

HOW OVERCONFIDENCE, BIAS, AND HERDING AFFECT TRADING DECISIONS: THE MODERATING ROLE OF ACCOUNTING KNOWLEDGE

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Abstract

This study examines the influence of Overconfidence Bias and Herding Behavior on stock trading decisions among retail traders on the Indonesia Stock Exchange, with Accounting Information Knowledge as a moderating variable. The study is motivated by the rapid surge in retail investor participation reaching 20.32 million by the end of 2025, with 52.59% under the age of 30 dominating 52-77% of daily transactions, yet exhibiting irrational trading patterns characterized by panic selling, overtrading, and portfolio returns lagging 5% below the benchmark index. The sample consists of fifty-one retail traders who actively trade on the Indonesia Stock Exchange, selected through purposive sampling. Structural Equation Modeling-Partial Least Squares was employed to test the proposed hypotheses. The results indicate that Overconfidence Bias has a positive and significant effect on Trading Decisions, suggesting that higher overconfidence leads to more aggressive and impulsive trading decisions. Herding Behavior has a positive and significant effect on Trading Decisions, indicating that retail traders tend to make market trends, community opinion, and social media sentiment the primary basis for decision-making. However, Accounting Information Knowledge does not moderate the relationship between Overconfidence Bias and Trading Decisions, nor between Herding Behavior and Trading Decisions, indicating a gap between textual understanding of financial information and analytical application in real-time decision-making. The findings suggest that psychological biases dominate retail trading behavior while accounting knowledge remains passive and unable to function as a cognitive filter, highlighting the need for literacy programs that develop analytical skills rather than merely transferring knowledge.

Keywords: Overconfidence Bias, Herding Behavior, Trading Decisions, Accounting Knowledge, Retail Traders

1. Introduction

In 2025, PT Kustodian Sentral Efek Indonesia recorded a surge in retail Single Investor Identification reaching 20.32 million, up 37% from 14.87 million in 2024, with 52.59% under 30 years old dominating 52-77% of daily transactions worth IDR 18-23.89 trillion (KSEI, 2025; CNBC Indonesia, 2025). Generation Z retail investors tend to follow popular stock trends on Stockbit or TikTok, triggering extreme fluctuations. The Jakarta Composite Index collapsed 8% on January 28, 2026, triggering a trading halt due to panic retail selling after the MSCI free float assessment, dropping from 9,134 in January to 6,998 in March, with 804 stocks weakening (CNBC Indonesia, 2026a; CNBC Indonesia, 2026b). Overtrading has soared, resulting in portfolio returns losing 5% annually despite JCI generating 8-10% yearly returns (Kontan, 2025; Pratama et al., 2026).

Under ideal conditions according to Efficient Market Theory (Fama, 1970), traders make decisions based on logical fundamental analysis without emotional influence, using accounting information as "signals" about company prospects (William, 2011). Trading frequency should ideally be low (1-2 times per month) to prevent transaction fees from eroding profits. However, reality differs significantly. Sixty percent of IDX retail investors follow social media trends, and 45% exhibit overconfidence (Sari & Pratama, 2024). Their risk perception remains low, driving speculative behavior despite high risk (Pratama et al., 2026). Excessive trading (3 million times daily) causes violent market swings, with transaction fees reducing profits to 2-3% (CNBC Indonesia, 2026a). Consequently, retail portfolios lose 5% annually while JCI remains profitable, and panic selling triggers JCI declines of 8-22% (CNBC Indonesia, 2025a).

The urgency of this research is driven by several critical factors. First, the surge in retail investor participation to 20.32 million, with 52.59% under 30, has fundamentally altered market structure, yet retail investors actually increase market volatility by 8-22% (CNBC Indonesia, 2026b). Second, the disparity between efficient market predictions and actual outcomes demonstrates that behavioral biases dominate retail trading decisions, with 60% following social media trends and 45% overconfident (Sari & Pratama, 2024). Third, previous research findings remain inconsistent. Pratama et al. (2026) found overconfidence strongly encourages aggressive decisions, while herding showed negative effects. Sari and Pratama (2024) reported both biases reinforce irrational tendencies. Kusumawardhani et al. (2023) found accounting information knowledge and herding significantly affect investment decisions. Fourth, the moderating role of accounting information knowledge in the relationship between behavioral biases and trading decisions remains underexplored. Fifth, the gap between behavioral finance theory and empirical findings necessitates renewed investigation in the post-Q+0 2026 reform era.

Previous research shows significant inconsistencies. Pratama et al. (2026) found overconfidence positively influences speculative investment choices, while herding showed negative effects. Sari and Pratama (2024) reported both biases reinforce irrational tendencies among young traders during social media euphoria. Kusumawardhani et al. (2023) found accounting information knowledge and herding significantly affect investment decisions. However, Wijaya and Susanto (2025) found zero effect of overconfidence on Jakarta traders, likely due to more mature financial literacy. Saputra and Wibisono (2021) reported negative herding effects among experienced traders in Surabaya. These contrasting findings underscore the need to examine the moderating role of accounting information knowledge.

The research gap lies in limited understanding of how overconfidence, bias, and herding influence stock trading decisions among IDX retail traders, particularly considering accounting information knowledge as a moderating variable after the 2026 reforms (Sari & Pratama, 2024; Pratama et al., 2026). Previous studies used general investor samples without distinguishing active traders dominating 52-77% of daily transactions (Wijaya & Susanto, 2025) or ignored empirical moderation tests (Saputra & Wibisono, 2021). Most prior studies relied on simple linear regression without examining interaction effects that could explain inconsistent findings.

The novelty of this research lies in several aspects. First, it focuses on active IDX retail traders dominating 52-77% of daily transactions during the post-Q+0 2026 reform period. Second, it develops an integrative model simultaneously examining overconfidence, bias, and herding on trading decisions. Third, it positions accounting information knowledge

as a moderating variable to examine whether financial literacy can weaken or strengthen behavioral bias relationships. Fourth, it contributes limited empirical evidence on behavioral finance in the Indonesian retail trading context. Fifth, it extends behavioral finance theory application to retail stock trading in Indonesia's distinct market context.

The purpose of this study is to analyze the influence of overconfidence, bias, and herding on stock trading decisions among IDX retail traders, and to evaluate the moderating role of accounting information knowledge. This study aims to provide deeper understanding of how accounting information knowledge can serve as a counterbalance to behavioral biases, helping formulate targeted literacy education programs for young retail traders.

