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The Influence of Familiarity Bias and Heuristics on Investors' Decisions in Selecting Stocks

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A B S T R A C T
Based on behavioral finance theory, investors are influenced by psychological factors that lead them to irrationality such as biases and heuristics. This study examines the effect of Familiarity bias and Heuristics on investors' decisions and analyzes whether Brand familiarity moderates the effect of Familiarity bias. Data were collected through questionnaires from 201 investors and analyzed using multiple linear regression and moderated regression with SPSS version 30. The results indicate Familiarity bias and Heuristics positively and significantly influence investors' decisions in selecting stocks and Brand familiarity doesn't moderate the influence of Familiarity bias. This research enriches literature, supports investors identifying psychological factors affecting their decisions, and provides insight for financial institutions to assist Indonesian investors in minimizing errors in decision making.

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INTRODUCTION

The development of technology in Indonesia has a significant impact on increasing financial inclusion, including in the investment sector. The spread of knowledge and the expansion of information about stocks through the internet has increased the level of interest of the Indonesian on investment and encouraged many people to better understand the world of investment and become investor such as a stock investor who will get benefits from dividends and capital gains. It is not surprising that stocks stand out as one of the financial products of choice for individual investors because of their role in portfolio diversification, the benefits of price appreciation and dividends, and their position against inflation (Lei & Ramos Salazar, 2022). According to data released by KSEI (PT. Kustodian Sentral Efek Indonesia), until the end of 2024, the number of individual investors was 14.82 million people, consisting of stock, bond, and mutual fund investors in the Indonesia capital market. Then, at the beginning of the year, January 2025, the number of individual investors had reached 15.11 million. In addition, Indonesia has 11 sectors and subsectors classified by the IDX (Indonesia Stock Exchange) with a total of 951 stocks listed on the IDX until early 2025. With so many choices of issuers in Indonesia, the consideration that stock investors need to think about is determining which stocks to choose for investment.

Some investors make irrational decisions where there is investors' bias in it. Bias is a tendency of temperament or view; unwarranted judgment or prejudice (Ricciardi & Simon, 2000). Familiarity bias provides a sense of security and comfort felt by investors when investing. Because these stocks are already known, investors tend to believe that these stocks have a lower risk than other companies or are even safer than a diversified portfolio (Baker & Nofsinger, 2002). Research by Lei and Mathers (2023) states that the types of bias included in Familiarity bias are Endowment bias and Home bias. Home bias appears in investors if the investor emphasizes his shares more on stocks from the investor's home country than diversifying internationally. As conditions in the era of technological development, including in Indonesia, investment knowledge is spread on the internet without exception in discussing stocks in Indonesia and abroad. On the other hand, Indonesia has hundreds of issuers in the capital market which have various options for investors. This phenomenon is closely related to Home bias, investors could still be trapped in investment patterns that are limited to the domestic market due to the influence of Home bias. Research conducted by Cao et al (2007) discusses the Endowment effect and Home bias in their research on Familiarity bias and economic decisions. The Endowment effect arises because an investor evaluates a purchase based on a probability distribution that is detrimental to buying and vice versa when selling. In research conducted by Lei and Mathers (2023) Endowment bias was tested to prove the presence of Familiarity bias in stock investors with the presence of Endowment bias in investors who invest in the shares of the company where the investor works. Successful investments must diversify assets and investors must be able to see opportunities that can be achieved, but someone with Endowment bias

may find it difficult to switch because they are attached to familiar stocks so that the potential for greater profits is less achieved.

Another influence that makes an investor deviate from his rationality, especially when selecting stocks, comes from a company's brand. Investors who actively invest through the decision-making process certainly first look at the shares of the company to be purchased. This factor is related to Familiarity bias, where the company chosen is in accordance with the investor's familiarity so that they feel familiar with the company. This factor is known as Brand familiarity. The presence of Brand familiarity means that the investor feels familiar with the company's brand. Investors tend to prefer companies with well-known brands, because the greater the familiarity with the company, the more information the investor can access (Srinivasan & Hanssens, 2024). Investors' views in selecting stocks can come from their knowledge of the various companies in the capital market. However, the stocks chosen by investors are influenced by various factors, one of which is the investor's perception. People's perceptions of a particular brand are influenced by how familiar they are with the products associated with that brand (Chira et al., 2011).

