JURNAL ILMIAH MANAJEMEN BISNIS DAN INOVASI
UNIVERSITAS SAM RATULANGI (JMBI UNSRAT)

THE IMPACT OF US-CHINA TRADE WAR ON INVESMENT DECISION IN INDONESIA

Jacqueline Valentine Djuandi, Wendra Hartono
Universitas Ciputra Surabaya

A R T I C L E I N F O

Keywords:*Financial Literacy; Risk Perception; Locus of Control; Investment Decision*

Kata Kunci: Literasi Keuangan; Persepsi Risiko; Lokus Kontrol; Keputusan Investasi

Corresponding author:

Wendra Hartono
wendra.hartono@ciputra.ac.id

Abstract. *The US–China trade war has created substantial uncertainty in the global economy, influencing investment patterns in emerging markets such as Indonesia. This study examines how financial literacy, risk perception, and locus of control shape Indonesian investors' decisions when choosing between risky and safe assets during this period of economic volatility. By focusing on behavior displayed throughout the trade war, the research highlights how investors weigh potential risks against expected returns amid heightened market instability. Using a quantitative approach, the study employs multiple regression analysis to assess the extent to which these psychological and economic factors affect investment choices. The findings aim to deepen the understanding of investor behavior in times of crisis and provide practical insights for both individual and institutional investors navigating uncertain conditions. Furthermore, the results contribute to the broader field of behavioral finance by illustrating how cognitive and psychological traits influence investment strategies. Insights from this study may assist policymakers, financial advisors, and investors in developing more informed approaches to managing portfolios during periods of global economic disruption.*

Abstrak. *Perang dagang yang berlangsung antara Amerika Serikat dan China telah menimbulkan ketidakpastian signifikan dalam perekonomian global, yang berdampak khususnya pada keputusan investasi di Indonesia. Penelitian ini mengkaji bagaimana faktor psikologis dan ekonomi seperti literasi keuangan, persepsi risiko, dan locus of control mempengaruhi pilihan investor Indonesia antara aset berisiko dan aman selama masa krisis. Dengan memfokuskan pada keputusan investasi yang dibuat selama perang dagang, studi ini bertujuan untuk mengungkap bagaimana investor menyeimbangkan risiko dan imbal hasil dalam lingkungan ekonomi yang volatil. Temuan penelitian ini akan berkontribusi pada pemahaman perilaku investor dan memberikan wawasan praktis bagi investor individu maupun institusional di Indonesia. Penelitian ini menggunakan pendekatan kuantitatif, menerapkan analisis regresi berganda untuk menguji bagaimana variabel-variabel ini saling berinteraksi dan memengaruhi pilihan investasi. Dengan membahas faktor-faktor ini, studi ini bertujuan untuk meningkatkan pemahaman tentang strategi investasi pada masa ketidakpastian ekonomi, yang dapat memberikan manfaat bagi pembuat kebijakan, penasihat keuangan, dan investor yang menghadapi tantangan serupa.*

INTRODUCTION

Indonesia, a pivotal player in the Southeast Asian market, has faced significant economic disruptions due to global economic shifts, particularly the ongoing US-China trade war (Sulistiyowati & Pratama, 2023). This geopolitical conflict has caused ripples in the global economy, contributing to heightened uncertainty in financial markets worldwide (NBER, 2022). For Indonesia, the US-China trade war has led to fluctuating foreign direct investment (FDI) levels, with notable impacts on industries reliant on international trade (HSBC, 2025). Investors in Indonesia, similar to their global counterparts, now find themselves navigating an increasingly volatile economic environment (Iriani et al., 2024).

During periods of crisis, such as the ongoing trade war, investors typically exhibit a risk-averse attitude, preferring safer investments like bonds and gold. However, despite the broader trend toward cautiousness, many investors are drawn to riskier assets, believing they may yield higher returns once the crisis subsides (Nisani et al., 2022). In this context, the behavior of Indonesian investors has mirrored global trends, reflecting fluctuations in FDI, which saw a decline from 245 trillion IDR in Q3 2024 to 230 trillion IDR in Q1 2025 following President Trump's announcement of new tariffs (Bown, 2025). This decline highlights the dampened investor sentiment caused by the escalating trade war, which has made the investment landscape more unpredictable.

Surabaya, one of Indonesia's economic hubs, has also felt the repercussions of this global tension, mirroring national trends but with some unique local factors (Jannah, 2020). Investors in Surabaya, like their counterparts across Indonesia, have experienced increased market volatility, resulting in significant market fluctuations that have directly influenced investor behavior (Armaini et al., 2023). Early in the trade war, the demand for safer investment vehicles, such as government bonds, spiked, reflecting a more cautious approach to investment (Bai & Ho, 2023). Despite this, not all investors adhered to this preference, with some continuing to pursue riskier assets, further emphasizing the need for research into the factors driving such investment decisions (Hala et al., 2020). The behavior of investors has also been notably affected by the COVID-19 pandemic, which compounded the global uncertainty. A press release by the Indonesia Central Securities Depository (KSEI) in 2020 revealed that, despite the economic turmoil, there was an increase in capital market activity, including a surge in Initial Public Offerings (IPOs) and trading on the Indonesia Stock Exchange (BEI), signaling a growing interest in stocks during the crisis. This shift in investment patterns underscores the need for a deeper exploration of the factors influencing investment decisions in times of volatility.

The primary issue in Indonesia during the trade war revolves around the contrasting investment behavior observed during periods of economic uncertainty. While most data suggest a general movement toward safe investments in times of crisis, a significant portion of Indonesian investors still opts for riskier assets, potentially anticipating higher returns when the crisis resolves (Mnif et al., 2022). This contradiction raises crucial questions about the factors influencing investment decisions, whether these decisions are driven by broader economic conditions or psychological factors such as risk perception, financial literacy, and locus of control.

