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The Influence of Financial Literacy, Risk Management, Trading Psychology, And Use Analysis Technical to Trading Decisions for Beginner Traders

Moch Ramadhani Firmansyah[1*]
[1] University Islam Darul Ulum, Indonesia

**Corresponding Author: Mochramadhani.2022@mhs.unisda.ac.id*

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ABSTRACT

This study aims to analyze the influence of financial literacy, risk management, trading psychology, and the use of technical analysis on trading decisions among novice traders in Lamongan Regency. This research employs a quantitative approach using a structured questionnaire survey method. The research population consists of all active novice traders in stock, forex, and cryptocurrency markets in Lamongan Regency. Purposive sampling was employed to obtain 100 respondents. Data analysis was conducted using multiple linear regression with SPSS 26 software. The results indicate that financial literacy ($\beta = 0.287$; $p < 0.05$), risk management ($\beta = 0.312$; $p < 0.05$), trading psychology ($\beta = 0.198$; $p < 0.05$), and technical analysis usage ($\beta = 0.241$; $p < 0.05$) each have a partial positive and significant effect on trading decisions. Simultaneously, all four variables significantly influence trading decisions with $F = 28.74$ ($p < 0.05$) and a coefficient of determination (R^2) of 0.542, indicating that 54.2% of the variation in trading decisions is explained by the four independent variables. The findings emphasize the importance of enhancing financial literacy, implementing disciplined risk management strategies, managing psychological aspects, and appropriately utilizing technical analysis to support better trading decision-making.

INTRODUCTION

The development of the financial market in Indonesia in the last decade has experienced significant growth, marked by the increasing number of retail investors participating. in market share, currency foreign (forex), And asset crypto. Data Custodian Central Indonesia Effect (KSEI) noted that the number of Indonesian capital market investors The number of investors is expected to reach more than 12 million by 2024, nearly tripling compared to the previous five years. This phenomenon is inseparable from advances in digital technology that facilitate access. public to platform trading based application mobile (Primary, Muhksin, et al. 2025).

In level area, Regency Lamongan as Wrong One regency in Province East Java has also felt the impact of this trend. The growth of the trading community in this region is driven by increasing internet penetration, the availability of user-friendly trading platforms, and the intensive promotion of investment on social media. However, the growth in the number of traders the No always followed by quality taking decision Which Good, especially among novice traders who have just entered the world of trading.

Trading decisions are a complex cognitive and affective process, involving market data analysis, risk management, and internal psychological factors. Mistakes in trading decision-making often lead to significant financial losses. A survey by the Financial Services Authority (OJK) showed that over 60% of novice traders experience losses in their first year of trading, with a lack of understanding of financial instruments and poor risk management being the primary causes (OJK, 2023).

Financial literacy is the main foundation in making investment and trading decisions. Somebody with literacy finance Which tall own ability more Good in understanding instrument finance, read report finance, as well as analyze condition market (Lusardi & Mitchell, 2014). Study Which done by Sugar palm & Zengin (2016) found that literacy finance influential positive to quality decision investment. In side On the other hand, risk management is a crucial aspect of trading, including determining stop-losses, portfolio diversification, and managing position sizes so that losses can be limited to tolerable levels.

The psychological aspects of trading have also received significant attention from researchers and practitioners. Factors such as fear of missing out (FOMO), overconfidence, loss aversion, and herding behavior proven influence quality decision trading in a way negative (Kahneman & Tversky, 1979; Thaler, 2016). Trader Which capable manage emotion And bias cognitive tend to make more rational and profitable decisions. In addition, the use of technical analysis which includes reading price charts, technical indicators such as Moving Averages, RSI, MACD, and candlestick patterns provide traders with the ability to identify trends, support-resistance levels, and market momentum, which form the basis for entry and exit decisions.

Although there is Lots study about each variables the Separately, research integrating all four variables financial literacy, risk management, trading psychology, and technical analysis in a single research model, specifically targeting novice traders in areas such as Lamongan Regency, is still very limited. Therefore, this study aims to fill this gap and provide relevant empirical contributions to the local trading community, academics, and policymakers (Pratama, Asa, et al. 2025).

The objectives of this study are: (1) to analyze the partial influence of financial literacy, risk management, trading psychology, and technical analysis on trading decisions among novice traders in Lamongan Regency; (2) to analyze the simultaneous influence of these four variables on trading decisions; and (3) to identify variables that have a dominant influence on trading decisions.

METHOD STUDY

Design And Approach Study

Study This use approach quantitative with design study Descriptive-causal. A quantitative approach was chosen because the study aims to measure the strength and direction of the relationship between variables numerically (Sugiyono, 2019). A descriptive-causal design is used to describe the characteristics of respondents while analyzing the influence of independent variables on the dependent variable (Alfajri et al., 2026).

Population And Sample

The population in this study was all novice traders actively trading financial market instruments (stocks, forex, and/or crypto) in Lamongan Regency. Based on data from the local trading community and brokers operating in the region, the estimated amount trader beginner active reach ±350 person. Trader beginner defined as a trader with less than three years of trading experience (Pratama 2025).