The conditions faced by investors in selecting stocks are often in uncertainty which can make investors use their intuitive strategies when making decisions to reduce complexity in the investor's mind. Investors will be affected by bias, which encourages an investor to use heuristics or shortcuts in making their decisions. Bias in judgment reveals several heuristics of thinking under uncertainty (Tversky & Kahneman, 1974). The existence of heuristics can create shortcuts in making decisions which means that an investor's decision-making process becomes simpler. Heuristics are functional enough to ease cognitive efforts to make the decision-making process easier which may require too much of a person's time and mental resources (Yalcin et al., 2016). Two cognitive heuristics that often appear in the context of investment are the Representativeness heuristic and Mental accounting. In stock selection, Representativeness affects investors' views on a stock such as the assumption that stocks that have performed well will continue to perform well or based on the company's reputation. Representativeness also affects investor decisions by causing them to confuse good companies with good investments (Yalcin et al., 2016). Investors can also lead to suboptimal decision making because investors group their money into different categories, this behavior is called Mental accounting. People assign different costs to different mental accounts and they evaluate these different accounts by examining the psychological effects of those costs (Yalcin et al., 2016). Mental accounting comes from prospect theory, but Mental accounting can be a shortcut for investors in managing their money and individuals often use simple rules in managing their money, similar to the concept of heuristics. This process is carried out by investors by categorizing and evaluating money depending on its source and use subjectively.

LITERATURE REVIEW

Behavioral Finance Theory

Financial theory is developing not only traditional finance but also from the psychological side of financial actors. The conditions experienced by financial actors cannot be explained by existing theories because existing theories state that investors will logically make the right decisions according to traditional financial theory, but in reality some investors sometimes face wrong decision making. Behavioral finance theory studies the influence of financial, psychological, and social aspects on the investor's decision-making process and its subsequent impact on the market (Souza et al., 2024). A person's rationality turns into irrationality because the individual's decision-making process is disrupted by the emergence of individual psychological aspects that are influenced by various biases, both emotional and cognitive, which have a significant impact on how individuals make investment decisions. In the world of investment, behavioral finance theory emphasizes the belief that psychological considerations are an important feature in the securities market. Behavioral finance tries to explain and improve understanding of investor reasoning patterns, including the emotional processes involved and the extent to which these processes influence the decision-making process (Ricciardi & Simon, 2000). The field of behavioral finance also highlights the influence of investor perception, intuition, hunches, or feelings that enter into the decision-making process and lead investors to judge an investment as worthy of being chosen without objective consideration.

Investment Decisions in Selecting Stocks

Investment decision making is defined as the process of evaluating available options to determine where to invest one's financial resources and the amount to invest (Souza et al., 2024). In traditional finance, investment decisions are made by expecting returns and considering risks. Various theoretical approaches are used such as the arbitrage principles of Miller and Modigliani; the portfolio principles of Markowitz; the capital asset pricing theory of Sharpe, Lintner and Black; and the option-pricing theory of Black, Scholes and Merton (Kumar & Goyal, 2015). However, these theories are based on rationality while in finance there is not only traditional finance but also behavioral finance. Behavioral finance attempts to explain and improve understanding of investors' reasoning patterns, including the emotional processes involved and the extent to which they influence the decision-making process (Ricciardi & Simon, 2000). Behavioral finance influences the investor's decision-making process to become irrational with the entry of various biases on the investor when making investment decisions. This is understandable because bias does exist in the investor's mind when making decisions, such as selecting stocks.

Familiarity Bias In Investment Decisions

There are three factors that shape finance. The first is cognitive or behavioral psychology, the second is emotional response to trading intensity, and the third is social psychology (DeBondt et al., 2010). Cognitive influences can be seen in investor cognitive biases or investor heuristics and emotional influences or emotional responses themselves contain emotional biases that investors have in

the capital market. Familiarity bias is the tendency of individuals to prefer investing in companies that are familiar or known to them. Investor familiarity bias means that people often prefer things they are familiar with (Baker & Nofsinger, 2002). Familiarity bias is the tendency of individuals to prefer things that are more familiar to them (Lei & Mathers, 2023). Djojopranoto and Mahadwartha (2016) state that the Familiarity effect is the tendency to judge something that has been previously known better than something that is unknown. According to Huberman (2001), people who experience Familiarity bias occur when they feel more informed about familiar things than unfamiliar things. If investments are made according to the investor's interests, there will be Familiarity bias because investors feel familiar with the field. In extreme conditions, this will cause many people to stay away from foreign stocks and focus their portfolios on stocks they know, for example, their own company's stocks, stocks of companies that are visible in the investor's life, and stocks that are well-talked about in the media (Huberman, 2001).