Financial literacy, which refers to an individual’s understanding of financial concepts and the ability to apply this knowledge in making informed investment choices, plays a critical role in

shaping investment decisions, particularly during times of crisis (Lusardi & Messy, 2023). Investors with higher financial literacy are generally better equipped to assess risk accurately, allowing them to make more strategic decisions. Research has shown that investors with moderate to high financial literacy are more likely to take calculated risks, preferring equities over safer bonds, based on their understanding of market cycles and the potential for higher returns (Hendarto et al., 2021; Hala et al., 2020). These investors are often more confident in their ability to navigate volatile markets, understanding the long-term benefits of riskier assets, especially during a crisis like the US-China trade war.

Risk perception, on the other hand, refers to an individual's subjective assessment of uncertainty and potential outcomes in investment scenarios (Nur Aini & Lutfi, 2019). This factor plays a crucial role in investment behavior, particularly in response to external shocks such as the US-China trade war. Those who perceive the crisis as temporary are more likely to invest in riskier assets, hoping for a market rebound. Conversely, individuals with heightened fear of market volatility may prefer safer assets, such as government bonds or gold, to avoid potential losses. This variability in risk perception significantly influences how investors adjust their portfolios during times of uncertainty, balancing their fear of loss with their desire for potential gains.

Finally, locus of control, which refers to an individual's belief about their ability to influence the outcomes of their actions, is another psychological factor that affects investment decisions (Atikah & Kurniawan, 2021). Investors with an internal locus of control believe that their decisions and actions will directly affect the outcome of their investments, leading them to be more proactive and inclined to pursue riskier assets, such as stocks. In contrast, those with an external locus of control tend to believe that external factors, such as luck or market forces, determine the success or failure of their investments. As a result, they are more likely to choose safer investments, as they feel less in control of potential outcomes (Bagus et al., 2021). The influence of locus of control underscores the role of psychological factors in shaping investment strategies during times of economic uncertainty.

The research aims to explore how these psychological and economic factors—financial literacy, risk perception, and locus of control—affect investment decisions during the US-China trade war, particularly in terms of choosing between risky and safe assets. Understanding these factors will offer valuable insights into investor behavior during crises and guide businesses and individuals in navigating future economic uncertainties.

The problem this study addresses is the observed contrast in investment behavior in Indonesia during the US-China trade war. Despite the general trend of risk aversion during crises, many investors are drawn to riskier assets, such as stocks, expecting higher returns in the long term. This issue necessitates further exploration to understand the underlying psychological and economic drivers behind these decisions. The research will address the following questions: (1) Does risk perception significantly affect investment decisions in Indonesia during the US-China trade war? (2) Does financial literacy significantly affect investment decisions in Indonesia during the US-China trade war? (3) Does locus of control significantly affect investment decisions in Indonesia during the US-China trade war?

The study's objectives are to determine the extent to which risk perception, financial literacy, and locus of control influence investment decisions during the US-China trade war. These objectives are designed to explore the factors affecting the shift between risky and safe investments during the crisis. The research aims to contribute both theoretical and practical insights into the investment decision-making process in Indonesia during this turbulent period. The theoretical benefit of this study lies in its contribution to the field of behavioral finance, particularly regarding the impact of psychological factors on investment decisions during times of economic uncertainty. By providing new insights into how risk perception, financial literacy, and locus of control influence investor behavior, this study adds to the literature on crisis-driven investment decisions, especially in emerging markets like Indonesia. Furthermore, the study lays the groundwork for future research on investor behavior in volatile economic conditions.

From a practical perspective, the findings will benefit investors, financial advisors, and policymakers by providing a deeper understanding of the factors influencing investment decisions during crises. The study will offer insights that investors can use to make more informed choices, especially in deciding between risky and safe assets during economic volatility. Financial advisors can apply the findings to guide clients through uncertain times, and policymakers may use the insights to create strategies to stabilize investment flows during global crises. This research focuses on the investment decisions of Indonesian investors during the US-China trade war, examining the shift between risky and safe assets. The study will be conducted over a 12-month period, from Q3 2024 to Q3 2025, to capture both pre- and post-crisis investment behaviors. The research will target individual investors across various age groups and industries, particularly those involved in the stock market. Quantitative survey methods will be employed to gather data on investor preferences, risk perception, and financial literacy. The research will be limited to Indonesia, with a focus on urban centers like Jakarta and Surabaya, which represent a significant portion of the country's investment activity. The study's findings will provide valuable insights for businesses, investors, and financial institutions navigating Indonesia's volatile investment environment.

LITERATUR REVIEW

Theoretical Foundation

The Efficient Market Hypothesis (EMH), introduced by Fama (1970), is a key concept in financial economics. EMH posits that financial markets are efficient in processing information, meaning that asset prices always reflect all available and relevant information at any given time (Singh & Shukla, 2021). According to this hypothesis, it is impossible for investors to consistently achieve excess returns using technical or fundamental analysis because all available information is rapidly incorporated into asset valuations (Fama, 2021). Fama categorizes market efficiency into three forms—weak, semi-strong, and strong—depending on the extent to which information is reflected in asset prices (Fama, 2021). This theory is especially relevant to the study of investment behavior during crises, such as the US-China trade war (Kuchma, 2019), as it suggests that investors should react rationally to publicly available information. However, deviations from market efficiency may occur due to psychological factors influencing decision-making, such as financial literacy, risk perception, and locus of control. This research aims to investigate whether investor behavior during the trade war aligns with or diverges from the rational expectations predicted by EMH.

Investment Decision

Investment decisions are driven by the goal of achieving high returns while minimizing significant risks (Hendarto et al., 2021). Investors must consider various factors such as the security, liquidity, and potential for growth of their investments. The ability of investments to outpace inflation is also an essential consideration (Fadila et al., 2022a). Financial instruments, such as stocks, often carry uncertain returns, which can vary greatly depending on market conditions (Cheklaukova, 2024). Stocks represent ownership in a company, exposing investors to the successes and challenges faced by that company (Hendarto et al., 2021).

According to Hala et al. (2020), investment decisions are typically categorized into two main types: real assets and financial assets. Real assets involve tangible investments such as gold, land, houses, and buildings. These assets are often considered more stable, with decision-making processes focused on factors such as the asset's condition, legal ownership, location, and long-term utility. Investments in real assets tend to require a more thorough evaluation of documentation and regulatory procedures. On the other hand, financial assets include intangible investments, such as stocks and bonds, which are traded in financial markets. Investors in financial assets often prioritize liquidity, price fluctuations, and market trends. Compared to real assets, financial asset investments are more flexible and allow for quicker, more speculative decisions.