Technique taking sample use purposive sampling with criteria inclusion: (1) domiciled in Lamongan Regency; (2) have less than three years of trading experience; (3) actively make transactions at least once per month in the last six months; and (4) are willing to complete the research questionnaire. The sample size was determined using the Slovin formula with a 5% error rate, resulting in a minimum sample of 100 respondents. This number is also in accordance with the recommendations of Hair et al. (2014) for multiple regression analysis.

Technique Collection Data

Primary data was collected through structured questionnaires distributed directly (offline) to respondents at trader community locations, securities offices, and investment seminars. in Regency Lamongan, as well as in a way on line through platform Google Form Which shared through group community trader in media social. Questionnaire use scale Likert 5 points (1 = Very No Agree until 5 = Very Agree). Data secondary obtained from OJK reports, KSEI, Central Statistics Agency (BPS), and relevant scientific literature.

Definition Operational And Indicator Variables

Variables in study This consists of from One variables dependent (decision trading) and four independent variables. The following is the operationalization of each variable:

z	Symbol	Key Indicators
Trading Decisions	Y	Accuracy analysis, consistency strategy, discipline execution, evaluation of trading results
Financial Literacy	X1	Knowledge market finance, understanding instrument, regulatory literacy, return/risk calculation ability
Risk Management	X2	Implementation stop-loss, position sizing, risk-reward ratio, portfolio diversification

Trading Psychology	X3	Control emotion, discipline plan trading, avoiding FOMO, managing overconfidence
Technic al Analysis	X4	Use indicator technical, reading pattern charts, trend identification and support-resistance

Table 1. Operationalization of Variables Study

Test Instrument And Data analysis

Validity instrument tested use correlation Pearson Product Moment, in where The item is declared valid if the calculated r value > r table (n=100, α=5%, r table=0.195). Reliability is tested using Cronbach's Alpha, with a minimum value of 0.70 as the cut-off point. Before conducting multiple regression analysis, a classical assumption test is carried out including: (1) normality test with Kolmogorov-Smirnov; (2) test multicollinearity with Variance Inflation Factor (VIF); (3) heteroscedasticity test with the Glejser test; and (4) autocorrelation test with Durbin-Watson. The analysis models used are:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Description: Y = Trading Decision; α = Constant; β_1-β_4 = Regression coefficient; X_1 = Literacy Finance; X_2 = Management Risk; X_3 = Psychology Trading; X_4 = Analysis Technical; e = Error term. Hypothesis testing is carried out using the t-test (partial), F-test (simultaneous), and coefficient of determination (R^2).

RESULTS AND DISCUSSION

Characteristics Respondents

Of the 110 questionnaires distributed, 105 were returned and 100 were declared suitable for use. analyzed, so that response rate as big as 95.45%. Characteristics respondents shows that the majority of novice traders are male (72%), with an age range of 21-30 years (65%). Instrument trading Which most Lots used is share (45%), followed crypto (35%), And forex (20%). Frequency trading most is 2-5 time per Sunday (48%). From side experience, part big respondents own experience trading 1-2 year (52%).

Test Validity and Reliability

The validity test results show that all statement items in each variable have a calculated r value greater than the table r (0.195), so all items are declared valid. The reliability test results show a Cronbach's Alpha value for the Financial Literacy variable of 0.834; Risk Management of 0.871; Trading Psychology of 0.818; Technical Analysis of 0.856; and Trading Decisions of 0.848. All values exceed the minimum limit of 0.70, so all instruments are declared reliable.

Assumption Test Classic

The normality test using Kolmogorov-Smirnov yielded a significance value of 0.142 (> 0.05), indicating that the model residuals were normally distributed. The results of the

multicollinearity test show mark VIF For X1 = 1,823; X2 = 1,947; X3 = 1,654; And X4 = 1.788, all below 10, so there is no multicollinearity problem. The heteroscedasticity test with Glejser produces a significance value for each variable above 0.05, indicating no heteroscedasticity. The Durbin-Watson value of 2.023 is in range Which can accepted (1.54 < DW < 2.46), so that No there is autocorrelation problem.

Results Analysis Multiple Regression

Variables	Coef. β	Std. Error	t- count	Sig.
Constant (α)	1,247	0.483	2,581	0.011
Literacy Finance (X_1)	0.287	0.071	4,042	0,000*
Management Risk (X_2)	0.312	0.068	4,588	0,000*
Psychology Trading (X_3)	0.198	0.075	2,640	0.010*
Analysis Technical (X_4)	0.241	0.073	3,301	0.001*

Table 2. Results Analysis Multiple Regression

*Significant on α = 5% | R = 0.737 | R^2 = 0.542 | Adjusted R^2 = 0.524 | F = 28.74 | Sig. F = 0.000

Based on table in on, model equality regression Which formed is: $Y = 1,247 + 0.287X_1 + 0.312X_2 + 0.198X_3 + 0.241X_4$. The R^2 value = 0.542 indicates that the four variables independent is able to explain 54.2% of the variation in decisions trading, while the remaining 45.8% is explained by other variables not studied.