Home bias

The concept of Home bias was first introduced by French and Poterba (1991) regarding equity home bias, their research shows that most of the company's equity is owned by domestic investors. Home bias is a person's tendency to invest more in companies in their home country than in foreign companies. Investors' sense of ownership of their domestic companies makes them invest in domestic companies even if their returns are lower than international companies (Zahera & Bansal, 2018). Investors who are not familiar with foreign companies will switch to domestic stocks because they feel familiar and understand more information about stocks in their country. According Graham et al. (2009) when an investor feels that he does not fully understand the benefits and risks involved in investing in foreign assets or feels incompetent, he tends to refrain from taking action, resulting in a lack of investment in foreign assets.

Endowment bias

Endowment bias was first introduced by R. Thaler (1980) in his experiment, he found that someone who owns an item tends to ask a higher price to sell it compared to the price they are willing to pay to buy it if they do not own the item. Endowment bias affects investors to have a tendency to hold investments that they already have (Baker & Nofsinger, 2002). Endowment bias is a person's tendency towards placing the value of an object so that people who has endowment bias value an asset more if they hold ownership rights. Endowment bias is inconsistent with standard economic theory, which states that a person's willingness to pay for an item or object must always be the same as the person's willingness to accept the revocation of ownership of the item or object, when the revocation is measured in the form of compensation (Pompian, 2006). Stock investment requires someone to diversify assets as a form of minimizing risk in investing and optimizing investor profits. People overemphasize what they currently have and do not want to change their position (Zahera & Bansal,

2018). The possibility of investors to add shares or replace assets owned will be very small because investors highly value the shares they own. Lei and Mathers (2023) link Endowment bias to stock investment in the company where they work which can increase investors to feel the shares of the company where they work have more value than the options available on the market.

Brand Familiarity in Investors

Brand familiarity is the sum of experiences accumulated by consumers and reflects the level of direct and indirect experience with a product (Alba & Hutchinson, 1987; Kent & Allen, 1994). Consumers' experiences of a product grow their familiarity with the product brand. The familiarity that arises within them encourage the desire to invest in the company's shares because they already feel familiar. Individual investors show a tendency towards companies with easily recognizable products (Frieder & Subrahmanyam, 2005). The existence of individual preferences for companies that they are more familiar with makes them less objective when choosing which shares to buy. In making purchasing decisions, consumers' self-confidence will usually increase if the familiarity with a brand is higher, which often results in faster decisions and results that make consumers feel more comfortable (Chira et al., 2011).

Heuristic Theory

According to Baker and Nofsinger (2002) the way investors think is based on heuristic simplifications, namely a person's brain's "shortcut" in filtering information and reducing the complexity of the information received. The heuristic theory was introduced by Tversky and Kahneman (1974) who assume that when someone is in a state of uncertainty, they will tend to use their judgment based on heuristic principles which can help but also lead to systematic errors. When an investor receives a lot of complex information, investors often use a "rule of thumb" which means there are practical rules or guidelines that are usually followed when faced with a situation. This influence leads an investor to take a "mental shortcut" or mental shortcut for investors to make decisions. Although the cognitive burden of investors is helped by the existence of heuristic alternatives, the influence of the heuristic concept can lead investors to make mistakes when making their decisions.

Representativeness

Representativeness is a cognitive heuristic that refers to the tendency of people to consider characteristics as representative of the entire phenomenon regardless of whether the characteristics are related to the phenomenon or not (Khan et al., 2017). When an investor uses the Representativeness Heuristic, the investor tends to misinterpret the probability of an event and associates the probability with a random situation so that it is not appropriate in making investment decisions. The Representativeness Heuristic is a heuristic that is usually used when people are asked to assess the probability that an object or event A belongs to class or process B (Tversky & Kahneman, 1974). Representativeness is considered as someone who assesses the characteristics of an event and considers it similar to other events. Investors will judge based on

the probability that is not different from their assessment of other events rather than judging from the reality at that time. Investors indirectly only conclude a stock based on a brief and in-depth assessment that will lead them to make the wrong decision. The representativeness heuristic is a subjective probability based on similarities that leads to a false conception of events that may occur in the future (Souza et al., 2024).