The contribution of this research is multifaceted. Theoretically, it enriches behavioral finance literature by proposing and testing an integrative model linking overconfidence, bias, and herding with trading decisions, incorporating accounting information knowledge as a moderating variable in emerging markets. Practically, it provides actionable insights for regulators, market authorities, and policymakers in designing effective literacy education programs. For the Financial Services Authority and the Indonesia Stock Exchange, the findings support targeted literacy interventions addressing specific behavioral biases among young retail traders. For retail traders, this study provides evidence on how accounting information knowledge can help them make more rational decisions, ultimately improving portfolio returns and reducing extreme market fluctuations due to panic selling and irrational portfolio management.

2. Theoretical Background

2.1 Prospect Theory

Prospect Theory, developed by Kahneman and Tversky (1979), explains that in conditions of uncertainty and risk, individuals do not make rational decisions based on absolute final utility, but rather evaluate choices based on the subjective value of potential gains and losses through the establishment of a reference point (Pratama et al., 2024). This theory underlines the existence of cognitive limitations that obscure the weighting of objective probabilities in financial markets (Kusumawardhani, 2023). Under the pressure of the rapid market transaction cycle, retail traders are susceptible to cognitive distortion, leading them to filter information biased and prioritize emotional impulses over objective mathematical calculations (Chau, 2026). This theoretical landscape underlies the analysis of stock trading decisions in this study, where psychological deviations trigger volatility of impulsive buy or sell execution (Pratama et al., 2024).

Prospect Theory challenges the traditional assumption of rational decision-making in financial markets. According to this theory, individuals exhibit loss aversion, where the pain of losses is psychologically more impactful than the pleasure of equivalent gains. This asymmetry in emotional response leads traders to make decisions that deviate from rational expectations, particularly in volatile market conditions. In the context of retail trading on the Indonesia Stock Exchange, where young investors dominate daily transactions, Prospect Theory provides a robust framework for understanding how cognitive biases such as overconfidence and herding behavior influence trading decisions. The rapid market transaction cycle and the proliferation of social media-based financial information amplify these cognitive distortions, making behavioral analysis increasingly relevant for understanding market dynamics.

2.2 Overconfidence and Stock Trading Decisions

Overconfidence bias is a cognitive bias in which a market participant exaggerates the level of knowledge, prediction capability, and accuracy of his private information to the extreme of the objective market reality, while stock trading decisions are defined as the output of investor behavior that describes the timing of execution and the high frequency of active buying or selling transactions (Sugianto et al., 2024). Based on Prospect Theory, the conceptual relationship between these two variables is realized through misconceptions in the assessment of possibilities according to one's own perception (Pratama et al., 2024). The nature of overconfidence makes the initial benchmark not objective (reference point) of investors, so that they think the profit opportunity is greater than the actual (gains) excessively and underestimate the probability of downside risk (Prabhakar & Varma, 2025). This misperception encourages retail traders to make aggressive transaction decisions and increase the frequency of trades beyond the rational limit (excessive trading) in order to satisfy the illusion of control over stock price movements (Chau, 2026).

Overconfidence bias manifests in several forms in financial markets, including overestimation of one's predictive abilities, overplacement relative to other traders, and overprecision in estimating probabilities. In the context of retail trading on the IDX, overconfidence is particularly prevalent among young traders who have experienced initial success in the market, leading them to attribute gains to skill rather than luck. This bias is amplified by the accessibility of online trading platforms and social media communities that reinforce overconfidence through social validation and confirmation bias. The illusion of control over stock price movements, a key component of overconfidence, drives retail traders to increase their trading frequency beyond rational levels, resulting in excessive transaction costs and reduced portfolio returns.

The positive influence of overconfidence on aggressive trading decisions is strongly supported by research by Armansyah (2022), confirming that overconfidence positively influences investment decisions in the Indonesian capital market. In line with that, Sugianto et al. (2024) in their research found that overconfidence bias has a significant impact that encourages the transaction activities of younger generations of investors. This empirical evidence is also reinforced by Prabhakar and Varma (2025), who state that excessive levels of confidence markedly increase the intensity of speculative trading. When a trader is trapped in the illusion of control and subjectively overly optimistic assessment of the probability of profits, these psychological barriers will linearly collapse his cautious attitude, thus encouraging much more aggressive and speculative stock trading decision-making.

However, empirical findings regarding the relationship between overconfidence and trading decisions remain inconsistent. While Armansyah (2022) and Sugianto et al. (2024) found strong positive effects, Wijaya and Susanto (2025) reported a zero effect on a sample of Jakarta traders, likely due to more mature financial literacy reducing the impact. This inconsistency suggests the presence of moderating factors that influence the relationship between overconfidence and trading decisions, such as accounting information knowledge, which this study aims to investigate. Based on the theoretical thought flow and empirical evidence, the following hypothesis formulation is proposed:

H1: Overconfidence bias has a positive effect on retail traders' stock trading decisions on the IDX.

2.3 Herding Behavior and Stock Trading Decisions

Herding behavior represents the psychological condition of investors who tend to ignore their personal analysis or judgment in order to imitate, duplicate, and follow the collective actions of the majority of market participants, which has direct implications for the reactivity of retail stock trading decisions (Sugianto et al., 2024). In the perspective of Prospect Theory, the conceptual relationship of herding behavior to trading decisions is triggered by the phenomenon of regret aversion (Pratama et al., 2024). When the market is hit by high uncertainty, retail investors experience psychological anxiety and choose to shift their individual reference points towards social reference points (Pratama et al., 2024). Imitating mass decisions is considered the safest cognitive shortcut (heuristic) to mitigate regret if their independent decisions fail, which ultimately triggers reactive mass buy or sell transaction decisions following the momentum of market trends without going through the evaluation of the intrinsic value of the stock (Sibarani & Suparno, 2024).

Herding behavior in financial markets is driven by several underlying mechanisms, including information cascade, reputational concerns, and compensation structures. Information cascade occurs when traders observe the actions of others and infer that those actions reflect superior information, leading them to ignore their own signals. In the context of the Indonesian retail trading market, social media platforms such as Stockbit and TikTok have become primary channels for information cascade, where trending stocks and popular narratives spread rapidly among young investors. Reputational concerns, where traders follow the crowd to avoid the blame for independent decisions that fail, further reinforce herding behavior. The combination of these mechanisms creates self-reinforcing cycles of collective action that can lead to extreme market volatility, as evidenced by the JCI collapse in January 2026.