Hypothesis Testing

Partial t-Test

Influence Literacy Finance (X_1) to Decision Trading (Y). Variables literacy finance get mark t count = 4,042 with significance 0,000 (p < 0.05). Mark t count (4,042) > t table (1,984), so that H1 accepted. Matter This show that literacy finance influential positive And significant to decision trading. It means, the more tall literacy level finance a trader beginner, the more Good quality decision trading. This finding is consistent with research by Aren & Zengin (2016) and Lusardi & Mitchell (2014) which emphasized the central role of financial literacy in financial decision-making.

The Influence of Risk Management (X_2) on Trading Decisions (Y). Risk management has a coefficient beta the biggest (β = 0.312) with t count = 4,588 And significance 0,000 (p < 0.05), so that H2 accepted. Management risk is variables with influence is the most dominant factor in this research model. This finding supports Van Tharp's (2008) argument that risk management is the most critical element in long-term trading success, even surpassing the importance of the trading entry-exit system.

The Influence of Trading Psychology (X_3) on Trading Decisions (Y). The trading psychology variable yielded a t-value of 2.640 with a significance level of 0.010 (p < 0.05),

thus accepting H3. Despite having the smallest beta coefficient among the four variables (β = 0.198), its effect remains statistically significant. This indicates that novice traders who are able to manage psychological aspects—such as avoiding FOMO, controlling greed, and remaining disciplined in their trading plans—will make better decisions. This finding aligns with Menkhoff et al. (2013) and behavioral finance theory.

Influence Analysis Technical (X_4) to Decision Trading (Y). Use technical analysis produces t count = 3.301 with a significance of 0.001 ($p < 0.05$), so H4 is accepted. Use indicator technical, reading pattern chart, And identification level Support-resistance analysis significantly improves the quality of trading decisions. This finding is consistent with Murphy (1999) and Filbert & Prasetya (2019), which emphasized the superiority of technical analysis as a trading decision-making tool.

F Test (Simultaneous)

The F test results show a calculated F value of 28.74 with a significance of 0.000 ($p < 0.05$). The calculated F value (28.74) > F table (2.47), so H5 is accepted. This means that simultaneously variables literacy finance, management risk, psychology trading, And analysis Technical analysis has a significant influence on trading decisions for novice traders in Lamongan Regency.

Discussion

The results of this study reinforce the view that trading decisions are not driven solely by instinct or luck, but rather the result of an integrated combination of knowledge, skills, and mental preparedness. Risk management proved to be the strongest predictor, suggesting that for novice traders in Lamongan, the ability to limit losses and manage position size is the most critical competency.

An interesting finding was the trading psychology variable, which had a significant influence, despite its smallest coefficient. This indicates that novice traders in Lamongan are beginning to recognize the importance of psychological aspects, but still need further guidance in implementing psychological trading discipline. and financial education institutions need to pay attention more on this aspect through a more structured training program.

High financial literacy enables traders to understand market dynamics more deeply, distinguish between valid trading signals and market noise, and make more accurate return and risk projections. In the context of Lamongan Regency, improving financial literacy needs to be supported by affordable access to financial education, whether through seminars, webinars, or digital education platforms.

Analysis technical Which used in a way appropriate give framework objective for traders in identify momentum market. Trader Which understand And use indicators such as RSI For identify condition overbought/oversold, or MACD For Confirming trend momentum allows for more measured entry and exit decisions based on historical data. However, it's

important to emphasize that technical analysis should be used in conjunction with disciplined risk management for optimal effectiveness.

CONCLUSION AND SUGGESTION

Conclusion

Based on the results of the analysis and discussion, the following conclusions can be drawn: First, literacy finance influential positive And significant to decision trading on novice traders in Lamongan Regency ($\beta = 0.287$; $t = 4.042$; $p = 0.000$). Second, risk management has a positive and significant effect on trading decisions and is the most dominant variable in this model ($\beta = 0.312$; $t = 4.588$; $p = 0.000$). Third, psychology trading influential positive And significant to decision trading ($\beta = 0.198$; $t = 2.640$; $p = 0.010$). Fourth, the use of technical analysis has a positive and significant effect on decision trading ($\beta = 0.241$; $t = 3,301$; $p = 0.001$). Fifth, in a way simultaneous These four variables have a significant influence on trading decisions with the ability to explain variations of 54.2% ($R^2 = 0.542$; $F = 28.74$; $p = 0.000$).

Suggestion

Based on findings study, a number of suggestion recommended: (1) Trader beginner recommended For in a way active increase literacy finance through course, book, And trusted educational sources before and during active trading. (2) The application of strict risk management—especially the use of stop-loss and limiting risk per transaction to a maximum of 1-2% of total capital—must become a habit that cannot be compromised. (3) Traders need to develop a trading journal to monitor psychological aspects and decision patterns over time. (4) The Financial Services Authority (OJK) and securities institutions are expected to expand financial literacy and investment education programs to the district level, including Lamongan Regency. (5) Further research is recommended to add variables such as trading experience, technology access, and community support, as well as use method mixture (mixed methods) For get understanding Which more in depth.

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