Mental accounting

Mental accounting is included as cognitive psychology that focuses on understanding the mental process in decision making and makes an investor treat investments differently from subjective grouping. Mental accounting is a series of cognitive operations used by individuals and households to organize, evaluate, and track financial activities (R. H. Thaler, 1999). This management is carried out so that investors can know where their money is allocated and can control their finances. Mental accounting involves the cognitive process of separating money into different accounts based on subjective criteria, irrationally influencing spending and investment decisions (Hans et al., 2024). Rational investors will not group their money only based on categories created by investors based on their psychological mentality. Systematic errors that arise from the influence of heuristics can have an impact on the steps taken by investors. According to Pompian (2006), Mental accounting can cause investors to allocate assets differently when employer stock is involved, companies that do not offer company stock as a retirement plan option tend to invest in a balanced way between equity and fixed income instruments.

Research that has proven that Familiarity bias influences an investor in determining investment decisions comes from De Vries et al. (2017) who found that investors prefer companies they know or are familiar with over companies they do not know. In addition, Maknickienė & Rapkevičiūtė (2022) found that individual investors prefer to invest in fields that they are interested in so that they feel more familiar. Several studies conducted in Indonesia, for example Anggini et al. (2021) found that accounting students in Malang as investors have Familiarity bias in making decisions. Pandji et al. (2024) also found the influence of Familiarity bias on investment decision making, especially in the category of young investors or students.

H1: Familiarity bias has a positive and significant effect on Indonesian investors in selecting stocks.

Research conducted by De Vries et al. (2017), Brand familiarity is used as an indicator to assess the Familiarity bias of individual investors. Other studies that have been reviewed show that the stronger the familiarity of investors with a brand, the more likely they are to invest in the stock (Md Husin et al., 2023). The results of research by Aspara and Chakravarti (2015) that the moderating effect of a pre-existing brand perception or brand familiarity that already exists in each individual investor can affect the relationship between the influence of advertising on investment decisions and existing brand perceptions in investors measured from investors who know or are familiar with a brand and investors like the brand. Aspara and Tikkanen (2010) used corporate brand familiarity as a

control variable in their study showing that although corporate brand familiarity has a direct relationship with an individual's determination to invest with the same financial return, the effect of product brand evaluation on individual investment intentions is not due to corporate brand familiarity.

H2: Brand familiarity moderates the relationship between Familiarity bias and Indonesian investors' decisions in selecting stocks.

Research on Heuristics with the study of Representativeness variables was conducted by Atif Sattar et al. (2020) found that heuristics were proven to significantly influence investment decisions. Research from Pakistan conducted by Rasheed et al. (2018) showed that the heuristics studied, one of which was Representativeness, significantly caused investors to deviate from rational decision making and Parveen et al. (2020) found a significant effect of representative heuristics on investor decision making and stock market trading volume. Baker et al. (2019) found that one of the biases in Indian investors that exists in investors is Representativeness. Then, in the context of Indonesia, founded that Representativeness has a significant influence on investment decisions (Kartini & Nahda, 2021). Another study by Syarif et al. (2023) examined heuristics (including Representativeness) and found that heuristics had a partial positive and significant effect on stock investment decisions in Makassar. In addition, Kurniana et al. (2023) found that the millennial and Gen Z generations in Indonesia were influenced by Representativeness. Furthermore, research conducted by Yalcin et al. (2016) proved that Mental accounting heuristic is quite important in influencing individual investor investment decisions. Baker et al. (2019) studied several biases in Indian investors and found that one of the biases in investors is Mental accounting. Previous studies in Indonesia, such as Anggini et al. (2021) found that accounting students in Malang as investors have Mental accounting bias in making decisions. Pandji et al. (2024) also found the influence of Mental accounting on investment decision making, especially in the category of young investors or students. Armansyah (2021) also found that Mental accounting has a significant influence on investor investment decisions in the Indonesian capital market.

H3. Heuristics have a positive and significant influence on Indonesian investors in selecting stocks.