Kusumawardhani (2023) shows that herding behavior makes a real contribution to determining the direction of student investment decisions. This finding is supported by Hirdinis (2024), who proves that group perception or external influences significantly drive transaction decisions on the stock exchange. In addition, Sibarani and Suparno (2024) through their literature review emphasized that herding bias is the dominant driver for retail investors to carry out mass buying/selling. Retail investors' emotional fear of potential losses or regret from acting differently from the market makes them more likely to use mass actions as cognitive shields, ultimately leading their trading decisions to become highly dependent on reactive group movements.

However, empirical evidence regarding herding behavior in Indonesian markets shows inconsistent patterns. While Sari and Pratama (2024) found that herding and overconfidence both reinforce irrational tendencies in young IDX traders, especially when social media euphoria peaks, Pratama et al. (2026) found that herding actually showed a negative effect indicating relative independence from group pressure. Saputra and Wibisono (2021) reported a negative effect on a group of experienced traders in Surabaya, indicating an experience moderation that has not been fully explored. These contrasting findings suggest the presence of moderating factors that may strengthen or weaken the influence of herding behavior on trading decisions. Based on this line of thought, the following hypothesis formulation was proposed:

H2: Herding behavior has a positive effect on retail traders' stock trading decisions on the IDX.

2.4 Accounting Information Knowledge

Accounting Information Knowledge describes the intellectual capacity of investors in understanding, interpreting, and applying financial accounting data of issuers' financial statements to assess the company's performance (Kusumawardhani, 2023), which is tested as an element that moderates the direct relationship of overconfidence to trading decisions (Chau, 2026). Referring to Prospect Theory, this moderation interaction works through a reality check evaluation mechanism (Chau, 2026). The nature of overconfidence leads traders to make speculative transaction decisions based on distorted expectations of subjective profit probabilities (Prabhakar & Varma, 2025). The presence of strong Accounting Information Knowledge forces traders' common sense to compare these subjective expectations with real financial metrics such as profitability and liquidity (Kuasa & Tjahjono, 2023). This accounting knowledge acts as a cognitive filter that cuts through the illusion of investor control, thus disciplining trading decisions and suppressing reckless trading frequencies (Chau, 2026).

Accounting information knowledge encompasses several key competencies, including the ability to read and interpret financial statements, understand key financial ratios, evaluate company performance through fundamental analysis, and integrate accounting information into investment decisions. In the context of retail trading, accounting knowledge provides traders with the analytical tools to assess whether stock prices reflect underlying fundamentals or are driven by market sentiment. This analytical capacity enables traders to distinguish between genuinely undervalued stocks and those that are temporarily inflated by market hype, thereby reducing the influence of cognitive biases on trading decisions. The development of accounting knowledge is particularly crucial in the Indonesian capital market, where the dominance of young retail traders with limited financial literacy has contributed to extreme market volatility and suboptimal portfolio returns.

2.4.1 Moderating Role on Overconfidence

The mitigation function of accounting knowledge of financial statements against overconfidence is supported by the latest empirical literature. Kuasa and Tjahjono (2023) stated that the level of accounting knowledge significantly affects the objectivity of investment decisions and suppresses cognitive bias. Furthermore, Chau (2026) in his integrated report proves that rich access to accounting information is able to correct trading activities driven by overconfidence. Analysis from Quddoos et al. (2020) also shows that good financial literacy serves as an internal controlling instrument for investors in reducing overtrading behavior (Prabhakar & Varma, 2025). Mastering the analytical capacity over the real financial performance of the issuer will force investors to confront their subjective expectations with the facts of financial data, thus acting as a cognitive balancing tool that is able to weaken the impulse for impulsive transactions due to excessive confidence.

The moderating mechanism operates through several pathways. First, accounting knowledge provides traders with objective benchmarks against which they can evaluate their subjective expectations, reducing the gap between perceived and actual predictive accuracy. Second, accounting knowledge enables traders to conduct systematic analysis of company performance, reducing reliance on heuristic decision-making that characterizes overconfident behavior. Third, accounting knowledge enhances traders' awareness of the limitations of their information and analytical capabilities, promoting

more cautious and measured trading decisions. Based on this line of thought, the following hypothesis formulation was proposed:

H3: Accounting Information Knowledge weakens the relationship of overconfidence bias to retail traders' stock trading decisions on the IDX.

2.4.2 Moderating Role on Herding Behavior

The concept of Accounting Information Knowledge as an analytical capability of financial statements is also tested for its role as a moderation variable to analyze whether the issuer's mastery of fundamental information is able to position retail investors to be independent of the siege of mass trends (Chau, 2026). Based on Prospect Theory, the behavior of herding is activated because investors make mass movements a social reference point due to limited independent information in order to avoid regret aversion (Sibarani & Suparno, 2024). Through the Accounting Information Knowledge function, retail traders are equipped with the ability to translate fundamental signals of financial statements independently (Kusumawardhani, 2023). A strong understanding of the issuer's asset visualization, debt structure, and projected cash flow increases investors' personal cognitive confidence, so they are able to evaluate whether market trends on social media are supported by strong fundamentals or just empty speculation, which ultimately suppresses buy-and-follow trading decisions (Chau, 2026).

The fundamental ability of information literacy in isolating investors from social market pressures is in line with the empirical evidence of different previous research. Rahmawati et al. (2025) stated that mastering the financial literacy and fundamentals of issuers significantly helps reduce cognitive biases that trigger rumor-based trading behavior. Pratama et al. (2024) in their study on Prospect Theory concluded that a rational understanding of financial information is able to shift transaction decisions from just following and being more measurable. These findings are reinforced by Al-Shbiel et al. (2021), who prove that a transparent understanding of accounting information weakens the tendency to herding behavior among investors because it increases the independence of cognitive analysis (Sibarani & Suparno, 2024). The possession of a qualified financial report analytical capacity acts as a strong self-information base for investors, thereby increasing their independence of thinking and weakening psychological dependence to simply follow sentiments or trends that are popular in the market.

The moderating mechanism of accounting knowledge on herding behavior operates through several key pathways. First, accounting knowledge provides traders with independent analytical tools to evaluate stock fundamentals, reducing their reliance on social information and peer opinions. Second, accounting knowledge enhances traders' confidence in their own analysis, enabling them to resist the pressure to conform to market trends. Third, accounting knowledge enables traders to identify whether market trends are supported by fundamental signals or are driven by speculative sentiment, allowing them to make informed decisions that diverge from the herd. Based on this line of thought, the following hypothesis formulation was proposed:

H4: Accounting Information Knowledge weakens the relationship between herding behavior and retail traders' stock trading decisions on the IDX.

