN = The independent variable is risk attitude with the moderating variable is financial literacy

Research results of the MRA above show that the independent variable with the moderating variable MACC.ZFIN, OCD.ZFIN and RISK.ZFIN has a positive effect on the dependent variable, namely BDEC. In addition, from these results, it is known that the dominant variable of independent is OCD.ZFIN variable of 1.129.

DISCUSSION

The influence of mental accounting, overconfidence, risk attitude on business decision making

Mental accounting according to Tversky in Widyastuti (1990) looks at the

possibility of investors segregating their finances into different investments, like as sources of funds and intended use of finances. The results of this study are supported by the mental accounting concept referring to the way investors frame their financial decisions and evaluate their investment decisions (De Bondt & Thaler, 1985) and refer to the way individuals decide current and future assets into separate parts. which cannot be passed (Nofsinger, 2005). Concept provides an overview of the cognitive processes in which a person perceives, categorizes, evaluates, and engages in financial activities. The mental forms of accounting is the process of categorizing as well as labeling. Manifestation is a person grouping expenditures in the budget, distribution of welfare in accounts, and dividing income sources into categories.

The overconfidence variable shows a positive coefficient value of 1.415 with a level significant of 0.034 which is smaller than 0.1. The conclusion that can be drawn is that overconfidence has a significant influence on business decisions, thus optimism and self-confidence affect the decision to develop a business. The results of this research are supported by research from (Nguyen et al., 2018) which states that overconfidence has a significant effect on investor behavior. Excessive self-confidence can cause IKM batik owners to be too bold in making investment decisions and funding decisions, resulting in lower returns. Overconfidence can also cause IKM batik owners to take greater risks.

The risk attitude variable in this study shows a negative coefficient value of 3.741 with a significant level of 0.009 which is smaller than 0.1. The conclusion that can be drawn is that risk attitude has a significant influence on business decisions, because the courage to take business risks does not affect the choice of business decisions, namely, to develop their business or in funding choices. The results of this research are the same as his study (Betz et al., 2002) states that level of risk taking or measurement of risk attitudes (risk attitude) is highly dependent on the individual perceptions of the benefits and risks obtained by individuals, meaning that the level of risk attitude does not significantly affect the level of risk. low working capital invested in the business.

The role of financial literacy moderates mental accounting, overconfidence, and risk attitudes towards business decision making

Results of the mental accounting variable which were moderated simultaneously with the financial literacy variable in this study showed a positive coefficient values 0.821 with a significance of level of 0.082 lower than 0.1. The conclusion that can be drawn is that mental accounting has significant positive effect on business decisions, due to the high ability of managers to manage financial activities related to cash, receivables and inventories and supported by good financial literacy (moderation). develop their business, meaning that understanding financial literacy as a moderation for IKM batik owners in East Java can strengthen their influence on business decisions. So, the IKM batik owners become financially

literate after getting financial literacy. The results of this studies are in line with (Nofsinger, 2005) which states mental accounting affects investment decisions, namely investors who have mental accounting when making decisions when transacting are investor who consider the cost and benefit of the decisions that have been taken.

The overconfidence variable shows a positive coefficient value of 1.129 with a significance level of 0.000 lower than 0.1. The conclusion that can be drawn is that the variable overconfidence with moderated finance literacy variables has a significant positive on business decisions, thus being too optimistic and too daring to take risks with moderated financial literacy can significantly increase their interest in making decisions in developing business. This means that the owners of batik IKM in East Java will remain more careful in deciding on funding and investment actions, because they consider many factors (the ability to understand future prospects) before a decision is made.

The results of this studies are the same as research (Riaz & Iqbal, 2015) who found **overconfidence has a significant effect on investment decisions**. Research results are in accordance with the Prospect Theory where a person acts irrationally, thus making investors feel excessively confident, cause them to overestimate their knowledge and ignore the risks that exist and do not think about the risks that will be obtained later. This is because they feel that the investment made is always profitable, their knowledge and abilities are better than others and are confident in the investment choices made. This shows that investors have **a high level of overconfidence**, so that investors **will be wiser in making investment decisions** (Pradikasari & Isbanah, 2018).