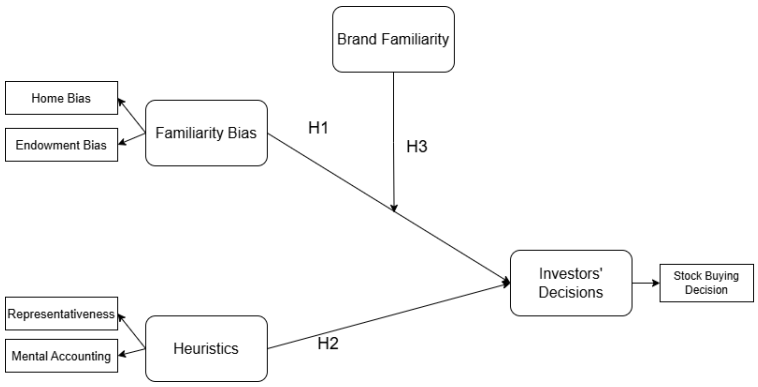

Figure 1. Conceptual Framework

METHODOLOGY

This study was conducted using a quantitative method, which is a method carried out by testing existing theories by connecting variables through data. Distribute the online questionnaires with Google Form to respondents. The research sample is part of the population used to research the problem. This study uses a purposive sampling technique in taking samples. Researchers obtained 201 respondents by referring to research needs, namely respondents with age criteria of 18 years and over also as an active stock investor. Most of them are female and aged 18-30 years old. The majority have a bachelor's degree and earn less than IDR 5.000.000 per month. Most respondents also have less than one year of investment experience.

Measurement of questions for the test using a Likert Scale with a scale of 1-5, where 1 means strongly disagree to 5 means strongly agree. The Familiarity bias through the home bias with indicators: (1) Tendency to prioritize stocks from the country of origin, (2) Preference for stocks from the country of origin, (3) Knowledge of foreign stocks. Through the endowment bias with indicators: (1) Tendency to overvalue stocks owned, (2) Ownership attachment to stocks owned, (3)Tendency to choose stocks from the employer company (employer stock ownership). The Heuristics through representativeness dimension with indicators: (1) Investor assessment of stocks through company performance, (2) Stock preference through products or services provided by the company, (3) Stock preference through corporate social responsibility, (4) Preference for blue chip companies as a good investment. Through the mental accounting dimension with indicators: (1) Impact of investment losses on investors, (2) Stock diversification decisions, (3) Investor decisions in taking funding sources (4) Investor preferences for stock splits. The Brand familiarity with these indicators: (1) Familiarity with a brand, (2) Investment tendencies due to a brand, (3) Frequency of hearing the brand name. Investor decision through the stock buying decisions dimension with these indicators: (1) Investor preferences for investing in stocks, (2) Tendency to use intuition in investing, (3) Tendency to choose stocks with high trading volume, (4) Tendency to choose stocks that are seen in advertisements or media, (5) Tendency to choose stocks according to personal opinion.

Data testing was analyzed using SPSS version 30, which are validity and reliability tests, classical assumption tests, multiple linear regression tests, and moderated regression tests. The multiple linear regression test is followed by other tests that support each other and are related, namely the coefficient of determination test, T test and F test (Slamet & Aglis, 2020). In addition, the MRA Test is a special application of multiple linear regression where the regression equation contains elements of interaction (Rahadi & Farid, 2021). This test is carried out in order to prove the existence of a moderator variable that strengthens or weakens a relationship of influence between independent variables and dependent variables.

RESEARCH RESULT

Validity and Reliability Test

Validity Test

Table 1. Validity Result

Code	r count	r table	Result
HB 1	0.616	0.1384	Valid
HB 2	0.628	0.1384	Valid
HB 3	0.708	0.1384	Valid
HB 4	0.696	0.1384	Valid
HB 5	0.575	0.1384	Valid
EDB 1	0.430	0.1384	Valid
EDB 2	0.612	0.1384	Valid
EDB 3	0.577	0.1384	Valid
EDB 4	0.659	0.1384	Valid
EDB 5	0.617	0.1384	Valid
RP 1	0.703	0.1384	Valid
RP 2	0.668	0.1384	Valid
RP 3	0.503	0.1384	Valid
RP 4	0.637	0.1384	Valid
RP 5	0.547	0.1384	Valid
MA 1	0.545	0.1384	Valid
MA 2	0.549	0.1384	Valid
MA 3	0.531	0.1384	Valid
MA 4	0.571	0.1384	Valid
MA 5	0.572	0.1384	Valid
BF 1	0.725	0.1384	Valid
BF 2	0.755	0.1384	Valid
BF 3	0.757	0.1384	Valid
BF 4	0.711	0.1384	Valid
BF 5	0.759	0.1384	Valid
SDB 1	0.689	0.1384	Valid
SDB 2	0.700	0.1384	Valid
SDB 3	0.734	0.1384	Valid
SDB 4	0.776	0.1384	Valid
SDB 5	0.576	0.1384	Valid

Source: *Primary data processed with SPSS, 2025*

Based on the results of the validity test calculation on the independent variable Familiarity bias with two dimensions, Home bias and Endowment bias; the independent variable Heuristics with two dimensions, Representativeness and Mental accounting; the moderating variable, Brand familiarity; and the dependent variable, investor decisions. It was found that all variables show r count > r table. This indicates that the research questionnaires for all tested variables are valid.