3. Methods

3.1 Research Design

This study adopts a quantitative research design with an explanatory approach to examine the influence of overconfidence bias and herding behavior on stock trading

decisions, with accounting information knowledge as a moderating variable. The explanatory research design is employed to test the hypothesized causal relationships between independent variables (overconfidence bias and herding behavior), moderating variable (accounting information knowledge), and dependent variable (stock trading decisions). The quantitative approach is considered appropriate because this study aims to empirically test the proposed hypotheses using statistical analysis of numerical data collected from retail traders in the Indonesian capital market.

A cross-sectional survey approach was employed to collect primary data through structured questionnaires distributed to retail traders who actively trade on the Indonesia Stock Exchange. The cross-sectional design enables the collection of data at a single point in time, providing a snapshot of the relationships between the research variables. The post-positivist epistemological stance is adopted, grounded in the deductive testing of theory-derived hypotheses through statistical analysis.

3.2 Population and Sample

The population of this study includes all retail traders listed on the Stockbit, Ajaib, and RTI platforms, with an estimated 500,000 individuals based on Indonesia Stock Exchange-KSEI 2025 data (KSEI, 2025). The selection of these platforms is based on their popularity among retail traders in Indonesia and their representation of the diverse demographic characteristics of the retail trading community.

The sampling technique employed is purposive sampling, which is appropriate for studies targeting specific populations with defined characteristics. The inclusion criteria for respondents were: (1) active retail traders who have conducted at least one stock transaction on the Indonesia Stock Exchange within the past three months; (2) aged 18 years and above; (3) have experience using trading platforms such as Stockbit, Ajaib, or RTI; and (4) willing to participate in the research by completing the questionnaire completely and accurately. The use of purposive sampling is justified because the study requires respondents who have direct experience with stock trading and are capable of evaluating their own behavioral biases and decision-making processes.

A minimum sample size of 250 respondents was determined following the rule of thumb for Structural Equation Modeling-Partial Least Squares (SEM-PLS) analysis, which requires a minimum of 10 observations per indicator (Hair et al., 2019). With approximately 21 indicators across all constructs, the minimum sample required is 210 respondents. To ensure robustness and account for potential incomplete responses, this study targeted a sample of 250 respondents. The use of primary data obtained through the distribution of questionnaires to traders who trade on the Indonesia Stock Exchange, using Google Form, ensures the collection of relevant and up-to-date information about the research variables.

3.3 Data Collection Techniques

Primary data were collected through a structured online questionnaire distributed via Google Form to retail traders on the Indonesia Stock Exchange. The questionnaire was designed based on validated measurement scales adapted from previous studies and tailored to the Indonesian retail trading context. The data collection procedure involved several sequential steps: (1) questionnaire development based on operational definitions of research variables and adaptation of validated measurement scales from previous studies; (2) content validity assessment through expert judgment to evaluate the clarity, relevance, and comprehensiveness of questionnaire items; (3) revision and refinement of

questionnaire items based on feedback from expert judgment; (4) distribution of questionnaires to target respondents through trading platforms and social media channels (Stockbit, Ajaib, RTI, Telegram groups, and WhatsApp communities); (5) collection and compilation of completed questionnaires; (6) data screening and cleaning to identify and remove incomplete or invalid responses; and (7) coding and tabulation of valid data for statistical analysis.

The questionnaire contains questions related to overconfidence bias, herding behavior, trading decisions, and accounting information knowledge, with the aim of obtaining relevant information about these variables. All constructs were measured using six-point Likert scales (1 = Strongly Disagree; 6 = Strongly Agree) to avoid neutral responses and capture more precise variations in respondents' perceptions. All respondents participated voluntarily, and their responses were treated confidentially and used solely for academic purposes.

3.4 Operational Definition of Variables

The operational definitions of the variables examined in this study are presented in Table 1.

Table 1. Operational Definition and Measurement of Variables

Variable	Definition	Indicators	Scale	References
Stock Trading Decisions (Y)	The timing and frequency of active buy/sell decisions made by retail traders	1. Weekly trading frequency	Likert 1-6	Maydeu-Olivares et al. (2019); Sari & Pratama (2024)
		2. Short-term hold preference		
		3. Signal rapid response		
		4. Disposition effect		
		5. Buy/sell impulse		
Overconfidence Bias (X ₁)	An excess of predictive confidence where traders overestimate their knowledge, prediction capability, and accuracy of private information	1. Self-attribution success	Likert 1-6	Odean (1998); Pratama et al. (2026)
		2. Illusion of control		
		3. Prediction accuracy overestimation		
		4. Excessive trading confidence		
		5. Market timing belief		
		6. Better-than-average		
Herding Behavior (X ₂)	The psychological condition where investors tend to ignore personal analysis to	1. Follow forum recommendation	Likert 1-6	Bikhchandani et al. (1992); Pratama et al. (2026)
		2. Buy rising stocks		
		3. Social media influence		

Variable	Definition	Indicators	Scale	References
	imitate and follow collective actions of the majority	4. Avoid contrarian view 5. Momentum chasing		
Accounting Information Knowledge (M)	The intellectual capacity of investors in understanding, interpreting, and applying financial accounting data of issuers' financial statements	1. Understanding of previous profits 2. Interpretation of liquidity 3. Analysis of stock price valuations 4. Evaluation of asset scales 5. Cash flow projections	Likert 1-6	Kusumawardhani et al. (2023)

Source: Developed for this research (2026)

3.5 Data Analysis Techniques

Data analysis in this study is conducted using Structural Equation Modeling-Partial Least Squares (SEM-PLS) with the assistance of SmartPLS 4.0 software. The analysis stages include:

- 1) Descriptive Statistics: Descriptive statistics are employed to describe the characteristics of the research data, including mean, standard deviation, minimum, and maximum values for all variables examined in the study.
- 2) Measurement Model Evaluation (Outer Model): The measurement model is evaluated to assess the validity and reliability of the constructs. The tests include indicator reliability assessed through outer loadings with values above 0.70 considered acceptable; internal consistency reliability assessed using Cronbach's Alpha and Composite Reliability with values above 0.70 indicating acceptable reliability; convergent validity assessed using Average Variance Extracted with values above 0.50 indicating adequate convergent validity; and discriminant validity assessed using the Fornell-Larcker criterion and Heterotrait-Monotrait ratio with values below 0.85 indicating adequate discriminant validity.
- 3) Structural Model Evaluation (Inner Model): The structural model is evaluated to test the hypothesized relationships between constructs. The evaluation includes collinearity assessment using Variance Inflation Factor with values below 5 indicating no collinearity issues; coefficient of determination to measure the model's predictive accuracy with values of 0.25, 0.50, and 0.75 considered weak, moderate, and substantial; effect size to assess the relative impact of each predictor with values of 0.02, 0.15, and 0.35 indicating small, medium, and large effects; and predictive relevance assessed through blindfolding procedure with values above 0 indicating adequate predictive relevance.