Financial Literacy

Financial literacy is defined as the understanding of financial concepts and the ability to apply that knowledge effectively in personal and professional decision-making processes (Sajid, 2024). It enables individuals to manage their finances efficiently, improving resource allocation and contributing to overall economic growth (Goyal & Kumar, 2021; Dewi et al., 2020). Financial literacy plays a crucial role in helping individuals navigate the complexities of financial markets and make informed decisions, which is increasingly important as financial products become more complicated (Lusardi & Messy, 2023).

Sudono (2023) identifies four key dimensions of financial literacy: knowledge, awareness, attitude, and behavior. Knowledge refers to the ability to understand and recall essential financial concepts such as interest rates, inflation, investment products, and the time value of money. Awareness involves recognizing financial issues and understanding their impact on personal and long-term financial well-being. Attitude reflects an individual’s openness to saving and investing, while behavior demonstrates how financial knowledge and attitudes translate into real-world actions like budgeting, saving, and making informed investment decisions.

The role of financial literacy in influencing investment decisions is substantial. It allows investors to assess risks accurately, make strategic choices, and better understand market cycles (Hendarto et al., 2021). Financially literate investors are more likely to diversify their portfolios and engage in long-term planning (Lusardi & Messy, 2023), and they are better equipped to navigate financial products that carry higher risks but offer higher returns (Xiao et al., 2022).

Risk Perception

Risk perception refers to an individual’s subjective evaluation of uncertainty and potential outcomes in risky situations, such as investment decisions (Warjono et al., 2024). It is influenced by psychological traits, past experiences, and external information (Warjono et al., 2024). Risk

perception plays a critical role in decision-making, particularly in uncertain environments like the US-China trade war (Nur Aini & Lutfi, 2019). The perception of risk is shaped by sensory inputs, cognitive biases, and emotions. Those with a higher risk perception are often more cautious and may avoid high-risk assets, preferring safer investments like bonds or gold. On the other hand, individuals with lower risk perception may be more willing to invest in riskier assets, such as stocks or emerging markets, anticipating greater returns (Kepramareni et al., 2025).

Deb & Singh (2018) identify three primary dimensions of risk perception: fear psychosis, lack of knowledge, and lack of confidence. Fear psychosis refers to the anxiety investors experience when anticipating potential losses, which is often exacerbated by past negative experiences or external market influences. Lack of knowledge highlights the limited understanding that investors may have regarding financial instruments, which can lead to poor risk assessments. Lack of confidence reflects the uncertainty investors feel about the potential value and returns of their investments, often due to inexperience or unfamiliarity with the financial markets.

Locus of Control

Locus of control refers to an individual's belief about their ability to influence the outcomes of their actions (Fadila et al., 2022). People with an internal locus of control believe that their actions and decisions directly impact their outcomes. These individuals tend to be proactive and are more likely to take risks, believing that their efforts can lead to success. In contrast, individuals with an external locus of control attribute outcomes to external factors, such as luck or fate, and are more likely to avoid taking risks in investment decisions (Atikah & Kurniawan, 2021; Nainggolan et al., 2021).

Romadhani & Pratama (2020) identify three key indicators of internal locus of control: ability, interest, and effort. Ability refers to an individual's belief in their competence and intelligence to influence outcomes, while interest reflects their intrinsic motivation to engage with their goals. Effort emphasizes the role of persistence in achieving success. Individuals with a high internal locus of control are generally more diligent in planning, saving, and making informed investment decisions, believing that their success is tied to their efforts.

Summary of Recent Studies

Several studies have explored the relationship between demographic factors, financial literacy, risk perception, and investment decisions. In a study conducted by Shu-Hui Su (2022), demographic characteristics such as age, income, and occupation were found to influence risk perception and investment decisions among individual investors in Vietnam. The study utilized primary data from 167 respondents and highlighted that risk perception plays a significant role in investment behavior, particularly during periods of economic uncertainty, such as the US-China trade war.

Hendarto et al. (2021) investigated the impact of financial literacy, financial risk tolerance, and financial socialization on investment decisions in Indonesia. Their findings revealed that both financial literacy and financial risk tolerance significantly influenced stock investment decisions, while financial socialization agents had little impact. This research aligns with the current study by emphasizing the importance of financial literacy in guiding investment choices in uncertain economic contexts.

Fadila et al. (2022) examined how financial literacy, financial technology, risk perception, and locus of control influenced investment decisions among young entrepreneurs in Northern Luwu County, Indonesia. Their study found that financial literacy and locus of control had significant effects on investment decisions, while risk perception and financial technology did not. This research is closely related to the current study, as it focuses on financial literacy and locus of control, both of which are critical factors influencing investment behavior.

The study by Atikah & Kurniawan (2020) on financial literacy, locus of control, and financial self-efficacy in financial management behavior revealed that these factors significantly impacted financial decisions in employees at PT Panarub Industry. Similarly, Deb & Singh (2018) explored the role of risk perception in investment decisions and found that fear psychosis and lack of knowledge significantly influenced decision-making in the context of mutual fund investments.