Reliability Test

Table 2. Reliability Result

Variable	Cronbach's alpha	Parameter	Result
Familiarity Bias	0.814	0.7	Reliabel
Heuristics	0.778	0.7	Reliabel
Brand Familiarity	0.788	0.7	Reliabel
Investor Decision	0.731	0.7	Reliabel

Source: Primary data processed with SPSS, 2025

Based on the reliability test calculations, the results show that all variables are proven to be reliable with a reliable test because they have a Cronbach's alpha of more than 0.7.

Classical Assumption Test

Normality Test

Table 3. Normality Result

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			201
Normal Parameters[a,b]		Mean	0.0000000
		Std. Deviation	2.27804822
Most Extreme Differences		Absolute	0.055
		Positive	0.043
		Negative	-0.055
Test Statistik			0.055
Asymp. Sig. (2-tailed) [c]			0.200[d]
Monte Carlo Sig. (2-tailed) [e]	Sig.		0.136
	99% Confidence Interval	Lower Bound	0.127
		Upper Bound	0.145
a. Test distribution is Normal b. Calculated from data c. Lilliefors Significance Correction d. This is a lower bound of the true significance. Lilliefors'method based on 10000 Monte Carlo samples with starting seed 2000000			

Source: *Primary data processed with SPSS, 2025*

From the results of the One Sample Kolmogorov-Smirnov Test, it shows that the Asymp.Sig value is 0.200. This means that Asymp.Sig >0.05 (greater than 0.05) where based on the provisions of the Kolmogorov Smirnov normality test, the results show that the research data that has been tested for normality proves the data is normally distributed.

Multicollinearity Test

Table 4. Multicollinearity Result

Coefficients[a]								
Model		Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Tolerance	Statistic VIF
1	(Constant)	1.615	1.169		1.382	0.168		
	Familiarity bias	0.187	0.033	0.361	5.683	<0.001	0.587	1.703
	Heuristics	0.229	0.042	0.380	5.494	<0.001	0.498	2.010
	Brand familiarity	0.092	0.063	0.094	1.455	0.147	0.574	1.742

a. Dependent Variable: INVESTORDECISION

Source: Primary data processed with SPSS, 2025

From the test results above, it shows that the Familiarity bias variable has a tolerance value of 0.587 (tolerance value >0.10) and a VIF value of 1.703 (VIF value <10). The Heuristics variable has a tolerance value of 0.498 (tolerance value

>0.10) and a VIF value of 2.010 (VIF value <10). The Brand familiarity variable has a tolerance value of 0.574 (tolerance value >0.10) and a VIF value of 1.742 (VIF value <10). The results show that data that has been tested for multicollinearity proves there is no multicollinearity between the independent variables in the regression model.

Heteroscedasticity Test

Table 5. Heteroscedasticity Result

Model	Unstandardized	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	0.006	0.003		1.712	0.088
Familiarity bias_2	-0.023	0.020	-0.164	-1.131	0.259
Heuristics_2	0.31	0.021	0.246	1.437	0.152
BF_2	-5.528E-6	0.000	-0.178	-1.321	0.188

a. Dependent Variable: ABS2

Source: Primary data processed with SPSS, 2025

The results show that the Familiarity variable bias has a Sig. Value of 0.259 (Sig. Value > 0.05). The Heuristics variable has a Sig. Value of 0.152 (Sig. Value > 0.05). The Brand familiarity variable has a Sig. Value of 0.188 (Sig. Value > 0.05). Based on research data that has gone through the heteroscedasticity test, it is proven that there is no heteroscedasticity.

Hypothesis test

Multiple Linear Regression

Table 6. Multiple Linear Regression Result

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Tolerance	Statistiks VIF
(Constants)	2.051	1.133		1.810	0.072		
Familiarity Bias	0.198	0.032	0.383	6.190	<0.001	0.623	1.606
Heuristics	0.256	0.037	0.425	6.855	<0.001	0.623	1.606

Source: *Primary data processed with SPSS, 2025*

Y= 2.051+ 0.198 Familiarity Bias + 0.256 Heuristics

1. The constant value is known to be 2.051. This value can be interpreted if the independent variables are considered constant or there is no change in the independent variables, then the value of the investor's decision is 2.051
2. The regression coefficient (b_1) for Familiarity bias of 0.198 states that each increase in the Familiarity bias variable unit with other variables remaining constant, increases the investor's decision by 0.198
3. The regression coefficient (b_2) for Heuristics of 0.256 states that each increase in the Heuristics variable unit will increase the investor's decision by 0.256