- 4) Structural Model Analysis: The structural model tests direct relationships and moderation as follows:

Model 1: Direct Effects Model

$$\text{Trading Decisions} = \alpha + \beta_1(\text{Overconfidence}) + \beta_2(\text{Herding Behavior}) + \beta_3(\text{Accounting Information Knowledge}) + \varepsilon$$

Model 2: Moderation Effects Model

$$\text{Trading Decisions} = \alpha + \beta_1(\text{Overconfidence}) + \beta_2(\text{Herding Behavior}) + \beta_3(\text{Accounting Information Knowledge}) + \beta_4(\text{Overconfidence} \times \text{Accounting Information Knowledge}) + \beta_5(\text{Herding Behavior} \times \text{Accounting Information Knowledge}) + \varepsilon$$

- 5) Hypothesis Testing: Hypothesis testing is conducted using:
- Bootstrapping procedure with 5,000 resamples to obtain t-statistics and p-values for each path coefficient;
 - t-test to determine the partial effect of each independent variable on trading decisions;
 - Coefficient of Determination (R^2) to determine the model's ability to explain variations in trading decisions;
 - Moderation testing is conducted by examining the significance of the interaction terms between the independent variables and accounting information knowledge.

All hypothesis tests are conducted at a significance level of 5% ($p < 0.05$) with t-statistic > 1.96 , using SmartPLS 4.0 software.

4. Results and Discussion

4.1 Results

Table 2. Descriptive Statistics

Variable	Mean	Median	Min	Max	Std. Dev
Overconfidence Bias	4.310	4.500	2.000	6.000	0.978
Herding Behavior	3.749	4.000	1.000	6.000	1.346
Trading Decisions	3.732	4.000	1.000	6.000	1.380
Accounting Information Knowledge	4.648	5.000	1.000	6.000	1.060

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 2 presents the descriptive statistics for all variables examined in this study. Overconfidence Bias has the highest average value of 4.310 with a standard deviation of 0.978, indicating that respondents tend to exhibit moderate to high levels of overconfidence. Herding Behavior has an average value of 3.749 with a standard deviation of 1.346, suggesting moderate levels of herding tendency among retail traders. Trading Decisions show an average value of 3.732 with a standard deviation of 1.380, indicating that trading decisions are relatively varied among respondents. Accounting Information Knowledge has the highest mean value of 4.648 with a standard deviation of 1.060, suggesting that respondents generally have a good understanding of accounting information.

Based on a descriptive analysis with 43 statement items and 51 respondents, the highest average value for Overconfidence Bias is on the OB7 indicator of 4.608 with the statement "I am confident to increase the trading volume when I see an opportunity" with a standard deviation of 0.865, while the lowest average value on the OB11 indicator is 3.784 with the statement "I feel that my trading ability is above other investors" with a standard deviation of 1.275. From these results, it can be concluded that respondents are

more confident to increase trading volume when they see opportunities, not in the form of self-assessment that feels superior to other investors.

Herding Behavior has the highest average value in the HB10 indicator of 4.196 with the statement "I follow the movement of stock prices that are trending in the market" with a standard deviation of 1.237, while the lowest average value in the HB7 indicator is 3.373 with the statement "I feel uncomfortable if my investment position is different from the majority of traders" with a standard deviation of 1.283. From these results, it can be concluded that the tendency to follow trending stocks in the market is more dominant, and is strengthened by the lowest statement of discomfort to differ from the majority of relatively lower traders.

The highest average Trading Decision is on the KT7 indicator of 4.255 with the statement "I tend to hold stocks that have losses so as not to realize the loss" with a standard deviation of 1.064, while the lowest average value on the KT3 indicator is 3.373 with the statement "I rarely hold shares for more than one week" with a standard deviation of 1.521. From these results, it can be concluded that respondents' trading decisions show a tendency to behavior that is not completely rational, characterized by the high habit of holding stocks that have suffered losses so that losses have not been realized. Meanwhile, the habit of holding stocks for less than one week is relatively not dominant, so the pattern of respondents' trading decisions tends to vary and is still influenced by psychological factors.

Accounting Information Knowledge has the highest average value on the AIK1 indicator of 4.824 with the statement "I understand the net profit information in the company's financial statements" with a standard deviation of 1.042, while the lowest average value on the AIK6 indicator is 4.549 with the statement "I can use the financial statements to assess the company's condition" with a standard deviation of 1.177. From these results, it can be concluded that respondents have a fairly high level of Accounting Knowledge, especially in understanding the company's net profit information, but the ability to use financial statements as a basis for assessing the company's condition is still relatively low, thus showing that the respondents' accounting understanding is not fully analytical and comprehensive.

Table 3. Convergent Validity Test Results

Variable	Indicator	Loading Factor	AVE	Result
Overconfidence Bias	OB1	0.827	0.683	Valid
	OB3	0.811		
	OB4	0.835		
	OB5	0.798		
	OB6	0.832		
	OB8	0.804		
	OB9	0.821		
	OB10	0.815		
	OB11	0.788		
	OB12	0.793		
Herding Behavior	HB1	0.861	0.752	Valid
	HB2	0.847		
	HB3	0.839		
	HB4	0.852		

Variable	Indicator	Loading Factor	AVE	Result
	HB5	0.868		
	HB6	0.844		
	HB7	0.853		
	HB8	0.862		
	HB9	0.861		
	HB10	0.856		
Trading Decisions	KT1	0.872	0.761	Valid
	KT2	0.861		
	KT4	0.868		
	KT5	0.872		
	KT6	0.879		
	KT9	0.861		
Accounting Information Knowledge	AIK1	0.868	0.760	Valid
	AIK2	0.875		
	AIK3	0.862		
	AIK4	0.866		
	AIK5	0.873		
	AIK6	0.865		
	AIK7	0.871		
	AIK8	0.872		
	AIK9	0.868		
	AIK10	0.872		
	AIK11	0.870		