Model of Analysis

Based on the problem formulation, research hypotheses, and insights from previous studies, the conceptual framework of this research is illustrated as follows:

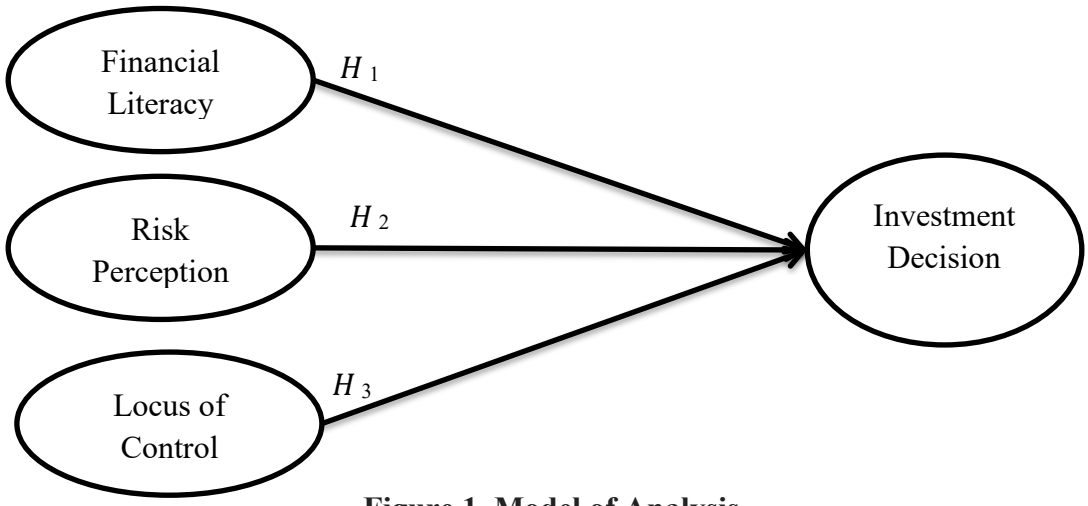

Figure 1. Model of Analysis

Hypothesis

Based on the results of the previous studies, the researcher's hypothesis is proposed as follows:

H1: Risk perception significantly affects investment decisions in Indonesia during the US-China trade war.

H2: Financial literacy significantly affects investment decisions in Indonesia during the US-China trade war.

H3: Locus of control significantly affects investment decisions in Indonesia during the US-China trade war.

RESEARCH METHODOLOGY

Research Description

This study employs a quantitative research method, which involves collecting and analyzing numerical data to test hypotheses and identify patterns (Alford & Teater, 2025). The research examines the influence of financial literacy, risk perception, and locus of control on investment decisions, utilizing purposive sampling to target participants who meet specific criteria. Multiple regression analysis is used to statistically analyze the data and draw conclusions.

Population and Sample

The population for this study consists of Generation Z and Millennial individuals residing in Surabaya, defined as individuals aged 18 to 28 (Generation Z) and 29 to 44 (Millennials) at the time of the study (Hermina & Huda, 2024). To obtain a representative sample, purposive sampling was applied, selecting participants who possess a valid Single Investor Identification (SID) number and have actively participated in the stock market in the past six months (December 2024 to May 2025). Questionnaires were distributed through platforms such as WhatsApp groups, Line, and Instagram. The researcher used the Slovin formula with 0.05 error tolerance to determine the sample

$$n = \frac{N}{1 + N(e)^2} = \frac{98.142}{1 + 98.142(0{,}05)^2} = 398$$

Where n = sample, N = Population, e = error tolerance

With a population of 98.142 investors SID (Radar Surabaya, 2021) and a 5% margin of error, resulting in a minimum sample of 400 respondents. However, the study aimed for 450 respondents, with questionnaires distributed via social media.

Data Types, Sources and Measurement Scales

This study utilizes primary data, which is collected directly from participants through first-hand methods. The data is gathered via an online questionnaire distributed through Google Forms. Once collected, the responses are analyzed using SPSS software to ensure accurate interpretation of the results. This approach guarantees that the data is authentic, relevant to the study's objectives, and has not been previously published.

Data collection begins with the creation of a list of questions, organized from general to specific or from less sensitive to more sensitive topics. Once the Google Form is set up, links are distributed to eligible participants, inviting them to complete the questionnaire. The data is then analyzed based on the responses. A Likert scale is used to measure respondents' attitudes toward investment decisions, allowing them to express their level of agreement with statements related to investment behavior, ranging from 1 (strongly disagree) to 5 (strongly agree).

Data Analysis Method

This study employs multiple regression analysis to examine the influence of financial literacy, risk perception, and locus of control on investment decisions. Multiple regression is a statistical method used to evaluate the relationship between multiple independent variables and a dependent variable (Ruan, 2024). The regression equation used in this study is:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:
Y = Investment Decision
a = Constant
β_1, β_2, β_3 = Regression Coefficients
X_1 = Financial Literacy
X_2 = Risk Perception
X_3 = Locus of Control
e = Error

1.1. Simultaneous Significance Test (F Statistics test)

The F-test is used to assess whether the independent variables collectively have a statistically significant effect on the dependent variable (Purwito, 2023). This test determines whether all the independent variables together significantly influence investment decisions. If the significance value is greater than 0.05, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted, indicating a significant impact. Conversely, if the significance value is less than 0.05, the null hypothesis is accepted, and the independent variables are considered to have no significant effect (Purwito, 2023).

1.2. Partial Significance Test (t Statistics test)

The t-statistic test is used to evaluate the individual significance of each independent variable on the dependent variable within the regression model (Purwito, 2023). It helps determine whether a specific independent variable significantly influences investment decisions. The hypothesis is accepted or rejected based on the significance level. If the significance value is less than 0.05, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted. However, if the significance value exceeds 0.05, the null hypothesis is accepted, and the alternative hypothesis is rejected (Purwito, 2023).

1.3. Coefficient of Correlation (R) and Coefficient of Determination (R^2)

The coefficient of determination (R^2) measures how well the independent variables explain the variation in the dependent variable. R^2 values range from 0 to 1, with higher values indicating that the independent variables account for more of the variation in the dependent variable. A value closer to 1 means that the independent variables explain nearly all the necessary data to predict the dependent variable, whereas a lower R^2 suggests limited explanatory power (Chicco et al., 2021). This test helps evaluate the overall fit of the regression model.

RESULTS

The demographic characteristics of the respondents are summarized in Table 1. The sample consisted of 428 respondents, with the majority aged between 18 and 24 years (41.4%). In terms of gender, male respondents (52.8%) slightly outnumbered female respondents (47.2%). Regarding occupational status, students represented the largest group (32.5%), followed by employees (30.6%), and entrepreneurs (21.7%). In terms of expenditure, most respondents reported spending between Rp2,000,001 and Rp5,000,000 (43.0%), followed by those in the Rp5,000,001 - Rp10,000,000 range (35.0%).