T test

Table 7. T Test Result

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Tolerance	Statistiks VIF
(Constants)	2.051	1.133		1.810	0.072		
Familiarity Bias	0.198	0.032	0.383	6.190	<0.001	0.623	1.606
Heuristics	0.256	0.037	0.425	6.855	<.001	0.623	1.606

a. Dependent Variable: INVESTORDECISION

Source: Primary data processed with SPSS, 2025

In the Familiarity bias, the t count is 6.190 and in the Heuristics, the t count is 6.855 and the t table is 1.653. So, the comparison of the number of t counts with t tables in the Familiarity bias and Heuristics variables is t count > t table and based on the sign value obtained of <.001 for Familiarity bias and Heuristics, which means it is smaller than 0.005, it can be concluded that Familiarity bias and Heuristics have an effect on investor decisions.

F test

Table 8. F Test result

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig
Regression	1169.848	2	584.924	110.399	<0.001[b]
Residual	1049.058	198	5.298		
Total	2218.905	200			

a. Dependent Variable: INVESTORDECISION
b. Predictors: (Constant), HEURISTICS, FAMILIARITYBIAS

Source: Primary data processed with SPSS, 2025

F count is 110.339 and f table is 3.04 so that the comparison of the number of f counts with f table is f count > f table and based on the Sig. value obtained of <.001, it means smaller than 0.005 which shows that Familiarity bias and Heuristics together influence investor decisions.

Coefficient of Determination Test

Table 9. Coefficient of Determination Result

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.726[a]	0.527	0.522	2.302

a. Predictors: (Constant), HEURISTICS, FAMILIARITYBIAS
b. Dependent Variable: INVESTORDECISION

Source: Primary data processed with SPSS, 2025

The R Square value is 0.527, meaning that 52.7% of Familiarity bias and Heuristics have a contribution to the investor decision. Familiarity bias and Heuristics have an influence of 52.7% on investor decisions while the remaining 47.3% is influenced by other variables outside the research variables.

Moderated Regression Analysis (MRA)
First Regression

$$Y= a+ b_1 X_1$$

Y = Investor Decision
a = Constant
b_1 = Regression coefficient X_1
X_1 = Familiarity bias

Table 11. Model Summary First Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1	0.644	0.415	0.412	2.554

a. Predictors: (Constants), FAMILIARITYBIAS
Source: Primary data processed with SPSS, 2025

The R Square value in the first regression is 0.415, so it can be said that the Familiarity bias can influence the investor decision variable by 41.5%.

Table 10. Coefficient First Regression

Coefficients[a]					
Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	7.216	0.938		7.689	<0.001
Familiarity bias	0.333	0.028	0.644	11.882	<0.001

b. Dependent Variable: INVESTORDECISION

Source: Primary data processed with SPSS, 2025

The significance value of Familiarity bias is <.001, meaning that the significance value is less than 0.05, which means Familiarity bias has a significant influence on the investor decision.

Second Regression

$$Y= a+ b_1 X_1+b_2M+b3X_1M$$

Y = Investor Decision
a = Constant
b_1 = Regression coefficient of X_1
X_1 = Familiarity bias
b_2 = Regression coefficient for M
M = Brand familiarity
b_3 = Regression coefficient for X_1 and M
b_3X_1M= interaction between Familiarity bias and Brand familiarity

Table 12. Model Summary Second Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std.Error of the Estimate

1	0.683[a]	0.466	0.458	2.451

a. Predictors: (Constant), MODERASI, BRANDFAMILIARITY, FAMILIARITYBIAS

Source: Primary data processed with SPSS, 2025

After the moderating variable, Brand familiarity, the R Square value increased to 0.466 or 46.6%.

Table 13. Second Regression Coefficient

Coefficients[a]					
Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	12.837	5.715		2.246	0.026
Familiarity bias	-0.009	0.188	-0.018	-0.048	0.961
Brand familiarity	-0.141	0.270	-0.143	-0.520	0.603
X_1M	0.013	0.009	0.814	1.475	0.142

a. Dependent Variable: INVESTORDECISION

Source: Primary data processed with SPSS, 2025

The significance value of the interaction variable between Familiarity bias and Brand familiarity is 0.142, meaning that the significance value is >0.05, so Brand familiarity is not able to moderate the influence of Familiarity bias on investor decisions.