Source: Data processed by researchers (SmartPLS 4.0), 2026

From the Convergent Validity test results in Table 3, there are several indicators that have a loading factor value less than 0.70 so they must be excluded from the model. Some of these indicators are among the Overconfidence Bias variable, namely the OB2 indicator with the statement "I am proud of my ability to read the market" and the OB7 indicator "I am confident to increase the trading volume when I see an opportunity." Meanwhile, in the Trading Decisions variable, there are 3 indicators, namely the KT7 indicator "I tend to hold losing stocks so as not to realize these losses," the KT8 indicator "I find it difficult to sell losing stocks even though they have the potential to fall further," and finally the KT10 indicator "My trading decisions are sometimes made without an in-depth analysis." After the removal and testing of the Convergent Validity test again, all indicators show values above 0.70 so that all other indicators pass the Convergent Validity test. The AVE values for all variables are greater than 0.5, indicating that there are no convergent validity issues in the models tested in this study. In other words, all variables used in this study are declared valid.

Table 4. Discriminant Validity - Fornell-Larcker Criterion

	Accounting Information Knowledge	Herding Behavior	Trading Decisions	Overconfidence Bias
Accounting Information Knowledge	0.872			

Herding Behavior	0.392	0.867		
Trading Decisions	0.533	0.828	0.872	
Overconfidence Bias	0.624	0.484	0.660	0.827

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 4 presents the Fornell-Larcker criterion for discriminant validity. The results show that the square root of AVE for each construct (diagonal values) is higher than the correlations between constructs (off-diagonal values). This confirms that each construct is empirically distinct and there is no discriminant validity problem in the model.

Table 5. Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability (rho_c)	Result
Accounting Information Knowledge	0.968	0.972	Reliable
Herding Behavior	0.963	0.968	Reliable
Trading Decisions	0.947	0.957	Reliable
Overconfidence Bias	0.948	0.956	Reliable

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 5 shows the reliability test results. The composite reliability test for all variables shows Cronbach's Alpha and Composite Reliability (rho_c) values above 0.7, meaning that all variables have good reliability and no reliability/unidimensionality problems were found in the model formed.

Table 6. R-Square and Q-Square

Variable	R-Square	Adjusted R-Square	Q-Square
Trading Decisions	0.782	0.763	0.273

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 6 presents the R-Square and Q-Square values. Testing the structure of the model (inner model) shows that Trading Decisions can be explained by the variables Overconfidence Bias and Herding Behavior, with Accounting Information Knowledge as the moderation variable. At an Adjusted R-Square value of 0.763, this means that all exogenous variables Overconfidence Bias and Herding Behavior affect Trading Decisions by 76.3% and the remaining 23.7% are influenced by factors other than the study. Since it has an Adjusted R-Square value of 76.3%, the influence of all exogenous variables falls into the category of strong models.

The Prediction Relevance Test (Q-Square) found that the value of Q-Square was 0.273 or 27.3%. This result is greater than 0, which indicates evidence that the observed value has been well reconstructed, so that the model has predictive relevance. The resulting Goodness of Fit (GoF) score is 0.523, which is greater than 0.38, indicating that the degree of suitability between the inner and outer models has a large degree of feasibility. This means that the model has a good ability to explain the data and make predictions, so that overall the model formed is declared feasible.

Table 7. Hypothesis Testing Results

Hypothesis	Path	Original Sample (O)	T-Statistics	P-Values	Result
H1	Overconfidence Bias → Trading Decisions	0.699	6.058	0.000	Supported

Hypothesis	Path	Original Sample (O)	T-Statistics	P-Values	Result
H2	Herding Behavior → Trading Decisions	0.327	2.353	0.009	Supported
H3	Accounting Information Knowledge × Overconfidence Bias → Trading Decisions	-0.062	0.745	0.228	Not Supported
H4	Accounting Information Knowledge × Herding Behavior → Trading Decisions	-0.059	0.464	0.321	Not Supported

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 7 presents the hypothesis testing results. The test results showed the effect of Overconfidence Bias on Trading Decisions showing a parameter coefficient value (Original Sample) of 0.699 with a t-statistical value of 6.058 (> 1.96) and a P-value of 0.000 (< 0.05). These results show that Overconfidence Bias has a positive and significant effect on retail traders' stock trading decisions on the IDX. Thus, the first hypothesis (H1) that states that Overconfidence Bias has a positive effect on stock trading decisions is accepted.

Then the test results for the effect of Herding Behavior on Trading Decisions showed an Original Sample coefficient value of 0.327 with a t-statistical value of 2.353 (> 1.96) and a P-value of 0.009 (< 0.05). This proves that Herding Behavior has a positive and significant influence on stock trading decisions. Therefore, the second hypothesis (H2) which states that Herding Behavior has a positive effect on stock trading decisions is accepted.

To test the role of moderation, the results of the interaction between Accounting Information Knowledge and Overconfidence Bias resulted in an Original Sample coefficient value of -0.062. Although the direction is negative (according to the direction of the mitigating hypothesis), the t-statistical value obtained is only 0.745 (< 1.96) with a P-value of 0.228 (> 0.05). Because the P-value value is greater than the significance level of 5%, this relationship is declared insignificant. Thus, the third hypothesis (H3) which states that Accounting Information Knowledge weakens the relationship of Overconfidence Bias to stock trading decisions is rejected.

Furthermore, testing the effect of Accounting Information Knowledge moderation on the relationship between Herding Behavior and Trading Decisions showed an Original Sample coefficient value of -0.059 with a t-statistical value of 0.464 (< 1.96) and a P-value of 0.321 (> 0.05). Given the P-value > 0.05 , it can be concluded that the effect of these interactions is not significant. Therefore, the fourth hypothesis (H4) which states that Accounting Information Knowledge weakens the relationship between Herding Behavior and stock trading decisions is rejected.

4.2 Discussion

4.2.1 Overconfidence Bias Affects Trading Decisions

The hypothesis testing results indicate that Overconfidence Bias has a significant positive effect on Trading Decisions, with a coefficient value of 0.699 and a probability value of 0.000, indicating that H1 is accepted. This finding suggests that the higher the

trader's overconfidence, the more aggressive the trading decisions will be taken, both in terms of transaction frequency and the courage to increase trading volume when seeing market opportunities. This result directly answers the first research objective, which is to prove whether Overconfidence Bias can drive the intensity of trading decision-making.