Table 1: Characteristic of Respondent

Demographic Information	Particulars	Frequency	Percentage (%)
Age	< 18 y/o	1	0.2%
	18 – 24 y/o	177	41.4%
	25 – 35 y/o	153	35.7%
	36 – 45 y/o	97	22.7%
Gender	Female	202	47.2%
	Male	226	52.8%
Occupation	Employee	131	30.6%
	University Student	139	32.5%
	Civil Servants	65	15.2%
	Entrepreneur	93	21.7%
Average Monthly Expense	< Rp2.000.000	69	16.1%
	Rp2.000.001 – Rp5.000.000	184	43.0%
	Rp5.000.001 – Rp 10.000.000	150	35.0%
	Rp10.000.001 – Rp20.000.000	19	4.4%
	> Rp20.000.000	6	1.%

Table 2: T-Test Partial Effect Hypothesis

Coefficients[2]					
Model		Unstandardized Coefficients		t	Sig,
		B	Std. Error		
1	(Constant)	4.276	1.064	4.019	0.000
	X1 Financial Literacy	0.241	0.047	5.114	0.000
	X2 Risk Perception	0.336	0.043	7.891	0.000
	X3 Locus of Control	0.265	0.048	5.563	0.000

a. Dependent Variable: Investment Decision

The results of the t-test show that all independent variables, Financial Literacy (X1), Risk Perception (X2), and Locus of Control (X3), have a significant positive effect on Investment Decision (Y). Specifically, Financial Literacy ($B = 0.241$, $p < 0.05$) positively influences investment decisions, with each unit increase in financial literacy leading to a 0.241 increase in investment decisions. Similarly, Risk Perception ($B = 0.336$, $p < 0.05$) has a strong positive effect, where each unit increase in risk perception results in a 0.336 increase in investment decisions. Finally, Locus of Control ($B = 0.265$, $p < 0.05$) also significantly affects investment decisions, with a 0.265 increase for each unit increase in locus of control. Since all variables have a p-value less than 0.05, H1, H2, and H3 are accepted, confirming the significant impact of these factors on investment decisions.

Table 3: F-Test Simultaneous Effect Hypothesis

ANOVA[2]						
Model		Sum of Squares	df	Mean Square	F	Sig,
1	Regression	4427.753	3	1475.918	125.524	0.000
	Residual	4985.405	424	11.758		
	Total	9413.159	427			

The results of the F-test indicate that the combination of the independent variables Financial Literacy (X1), Risk Perception (X2), and Locus of Control (X3) significantly affects Investment Decision (Y). The F-statistic value is 125.524 with a significance level of 0.000, which is less than 0.05. This confirms that the independent variables collectively explain a significant portion of the variance in the dependent variable. Therefore, based on these findings, H0 is rejected and Ha is accepted, indicating that all three independent variables have a significant simultaneous effect on Investment Decision.

Table 4: Coefficient of Determination

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.686a	0.470	0.467	3.429

The results of the R-Square (R^2) analysis indicate that the independent variables Financial Literacy (X1), Risk Perception (X2), and Locus of Control (X3) collectively explain 47.0% of the variance in Investment Decision (Y). The R-squared value of 0.470 is considered to have a moderate explanatory power, as it falls within the "Moderate" category. This suggests that these three independent variables have a meaningful influence on Investment Decision, while the remaining 53.0% is influenced by factors not included in the model.

DISCUSSION

The findings of this study indicate that all three independent variables, namely financial literacy, risk perception, and locus of control, have a significant and positive effect on investment decisions during the US–China trade war. These results reinforce existing theories within behavioral finance and reflect the multifaceted psychological, informational, and perceptual mechanisms that influence investment behavior in periods of heightened uncertainty. The following discussion elaborates on the acceptance of each independent variable, supported by prior studies, and analyzes the potential causes that account for the observed relationships.

1.1. Financial Literacy and Investment Decision

Financial literacy was found to exert a significant positive influence on investment decisions. This outcome is consistent with the findings of Lusardi and Messy (2023), who demonstrate that individuals with strong financial knowledge are more capable of interpreting financial information and assessing risks objectively. Investors with adequate financial literacy possess a deeper understanding of financial instruments, market dynamics, and portfolio management principles. Such knowledge allows them to navigate the volatility associated with geopolitical tensions such as the US–China trade war. Hendarto et al. (2021) further emphasize that financially literate investors are more inclined to participate in equity markets because they are better equipped to evaluate long-term returns relative to short-term market fluctuations.

The acceptance of financial literacy as a significant predictor can be attributed to several mechanisms. First, financial literacy enhances an investor's ability to process macroeconomic information, including trade policies, tariff changes, and global supply chain disruptions. During the trade war, the rapid dissemination of economic news increased information asymmetry. Investors with higher financial literacy were therefore better able to differentiate between temporary shocks and fundamental economic shifts. This capability corresponds with the Efficient Market Hypothesis (Fama, 1970), which presumes that informed investors respond more rationally to public information.

Second, financial literacy contributes to higher confidence in evaluating investment risks and opportunities. In the Indonesian context, access to financial education through digital platforms, online investment communities, and government-led literacy programs has expanded significantly. This development strengthens the ability of investors to make decisions grounded in analytical reasoning rather than emotional reactions. Xiao et al. (2022) explain that individuals with strong financial capabilities tend to approach investment planning with structured analysis, resulting in greater consistency in decision-making.

Third, the integration of financial literacy with digital investment tools has also influenced investor behavior. Mobile-based investment applications in Indonesia provide automated risk assessments, portfolio recommendations, and real-time data, thereby improving practical financial literacy. This interaction between knowledge and technology supports more sophisticated investment behavior, even in volatile periods.

Overall, the acceptance of financial literacy as a significant factor reflects the critical role of financial knowledge in shaping rational decision-making in uncertain economic conditions.

