Enhancing Investment Decision Making through Financial Management Behaviour: The Moderating Role of Digital Financial Literacy

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Abstract. This study aims to determine the influence of financial management behaviour on investment decisions and the moderating role of digital financial literacy in this relationship. This study used an explanatory survey method. The population in this study is MSMEs in Bandung. By using the non-probability sampling type, namely convenience sampling, involving 192 respondents as the sample. Data collection was conducted using a questionnaire that had previously been tested for validity and reliability. Furthermore, this study employed descriptive analysis and moderated regression analysis. The results indicate that financial behaviour influences investment decisions. Furthermore, the results show that digital financial literacy moderates financial management behaviour, which influences investment decisions. With sound financial management practices, MSMEs can make optimal investment decisions when they have strong digital financial literacy. This research can serve as a basis for government policy to develop good financial management behaviour as part of efforts to improve community or individual welfare through investment.

Keywords: Investment Decision Making, Financial Management Behaviour, Digital Financial Literacy.

1 INTRODUCTION

Rapid technological advancement has significantly impacted all sectors, including MSMEs, leading to substantial transformations in how they access and manage financial resources. The digitalisation of financial services has opened broader investment opportunities, requiring MSMEs to possess adequate financial management capabilities and a solid understanding of investment principles to make careful and rational decisions (1). Based on the Theory of Planned Behaviour, individual behaviour is driven by intentions influenced by attitudes, subjective norms, and perceived behavioural control, which in financial contexts is reflected in financial management behaviour such as consumption, cash flow, debt, savings, and investment management. Individuals with stronger financial management behaviour tend to demonstrate greater discipline and

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self-control, enabling more rational, structured investment decisions. However, many MSMEs still face difficulties in managing finances effectively and tend to make suboptimal decisions due to low financial discipline (2), despite prior studies generally confirming the positive influence of financial behaviour on investment decisions (3), (4), with some inconsistent findings (5).

Furthermore, although digital financial platforms are widely available, many MSMEs struggle to utilise them effectively due to limited understanding and trust in digital financial technology. Digital financial literacy plays an important role in facilitating access to financial information and improving investment decision-making (6), (7), (8), and influence financial outcomes (9). However, investment decisions are complex and influenced not only by rational evaluation but also by behavioural factors such as emotions and self-control (10), (11) which are reflected in financial management practices (12), (13). In the digital era, digital financial literacy is essential for improving financial inclusion and decision quality (14), (15), (16), and is generally associated with better investment behavior (17), (18). Nevertheless, limited studies have specifically examined digital financial literacy as a moderating variable, particularly in MSMEs within developing countries. Therefore, this study aims to analyse the effect of financial management behaviour on investment decisions and examine the moderating role of digital financial literacy. The novelty of this study lies in demonstrating that digital financial literacy may not always strengthen decision-making but, paradoxically, can weaken the influence of financial behaviour. This study contributes by offering a more nuanced perspective on financial decision-making by integrating behavioural finance and digital capability frameworks.

2 Research Methods

This study employed a survey approach with a population consisting of MSME actors in Bandung who have operated their businesses for more than one year. A convenience sampling technique was used, resulting in a sample of 192 respondents. The independent variable is financial management behaviour, which includes consumption, cash flow management, debt management, savings, and investment. The moderating variable is digital financial literacy, measured through knowledge, experience, risk awareness, and skills in managing digital financial activities. The dependent variable is the investment decision, assessed based on risk, return, and time considerations. Data were collected using a structured questionnaire that had been tested for validity and reliability. The analysis involved descriptive statistics and moderated regression analysis (MRA), preceded by classical assumption tests for normality, multicollinearity, and heteroscedasticity to ensure the robustness of the regression model.

3 Results And Discussion

3.1 Result

Profile respondents in study This known part big women (128 people or 66.67%), while 64 people (33.33%) were men.

Table 1. Summary of Descriptive Statistics

Variable	Mean	Highest	Lowest	Low Criteria (%)	Medium Criteria (%)	High Criteria (%)
Digital Financial Literacy	15.9	20	5	4.2	31.3	64.6
Financial Management Behavior	16.0	20	7	5.7	29.7	64.6
Investment Decision	12.1	15	4	3.1	32.8	64.1

Source: Authors work (2026)

Based on Table 1 is results analysis descriptive show that behavior management finance, literacy digital finance, and decisions investment be at the level high, meaning MSME actors in Bandung can manage consumption, cash, debt, savings, and investment, so that capable consider factor return, risk, and period in investment. Besides that, MSMEs are familiar with products and services digital finance, has experience in use it, realize associated risks, and have skills for manage and control activity digital finance.