The risk attitudes variable shows a negative coefficient value of 2.453 with a significance level of 0.015 which is greater than 0.1. The conclusion that can be drawn is that risk attitude **has a significant and negative effect on business decisions**. This means that, after obtaining financial literacy, IKM batik owners increasingly understand that the business they have founded is risky, so they need to be protected by insurance or hedging.

The results of the study are the same as Coleman (2007), Susai and Moriyasu (2007) and Ramiah et al. (2016) which states that risk attitude affects investment decisions. More specifically, this study produces findings that risk attitude with indicators: betting on yourself, taking advantage of the opportunities, buying, not afraid to lose and stable returns **have a significant influence on investment decisions** (placement and for working capital). **The effect of risk attitude on investment decisions** (placement of funds for working capital) is significant, meaning that the more daring to take risks, the less working capital invested in the business.

The results of the MRA analysis, namely the role of the financial literacy variable in moderating mental accounting, overconfidence, and risk attitudes are increasingly influential or strengthening the influence **in the objective decision-making process**. That is, the **financial literacy** variable as a moderator will be

strengthened if it is analyzed together or simultaneously.

CONCLUSIONS

This research is a survey research, in which the implementation of the research takes samples from the population through the distribution of questionnaires. Research respondents are IKM handmade batik in East Java, especially batik business in East Java. Respondents were spread throughout the East Java Region, totaling 57 respondents who had met the requirements, then filled out the online questionnaire via google.form. In terms of the type of batik business that is run, the respondents of handmade batik dominate consist of 31 businesses.

Confirmatory factor analysis/CFA test results All statement items are significant in constructing each variable, meaning that the variables of mental accounting (MACC), overconfidence (OCD), risk attitude (RISK), business decisions (KBIS) are valid for measuring the research construct. Meanwhile, the reliability test was obtained from the standard loading and measurement error values and all variables were declared reliable in measuring the research construct.

The results of the classical assumption of normality test, the significant value of all indicators of each variable is between $0.10 > 0.000$, so it can be concluded that all indicators in each of the variables studied are normally distributed. While the results of the multicollinearity test, all indicators of the VIF value are less than 10, meaning that this value can be said to have no multicollinearity problem in the analyzed data. In regression model there is a difference in variance from the existing residual data indicated from the heteroscedasticity test, the result can be stated that overall, the resulting research model does not occur heteroscedasticity violation, meaning that there are no disturbances due to unequal variances.

The influence of each variable which includes mental accounting, overconfidence, and risk attitudes towards business decisions, the following conclusions are obtained.

Mental accounting (MACC) does not affect business decision making (KBIS) for IKM batik in East Java. Overconfidence (OCD) affects business decision making (KBIS) for IKM batik in East Java. Risk attitudes (RISK) influence business decision making (KBIS) for IKM batik in East Java.

6 Financial literacy (FINLIT) does not play a role in moderating the influence of mental accounting (MACC) on business decision making (KBIS) for IKM batik in East Java. The results of this studies are the same as (Nofsinger, 2005). Investors who have mental accounting when making decisions when transacting are investors who weigh the costs and benefits of making decisions.

Financial of literacy (FINLIT) plays a role in moderating the effect of overconfidence (OCD) on business decision making (KBIS) for IKM batik in East Java. 27 The results of this study are the same as by (Krishna et al., 2010) which finds results overconfidence 4 has a significant effect on investment decisions, namely they

will trade stocks excessively by underestimating the risks they will face.

Financial literacy (FINLIT) doesn't play a role in moderating the influence of Risk Attitudes (RISK) on business decision making (KBIS) for IKM batik in East Java. The results of this study are supported by (Krishna et al., 2010) that overconfident has a significant effect on investment decisions, namely they will trade stocks excessively by underestimating the risks they will face. The final results of this study are in line with the results of the study by (Prihastuty, 2018) that having a high level of knowledge does not guarantee a person to be more rational in making decisions.

The variable financial literacy (FINLIT) moderates the relationship between mental accounting (MACC), overconfidence (OCD) and risk attitudes (RISK) towards business decisions (KBIS) for IKM batik in East Java.

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