This finding can be explained by traders' tendency to overestimate their analytical abilities, prediction accuracy, and control over stock price movements. In the context of a fast-moving market full of uncertainty, overconfident traders tend to perceive market signals as definitely profitable opportunities, making it easier for them to make impulsive trades. This condition is also in line with the descriptive findings of the study, where the highest indicator of overconfidence actually appears in the belief to increase trading volume when seeing opportunities, not in the feeling that one is superior to other investors. This means that the overconfidence in the respondents appears more in the form of the illusion of control and the courage to act, rather than just declarative self-superiority.

Theoretically, these results are consistent with Prospect Theory, which explains that individuals in risk conditions are not always rational, but rather are influenced by subjective perceptions of profit and loss opportunities. Overconfidence forms an overly optimistic reference point, so the probability of profit is seen as greater than reality and the risk of loss is underestimated (Kahneman & Tversky, 1979). These findings are also consistent with Pratama et al. (2026) and Sari and Pratama (2024), who both found that Overconfidence drives speculative investment decisions in young investors. However, these results are not entirely in line with Wijaya and Susanto (2025) who found an insignificant influence, so it can be interpreted that the effect of Overconfidence is stronger in retail traders who are active, young, and in a market ecosystem that is heavily influenced by volatility and instant information.

4.2.2 Herding Behavior Affects Trading Decisions

The hypothesis testing results indicate that Herding Behavior has a significant positive effect on Trading Decisions, with a coefficient value of 0.327 and a probability value of 0.009, indicating that H2 is accepted. These findings explicitly answer the second research objective, which is to test whether the tendency to follow the actions of the majority of market participants actually influences trading decisions. The coefficient value of 0.699 for Overconfidence Bias is larger than the coefficient value of 0.327 for Herding Behavior, indicating that Overconfidence Bias is more dominant in shaping respondents' trading behavior compared to Herding Behavior.

These results show that retail traders tend to make market trends, community opinion, and social media sentiment the primary basis for decision-making. In uncertain market conditions, following the masses is considered a safer strategy than making decisions independently. Traders not only pursue information but also seek a sense of psychological security from collective decisions, so trading decisions are driven more by price momentum and social euphoria than fundamental evaluations. Descriptive findings showing a high tendency to follow trending stocks reinforce this explanation, as the herding that emerges here is closer to momentum chasing behavior than a psychological fear of being different from the majority.

Within the framework of Prospect Theory, investors are more sensitive to potential losses and regrets, so the decision to follow the majority is a shortcut to avoid regret (Kahneman & Tversky, 1979). In the framework of informational cascades, group actions are treated as signals of information that are considered valid, although not necessarily

supported by independent analysis (Bikhchandani et al., 1992). These results are consistent with Sari and Pratama (2024) and Kusumawardhani et al. (2023), which also show that Herding drives retail investment decisions. However, this finding is different from Saputra and Wibisono (2021) who reported weaker or even negative results in experienced traders, so it can be concluded that in the context of IDX retail traders, herding is still the dominant pattern due to low analytical independence and high exposure to digital market sentiment.

4.2.3 Accounting Information Knowledge Does Not Moderate the Relationship between Overconfidence Bias and Trading Decisions

The hypothesis testing results indicate that Accounting Information Knowledge does not moderate the relationship between Overconfidence Bias and Trading Decisions, with an interaction coefficient of -0.062 and a probability value of 0.228, indicating that H3 is rejected. This finding suggests that Accounting Information Knowledge is not able to weaken the influence of Overconfidence Bias on stock trading decisions. These findings directly answer the third research objective, which is to test whether accounting knowledge can serve as a holding mechanism against overconfidence-driven trading decisions. Because the results of moderation were not significant, it can be concluded that the respondents' accounting knowledge was not effective enough to correct the psychological impulse of overconfidence.

This failure of moderation indicates a gap between textual knowledge and applicability. Respondents did admit to understanding net income information and financial statements, but this understanding was not necessarily used as a basis for rational evaluation when they were in an emotional state or driven by excessive belief. In other words, accounting knowledge stops more at the declarative level, not yet an analytical tool that actually works as a cognitive filter. This explains why traders remain aggressive despite having a fairly high level of accounting knowledge.

These findings reinforce the concept of Bounded Rationality, which is the idea that individuals have limitations in processing complex information, especially when it comes to making quick decisions in a dynamic market (Simon, 1972). Under such conditions, knowledge does not automatically turn into behavioral control. These findings are inconsistent with Kuasa and Tjahjono (2023), Chau (2026), and Quddoos et al. (2020) who emphasize that accounting knowledge or financial literacy can suppress overtrading. This discrepancy is important academically because it shows that for IDX retail traders, the main problem is no longer just the availability of information, but the ability to turn information into a disciplined decision consideration and resistant to psychological bias.

4.2.4 Accounting Information Knowledge Does Not Moderate the Relationship between Herding Behavior and Trading Decisions

The hypothesis testing results indicate that Accounting Information Knowledge does not moderate the relationship between Herding Behavior and Trading Decisions, with an interaction coefficient of -0.059 and a probability value of 0.321, indicating that H4 is rejected. These findings answer the fourth research objective, which is to test whether accounting knowledge can break the tendency to follow the actions of the majority. Because the interaction between the two is not significant, accounting knowledge has not yet functioned as a balancing factor that is able to withstand market social pressure.

This condition shows that even though traders understand financial statement information, they still tend to follow the trend of popular stocks. This means that

fundamental knowledge is not strong enough to shift the social reference points formed from social media, discussion forums, and the behavior of the majority of other traders. In this context, herding is driven more by the influence of a very fast and repetitive information environment, so that accounting knowledge becomes outsmarted by more accessible and more emotional social signals. These findings are also supported by descriptive data showing that respondents are stronger on the tendency to follow trending stocks than on discomfort when different from the majority.

These results confirm the limitations of Prospect Theory in the modern context influenced by the digital ecosystem. Investors not only make decisions based on gain-loss evaluations, but also based on social pressures and tendencies to follow the most dominant information flows. These results are in line with the view that accounting information is not always effective if it is only partially understood, not analytically applied in real-time decision-making. These findings are inconsistent with Rahmawati et al. (2025), Pratama et al. (2024), and Al-Shbiel et al. (2021) who suggest that financial literacy can reduce herding. However, this inconsistency actually enriches academic interpretation, as it shows that in a market heavily influenced by social media and fast commerce, the ability to understand financial statements is not necessarily enough to resist follow-up behavior.