1.2. Locus of Control and Investment Decision

Risk perception was also shown to significantly influence investment decisions. This finding is consistent with studies by Warjono et al. (2024) and Deb and Singh (2018), which state that individual interpretations of risk play an essential role in determining asset preferences. In volatile environments, such as those created by the US–China trade war, the perceived likelihood of loss becomes a central determinant of investor behavior. High levels of perceived risk often lead to more conservative investment approaches, whereas lower perceived risk encourages engagement with riskier assets.

This variable was accepted because risk perception functions as a psychological filter through which investors interpret uncertain market signals. During the trade war, investors were inundated with news regarding tariff escalations, depreciating currencies, and fluctuating commodity prices. These conditions amplified the importance of subjective evaluations of risk. Investors who perceived the crisis as temporary considered price declines as buying opportunities. Conversely, those who perceived the trade war as a long-term threat exhibited heightened caution and shifted to safer assets such as gold and government bonds.

Several mechanisms account for the significance of risk perception. First, behavioral responses to uncertainty often operate through emotional pathways. Studies by Nisani et al. (2022) show that heightened uncertainty increases fear and loss aversion, which in turn influences

avoidance of risky investments. This aligns with prospect theory, where individuals tend to overweight the potential for loss relative to gains.

Second, differences in access to information contribute to variations in risk perception. Social media, financial influencers, and market commentators often disseminate both accurate and exaggerated information. Such content influences investor sentiment and shapes perceptions of market stability. In Indonesia, younger investors are more exposed to digital platforms that present market dips as opportunities, whereas older investors tend to consume more traditional financial news that emphasizes caution. These differences strengthen the role of perceptual interpretation.

Third, cultural tendencies toward risk aversion also influence how individuals respond to economic shocks. Indonesian investors traditionally display conservative financial behaviors, preferring savings and fixed-income products. However, the increasing participation of young, mobile-app-driven investors has created a more heterogeneous risk environment. This diversification in investor profiles resulted in significant variability in risk perception. Thus, the acceptance of risk perception as a significant factor indicates that investment decisions during crises are shaped not only by objective indicators but also by subjective interpretations of uncertainty.

1.3. Locus of Control and Investment Decision

Locus of control was identified as the third variable with a significant positive influence on investment decisions. This finding is supported by Atikah and Kurniawan (2021), who conclude that individuals with an internal locus of control tend to exhibit proactive financial behaviors. Romadhani and Pratama (2020) similarly assert that internal-locus individuals demonstrate greater persistence and confidence in managing financial outcomes. These findings suggest that psychological beliefs regarding personal agency significantly contribute to investment decision-making.

The acceptance of locus of control is driven by several observable mechanisms. First, individuals with an internal locus of control are more likely to engage in research, monitor market trends, and evaluate investment alternatives. They believe that strategic effort, analysis, and discipline can lead to favorable outcomes regardless of market uncertainty. This belief promotes more consistent participation in financial markets even during periods of geopolitical tension.

Second, locus of control influences emotional resilience. Investors with an external locus often react to market downturns with increased anxiety because they attribute outcomes to uncontrollable forces. Such investors are more likely to avoid investment activities during crises. Conversely, internal-locus investors display higher levels of optimism and persistence. Chen (2022) explains that individuals who perceive themselves as responsible for outcomes tend to interpret volatility as a challenge rather than a threat.

Third, past investment experience contributes to the development of locus of control. Investors who have witnessed market recoveries after periods of volatility may develop a stronger internal locus, while those who experienced losses without understanding the underlying causes may develop an external locus. These psychological developments influence future decision-making and help explain the statistical significance observed in this study.

Additionally, cultural shifts in Indonesia toward entrepreneurship and financial independence have fostered stronger internal-locus characteristics among younger investors. Exposure to entrepreneurial narratives, financial success stories, and investment-oriented communities promotes a mindset that associates financial outcomes with personal effort and learning. This changing cultural environment strengthens the relevance of locus of control in shaping investment strategies. Overall, the significance of locus of control reflects the increasing relevance of psychological traits in financial decision-making, particularly in volatile environments.

CONCLUSION

This study examines the influence of financial literacy, risk perception, and locus of control on investment decisions in Indonesia during the US–China trade war. The findings demonstrate that all three variables significantly affect how investors evaluate and select financial assets in periods of economic turbulence. In relation to the research problem statements, the results confirm that (1) risk perception significantly affects investment decisions, (2) financial literacy significantly influences investment decisions, and (3) locus of control also has a significant effect on investment decisions. Thus, all proposed hypotheses are supported.

Although all variables exhibit significant effects, the findings do not provide a definitive conclusion regarding whether Indonesian investors predominantly shift toward safer or riskier assets during the US–China trade war. Investor behavior remains divided, with some prioritizing safety while others pursue higher-risk opportunities. However, the results indicate that investors do pay close attention to where they allocate their funds and that their decisions are shaped by psychological and cognitive factors rather than random or speculative behavior. This suggests that even in unstable environments, Indonesian investors demonstrate a degree of rationality by considering personal knowledge, risk interpretations, and levels of perceived control.

This study has several limitations. First, the sample is restricted to Surabaya, which may not fully represent the behavior of investors in other Indonesian cities, especially regions with different socioeconomic conditions or levels of market exposure. Second, the research focuses solely on three behavioral variables, while investment decisions are likely influenced by a broader set of factors, including market sentiment, financial technology usage, macroeconomic indicators, past investment experience, and demographic characteristics.

Future research is encouraged to expand the geographical scope to include multiple cities or provinces in order to capture variations in investor responses across Indonesia. Additional behavioral or contextual variables, such as overconfidence, loss aversion, financial self-efficacy, economic news exposure, or market volatility indices, could also be included to provide a more comprehensive understanding of investor decision-making during geopolitical crises. Moreover, qualitative or mixed-method approaches may help uncover deeper motivations behind investor behavior that are not captured through quantitative surveys.