Table 2. Summary of Moderated Regression Analysis

Model	Variables Included	R	R^2	Adj. R^2	F	Sig.	Key Coefficients (β)
1	FMB, DFL	0.824	0.678	0.675	199,352	0.000	FMB=0.336*** DFL=0.334***
2	FMB, DFL, FMB*DFL	0.833	0.694	0.689	141,903	0.000	FMB=0.681*** DFL=0.666 Int=-0.022**

Notes: FMB = Financial Management Behavior; DFL = Digital Financial Literacy; ***p < 0.001; **p < 0.01

Source: Authors' work (2026)

The results indicate that Model 2 provides better explanatory power than Model 1, as reflected by increases in R^2 (0.678 to 0.694) and adjusted R^2 (0.675 to 0.689), although the improvement is relatively modest and not statistically significant. The significant F-values in both models ($p < 0.001$) confirm that the models are robust in explaining investment decisions. In Model 2, financial management behaviour ($\beta = 0.681$) and digital financial literacy ($\beta = 0.666$) remain strong positive predictors. However, the interaction term ($\beta = -0.022$; $p < 0.01$) indicates a significant negative moderating effect. Overall, these findings position digital financial literacy as a contingent factor that

alters, rather than strengthens, the relationship between financial behaviour and investment decisions.

3.2 Discussion

Findings studies This confirms that behavior management finance plays an important role in form decision investment, supporting the study previously emphasised the importance of discipline finance and control behavior in results finance (12).

An individual with strong practice management and sound finances is better able to make rational, structured investment decisions. However, the interaction between behaviour management, finance, and digital literacy is negative ($\beta = -0.022$). This shows that higher literacy levels in digital finance tall can reduce effective behaviour management in finance. Increasing literacy in digital finance influences positive behaviour in financial decision-making. Investment decisions become weaker. Findings show that although digital literacy increases access to information and finance, excessive dependence on digital platforms can reduce effective financial behaviour and healthy finances. Individuals may experience a sense of trust, overindulgence or excess information, which can lead to insufficient financial decision-making discipline. This shows that literacy in digital finance does not always strengthen the quality of decisions, but can also give rise to cognitive biases, such as self-belief. Therefore, effective behaviour management and sound finances will lead to optimal financial decisions. Test results support the hypothesis; research results (3), (4). Individuals who can manage and control consumption, manage cash and manage debt, as well as save and invest, will get future benefits (12). Behaviour management, good finances show perception control, high behaviour. Research results: this is based on the theory of planned behavior (19), which states that individuals who feel their own competence and control over finance will be more responsible in making investment decisions. Individuals who effectively manage consumption, cash flow, debt, and savings are better able to make rational investment choices. Findings. This is in harmony with the Theory of Planned Behaviour, where control is felt to increase the quality of decision-making.

Interestingly, financial literacy weakens this connection. Although digital literacy improves access to information and finance, it can also lead to excessive self- and information-seeking. MSME actors may also be relying on digital platforms, ignoring fundamental financial principles. Findings: This shows that digital competence without discipline and strong finances can undermine decision quality. Along with improved behavioural finance, individuals' abilities will increase. This makes them too emotional to make decisions, because they feel they have the skills and literacy to make good digital finance decisions, which often leads them to ignore key factors. They disregard conventional financial management practices (18). Individuals will feel confident and believe they are capable of accessing and understanding information digitally without considering proper financial management (20). The ease of the investment process leads to a lack of balance with long-term financial readiness, so investment decisions tend to affect personal cash flow. Individuals with higher digital literacy may experience biased self-beliefs, which cause them to overestimate their ability to interpret financial information (11). With digital development, access to information will increase, but not all of it is credible, which affects decision-making. Therefore, the findings show that digital literacy in finance plays a dual role: it enables access, but it can also distort evaluation if not accompanied by healthy financial behaviour.

4 Conclusion

Good financial behaviour can improve investment decision-making, leading to optimal returns. Therefore, behavioural aspects are a crucial factor in investment decision-making. Therefore, various parties need to strive to develop good financial behaviour as part of efforts to improve societal or individual welfare through investment. Digital financial literacy weakens the influence of financial management behaviour on investment decisions, which is important to note because it is not the only solution to improve investment decision-making. This must be accompanied by a safe and sound investment platform that not only serves as a tool but also serves as an educational partner for the community or individuals.

This study is limited to MSMEs in Bandung and uses convenience sampling, which may restrict generalizability. Future studies should incorporate variables such as financial technology adoption, behavioural biases, and risk perception, and use broader, more representative samples.

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