DISCUSSION

The Influence of Familiarity Bias on Indonesian Investors in Selecting Stocks

The results obtained show that Familiarity bias influences the decision of Indonesian investors in selecting stocks. This could be seen from the results of the t count of Familiarity bias on investor decisions is 6.190 and significance value of <0.001. This finding suggests that H_1 is accepted. This result proved Indonesian investors tend to prefer stocks they are familiar with, possibly stemming from the perceived safety, comfort of choosing what they are familiar with, and knowledge abou foreign or origin country stocks. This behavioral tendency may lead to suboptimal diversification and excessive concentration on certain assets or sectors simply because of investors' familiarity. The results of this study support several previous studies (Anggini et al., 2021; De Vries et al., 2017; Maknickienė & Rapkevičiūtė, 2022; Pandji et al., 2024) which proved that Familiarity bias influences investors in making decisions.

Brand Familiarity Moderates the Relationship of Familiarity Bias to Indonesian Investors' Decisions in Selecting Stocks

The significance value of the interaction variable between Familiarity bias and Brand familiarity is 0.142 (>0.05) indicating that Brand familiarity does not

have a significant effect as a moderating variable in the relationship between Familiarity bias and investor decisions. However, the addition of moderating variables in the model causes an increase in the R^2 value from 0.415 or 41.5% to 0.466 or 46.6%, which means that the amount of variation in investor decisions that can be explained by Familiarity bias and Brand familiarity is 46.6%. This means that Brand familiarity does not significantly moderate the relationship between the influence of Familiarity bias on Indonesian investors' decisions in selecting stocks. Though investors could feel familiar with stock's brand through Brand familiarity inside them that could happen due to familiar with the brand and frequent of hearing the company's name. This finding suggests that H_2 is rejected. This result is in line with several previous studies that use brand familiarity not as a moderating variable but in the study of familiarity bias on investors (De Vries et al., 2017; Md Husin et al., 2023). Then, (Aspara & Tikkanen (2010) used corporate brand familiarity as a control variable to show that although corporate brand familiarity has a direct relationship with an individual's determination to invest with the same financial return, the effect of product brand evaluation on individual investment intention is not due to corporate brand familiarity.

The Influence of Heuristics on Indonesian Investors in Selecting Stocks

It could be seen from the results of the Heuristics t count is 6.855 and a significance value of <0.001. These results obtained that Heuristics influence the decisions of Indonesian investors in selecting stocks. This finding suggests that H_3 is accepted. This result obtained Heuristics influence the decisions of Indonesian investors in selecting stocks. Investors often rely on mental shortcuts rather than fundamental analysis in decision-making. Although heuristics could speed up judgment and reduce cognitive effort, their influence also could make a risk of systematic errors. Investors may tend to assume that past performance patterns will persist and assume a characteristic is representative of the whole thing due to representativeness or divide their finances based on their psychology because of mental accounting in them. That means what is shown here are in line with previous studies (Anggini et al., 2021; Armansyah, 2021; Atif Sattar et al., 2020; Baker et al., 2019; Kartini & Nahda, 2021; Kurniana et al., 2023; Pandji et al., 2024; Parveen et al., 2020; Rasheed et al., 2018; Syarif et al., 2023; Yalcin et al., 2016) that proved heuristics, both representativeness and mental accounting, influence investor decisions.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study, it could be found that Familiarity bias has a positive and significant effect on the decisions of Indonesian investors in selecting stocks. Then, Heuristics (Representativeness and Mental Accounting) have a positive and significant effect on the decisions of Indonesian investors in selecting stocks. The determination result shows that Familiarity bias and Heuristics have an influence of 52.7% on investor decisions while the remaining 47.3% is influenced by other variables outside the research variables. This study also examined the moderating effect of Brand familiarity which was found not moderating the relationship between the Familiarity bias and the investor

decisions of Indonesian investors in selecting stocks. The presence of Brand familiarity is proven to increase the RSquare value which was originally 0.415 became 0.466 after the presence of the Brand familiarity.

ADVANCED RESEARCH

Further researchers who want to study the behavior of stock investors in Indonesia could use other bias factors or other heuristics in their research. This study only examines investor decisions in selecting stocks while investor decisions could focus on other things. This study is also limited in taking data that is only based on the distribution of questionnaires, so further researchers are expected to use other methods in collecting data such as interviews and so on.

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