5. Conclusion

This study examines the influence of Overconfidence Bias and Herding Behavior on stock trading decisions among retail traders on the Indonesia Stock Exchange, with Accounting Information Knowledge as a moderating variable. Drawing upon Prospect Theory and Behavioral Finance literature, this study investigates how cognitive biases and social psychological factors shape retail trading behavior in the Indonesian capital market. The sample consists of 51 retail traders who actively trade on the Indonesia Stock Exchange, selected through purposive sampling. Structural Equation Modeling-Partial Least Squares was employed to test the proposed hypotheses.

The results indicate that Overconfidence Bias has a positive and significant effect on Trading Decisions, suggesting that the higher the trader's overconfidence, the more aggressive the trading decisions will be taken, both in terms of transaction frequency and the courage to increase trading volume when seeing market opportunities. This finding is consistent with Prospect Theory, which explains that individuals in risk conditions are influenced by subjective perceptions of profit and loss opportunities, where overconfidence forms an overly optimistic reference point, so the probability of profit is seen as greater than reality and the risk of loss is underestimated.

Herding Behavior has a positive and significant effect on Trading Decisions, indicating that retail traders tend to make market trends, community opinion, and social media sentiment the primary basis for decision-making. In uncertain market conditions, following the masses is considered a safer strategy than making decisions independently. The stronger coefficient than overconfidence shows that herding is a more dominant factor in shaping respondents' trading behavior. Within the framework of Prospect Theory, investors are more sensitive to potential losses and regrets, so the decision to follow the majority is a shortcut to avoid regret, while in the framework of informational cascades, group actions are treated as signals of information that are considered valid.

Accounting Information Knowledge does not moderate the relationship between Overconfidence Bias and Trading Decisions, indicating that accounting knowledge is not able to weaken the influence of Overconfidence Bias on stock trading decisions. This

failure of moderation indicates a gap between textual knowledge and applicability. Respondents admitted to understanding net income information and financial statements, but this understanding was not necessarily used as a basis for rational evaluation when they were in an emotional state or driven by excessive belief. In other words, accounting knowledge stops more at the declarative level, not yet an analytical tool that actually works as a cognitive filter.

Accounting Information Knowledge does not moderate the relationship between Herding Behavior and Trading Decisions, suggesting that accounting knowledge has not yet functioned as a balancing factor that is able to withstand market social pressure. Even though traders understand financial statement information, they still tend to follow the trend of popular stocks. This means that fundamental knowledge is not strong enough to shift the social reference points formed from social media, discussion forums, and the behavior of the majority of other traders. In this context, herding is driven more by the influence of a very fast and repetitive information environment, so that accounting knowledge becomes outsmarted by more accessible and more emotional social signals.

The theoretical implications of this study contribute to the development of the behavioral finance literature, especially in expanding the scope of Prospect Theory and the principle of Bounded Rationality in the post-reform emerging market context. The finding that Overconfidence Bias and Herding Behavior dominate Trading Decisions reinforces the validity of Prospect Theory that retail investors do not act rationally in line with the hypothesis of efficient markets, but rather use cognitive shortcuts when dealing with uncertainty. The most recent theoretical contribution lies in the malfunction of Accounting Information Knowledge moderation, providing a new explanation that expands on Signaling Theory: in an era of market digitalization where the trading cycle is accelerated, a "signal" of financial statements is no longer effective if it is only understood in surface-level knowledge.

From a practical perspective, this study provides actionable insights for regulators, market authorities, financial educators, and retail traders. For the Financial Services Authority and the Indonesia Stock Exchange, the findings provide empirical evidence that Overconfidence Bias and Herding Behavior significantly influence Trading Decisions, suggesting that literacy programs should specifically target these behavioral biases rather than simply providing general financial education. The non-significant moderation effects of Accounting Information Knowledge indicate that literacy programs should focus not only on knowledge transfer but also on developing analytical skills and disciplined decision-making processes. For retail traders, the findings provide awareness of the psychological biases that influence their trading decisions, encouraging them to shift their focus from simply reading surface net profit figures to comprehensive fundamental analysis training and the discipline of implementing a trading plan to mitigate the psychological effects of the disposition effect. For public companies, the findings imply that issuers need to change their investor relations strategy by presenting financial performance summaries, asset visualizations, and cash flow projections in the form of infographics or short-videos that are easily digestible on digital platforms, so that valid accounting information can compete with rumors on social media.

This study has several limitations that should be acknowledged. First, the study relies on self-reported data collected through questionnaires, which may be subject to social desirability bias and common method bias. Second, the study adopts a cross-sectional design, which limits the ability to establish causal relationships between variables. Third, the study focuses on retail traders in the Indonesian capital market, which may limit the

generalizability of the findings to other markets or investor types. Fourth, the study uses a relatively small sample size of 51 respondents, which may limit the statistical power of the analysis and the generalizability of the findings. Fifth, data collection was only carried out within three weeks, starting from May 6, 2026, so the space for researchers to expand the reach of respondents is limited. Sixth, the operationalization of variables still uses certain indicators or proxies, so some research constructs, particularly Accounting Information Knowledge and Trading Decisions, have not been able to comprehensively represent all relevant dimensions.

Future research should extend the data collection period so that the respondent search process can be carried out more broadly and obtain a more representative sample with diverse characteristics. Researchers should use more comprehensive measurement of variables and not rely solely on specific proxies, with the development of indicators especially in the construction of Accounting Information Knowledge and Trading Decisions to capture a more complete conceptual dimension. Future studies should employ mixed-method approaches, such as combining surveys with behavioral data from trading platforms or interviews, to provide more objective and rich insights into retail investors' trading behavior. Researchers should also consider using secondary data from trading platforms to validate self-reported measures. Finally, future research could employ longitudinal designs to examine how the relationships between Overconfidence Bias, Herding Behavior, and Trading Decisions evolve over time and across different market conditions.

In conclusion, this study contributes to the growing body of literature on behavioral finance and retail trading behavior in emerging markets. The findings suggest that psychological biases particularly Overconfidence Bias and Herding Behavior are the dominant forces shaping retail trading decisions on the Indonesia Stock Exchange, while Accounting Information Knowledge fails to moderate these relationships due to the gap between textual understanding and analytical application. As retail investors increasingly dominate daily transactions on the IDX, understanding the mechanisms through which cognitive biases influence trading behavior becomes increasingly important for developing effective literacy programs, designing structural interventions, and promoting market stability in the Indonesian capital market.

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