REFERENCES

Ahmed, A. E., Ucbasaran, D., Cacciotti, G., & Williams, T. A. (2022). Integrating Psychological Resilience, Stress, and Coping in Entrepreneurship: A Critical Review and Research Agenda. *Entrepreneurship: Theory and Practice*, *46*(3), 497–538. https://doi.org/10.1177/10422587211046542

Alford, S., & Teater, B. (2025). 14: Quantitative research. In *Handbook of Research Methods in Social Work* (pp. 156–171). Edward Elgar Publishing. https://doi.org/10.4337/9781035310173.00023

Alita, D., Putra, A. D., & Darwis, D. (2021). Analysis of classic assumption test and multiple linear regression coefficient test for employee structural office recommendation. *IJCCS (Indonesian Journal of Computing and Cybernetics Systems)*, *15*(3), 295–306.

Armaini, R., Rachma Sari, K., Dwitayanti, Y., Akuntansi, J., Sriwijaya, N., & Sriwijaya, P. N. (2023). Impact of Real-Time Data, Market Sentiment, and Economic Factors on Investment Profitability in Indonesia. *The Es Accounting and Finance*, *2*(01), 53–63. https://doi.org/10.58812/esaf.v2i01

Atikah, A., & Kurniawan, R. R. (2021). Pengaruh Literasi Keuangan, Locus of Control, dan Financial Self Efficacy Terhadap Perilaku Manajemen Keuangan. *JMB: Jurnal Manajemen Dan Bisnis*, *10*(2).

Bagus, I., Febri Mahwan, P., Trisna Herawati, N., Ekonomi, J., & Akuntansi, D. (2021). Pengaruh Literasi Keuangan, Persepsi Risiko, Dan Locus Of Control Terhadap Keputusan Investasi Pengusaha Muda Di Singaraja. In *Jurnal Ilmiah Mahasiswa Akuntansi) Universitas Pendidikan Ganesha* (Vol. 12, Issue 03). www.ojk.go.id

Bai, M., & Ho, L. (2023). How do gold and oil react to the COVID-19 pandemic: A review. *Energy & Environment*, *34*(7), 2876–2902.

Bairagi, P., & Chakraborty, A. (2021). Effect Of Gender, Age And Income 0n Investors' Risk Perception In Investment Decision: A Survey Study. *Age And Income 0n Investors' Risk Perception In Investment Decision: A Survey Study (May 11, 2021)*.

Bandur, Dr. D. B. A. (2021). *Validitas dan Reliabilitas Penelitian*.

Bown, C. P. (2025). *US-China trade war tariffs: An up-to-date chart*. https://www.piie.com/research/piie-charts/2019/us-china-trade-war-tariffs-date-chart

Cheklaukova, E. L. (2024). ANALYSIS OF THE PROFITABILITY OF FINANCIAL INSTRUMENTS. *Modern Technologies and Scientific and Technological Progress*, *2024*(1), 381–382.

Chen, M. (2022). Locus of Control Risk Perception and New Venture Decisions--Based on Logistics Regression Model. *2022 2nd International Conference on Management Science and Software Engineering (ICMSSE 2022)*, 198–204.

Chicco, D., Warrens, M. J., & Jurman, G. (2021). The coefficient of determination R-squared is more informative than SMAPE, MAE, MAPE, MSE and RMSE in regression analysis evaluation. *PeerJ Computer Science*, *7*, 1–24. https://doi.org/10.7717/PEERJ-CS.623

Deb, S., & Singh, R. (2018). Dynamics of Risk Perception Towards Mutual Fund Investment Decisions. *Iranian Journal of Management Studies*, *11*(2). https://doi.org/10.22059/ijms.2018.246392.672920

Dewi, V. I., Febrian, E., Effendi, N., Anwar, M., & Nidar, S. R. (2020). Financial literacy and its variables: The evidence from Indonesia. *Economics and Sociology*, *13*(3), 133–154. https://doi.org/10.14254/2071

Fadila, N., Goso, G., Hamid, R. S., & Ukkas, I. (2022a). Pengaruh Literasi Keuangan, Financial Technology, Persepsi Risiko, dan Locus of Control Terhadap Keputusan Investasi Pengusaha Muda. *Owner*, *6*(2), 1633–1643. https://doi.org/10.33395/owner.v6i2.789

Fadila, N., Goso, G., Hamid, R. S., & Ukkas, I. (2022b). Pengaruh Literasi Keuangan, Financial Technology, Persepsi Risiko, dan Locus of Control Terhadap Keputusan Investasi Pengusaha Muda. *Owner*, *6*(2), 1633–1643. https://doi.org/10.33395/owner.v6i2.789

Fama, E. F. (1970). Efficient capital markets. *Journal of Finance*, *25*(2), 383–417.

Fama, E. F. (2021). Market efficiency, long-term returns, and behavioral finance. *Disponível No*.

Goyal, K., & Kumar, S. (2021). Financial literacy: A systematic review and bibliometric analysis. In *International Journal of Consumer Studies* (Vol. 45, Issue 1, pp. 80–105). Blackwell Publishing Ltd. https://doi.org/10.1111/ijcs.12605

Hala, Y., Abdullah, M. W., Andayani, W., Ilyas, G. B., & Akob, M. (2020). The Financial Behavior of Investment Decision Making Between Real and Financial Assets Sectors. *Journal of Asian Finance, Economics and Business*, *7*(12), 635–645. https://doi.org/10.13106/JAFEB.2020.VOL7.NO12.635

Hendarto, K., Anastasia, N., & Basana, S. R. (2021). The Effect of Financial Literacy, Financial Risk Tolerance, and Financial Socialization Agents on Stock Investment Decision in The Millennial Generation. *Petra International Journal of Business Studies*, *4*(1), 11–22. https://doi.org/10.9744/ijbs.4.1.11-22

Hermina, D., & Huda, N. (2024). Memahami Populasi dan Sampel: Pilar Utama dalam Penelitian Kuantitatif. In *Syntax Admiration* (Vol. 5, Issue 12).

HSBC. (2025). *Foreign direct investment vital for unlocking Indonesia's potential*.

Iriani, N., Agustianti, A., Sucianti, R., Rahman M, A., & Putera, W. (2024). Understanding Risk and Uncertainty Management: A Qualitative Inquiry into Developing Business Strategies Amidst Global Economic Shifts, Government Policies, and Market Volatility. *Golden Ratio of Finance Management*, *4*(2), 62–77. https://doi.org/10.52970/grfm.v4i2.444

Jannah, F. M. (2020). *PENINGKATAN EKONOMI DI TENGAH PANDEMI DALAM MENUNJANG PERGERAKAN PERTUMBUHAN EKONOMI DI SURABAYA*.

Karnia, R. (2024). Importance of Reliability and Validity in Research. *Psychology and Behavioral Sciences*, *13*(6), 137–141. https://doi.org/10.11648/j.pbs.20241306.11

Kepramareni, P., Putra, I. G. C., Mirayani, L. P. M., Laksemini, K. D. I. S., & Janawati, N. W. J. (2025). The Influence of Financial Literacy and Risk Tolerance on Retirement Financial Planning. *Global Business & Finance Review*, *30*(2), 86.

Kuchma, N. S. (2019). US - China trade war: reaction of stock exchanges to the transformation of the foreign policy agenda. *RUDN Journal of Economics*, *27*(3), 415–428. https://doi.org/10.22363/2313-2329-2019-27-3-415-428

Lusardi, A., & Messy, F.-A. (2023). The importance of financial literacy and its impact on financial wellbeing. *Journal of Financial Literacy and Wellbeing*, *1*(1), 1–11. https://doi.org/10.1017/flw.2023.8

Mahardhika, M. D., & Asandimitra, N. (2023). Pengaruh overconfidence, risk tolerance, return, financial literacy, financial technology terhadap keputusan investasi yang dilakukan mahasiswa Surabaya. *Jurnal Ilmu Manajemen*, 602–613.

Mnif, E., Salhi, B., Mouakha, K., & Jarboui, A. (2022). Investor behavior and cryptocurrency market bubbles during the COVID-19 pandemic. *Review of Behavioral Finance*, *14*(4), 491–507.

Nainggolan, R., Christiani, N., & Tungka, N. F. (2021). Levels of Financial Literacy in Terms of the Ethnicity, Gender, Religion and Locus of Control of College Students. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *5*(3), 2723–2733.

Nasution, A. A., Harahap, B., & Ritonga, Z. (2022). The Influence of Product Quality, Promotion and Design on Purchase Decisions for Yamaha Nmax Motor Vehicles SPSS Application Based. *International Journal of Economics (IJEC)*, *1*(1), 1–13.

NBER. (2022). *How the US-China Trade War Affected the Rest of the World*. https://www.nber.org/digest/202204/how-us-china-trade-war-affected-rest-world

Nisani, D., Qadan, M., & Shelef, A. (2022). Risk and Uncertainty at the Outbreak of the COVID-19 Pandemic. *Sustainability (Switzerland)*, *14*(14). https://doi.org/10.3390/su14148527

Nur Aini, N. S., & Lutfi, L. (2019). The influence of risk perception, risk tolerance, overconfidence, and loss aversion towards investment decision making. *Journal of Economics, Business, & Accountancy Ventura*, *21*(3), 401–413. https://doi.org/10.14414/jebav.v21i3.1663

Nurmelia, N., Nur Fadilla, F., Wahyuni, N. A., & Margaretha Leon, F. (2021). *PAST BEHAVIOUR, FINANCIAL LITERACY AND INVESTMENT DECISION-MAKING PROCESS OF INDIVIDUAL INVESTORS* (Vol. 20, Issue 01).

Obeng, G. (2019). Behavioural Antecedents Complementing Classical Financial Models for Rational Decision Making. *International Journal of Publication and Social Studies*, *4*(2), 111–122. https://doi.org/10.18488/journal.135.2019.42.111.122

Purwito, D. D. (2023). *Pengambilan Keputusan Memilih 'Spacer" Terbaik Pada Proses Pemintalan Pembuatan Benang Cotton Nei 28S 100% Menggunakan Analisa Statistik "T" Test dan "F" Test*.

Rasyid, R., Linda, M. R., Patrisia, D., Fitra, H., & Susanti, Y. (2018). *The Effect of the Locus of Control, Financial Knowledge and Income on Investment Decisions*.

Romadhani, S., & Pratama, A. I. (2020). Politeknik Negeri Bengkalis Nopember 2020, hlm. In *Seminar Nasional Industri dan Teknologi (SNIT)*.

Ruan, Y. (2024). *Exploring Multiple Regression Models: Key Concepts and Applications*.

Sajid, M. A. (2024). *Fostering Financial Literacy in Children: A Cornerstone for Economic Well-Being*. https://doi.org/10.71085/joclsi

Shu-Hui Su. (2022). THE EFFECT OF DEMOGRAPHIC CHARACTERISTICS ON RISK PERCEPTION AND INVESTMENT DECISION: AN EMPIRICAL STUDY IN VIETNAM. *Indian Journal of Finance and Banking*, 19–32. https://doi.org/10.46281/ijfb.v9i1.1548

Singh, A., & Shukla, M. A. (2021). *THE CONCURRENCE OF EFFICIENT MARKET HYPOTHESIS AND BEHAVIOURAL FINANCE*.

Sudono, A. (2023). STUDY OF FINANCIAL LITERACY MEASUREMENT INDICATORS FOR INDEPENDENT COFFEE SHOP MSMES; A LITERATURE REVIEW. *JRMSI - Jurnal Riset Manajemen Sains Indonesia*, *14*(01), 82–87. https://doi.org/10.21009/jrmsi.014.1.09

Sulistiyowati, L. N., & Pratama, V. (2023). Indonesia's macroeconomic conditions during United States-China trade war. *Jurnal Ekonomi Dan Bisnis*, *26*(Oktober), 509–530.

Warjono, D. K., Ika Prajawati, M., & Sulhan, M. (2024). Risk Perception and Return Expectation on Investment Decisions in the Capital Market. *Jurnal Inovasi Pendidikan Ekonomi (JIPE)*, *14*(2), 157. https://doi.org/10.24036/011315280

Xiao, J. J., Huang, J., Goyal, K., & Kumar, S. (2022). Financial capability: a systematic conceptual review, extension and synthesis. *International Journal of Bank Marketing*, *40*(7), 1680–1717. https://doi.org/10.1108/IJBM-05-2022-0185