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UNDERCONFIDENCE INFLUENCES LONG TERM AND SHORT TERM DECISIONS IN CRYPTOCURRENCY INVESTMENT

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Abstract

According to prospect theory, investors evaluate gains and losses with certain tendencies. Investors assess losses and avoid risk in the domain of gains. When faced with choices involving potential losses or gains, loss aversion can lead to a tendency to avoid risks that could result in losses, even if the potential gains are substantial. The population in this study is cryptocurrency investors in Bali, whose number is unknown. The sample was determined based on the opinion that the number of indicators x 5-10, which is 150 samples. The sampling technique used is purposive sampling with the criterion that cryptocurrency investors have been investing for a minimum of 2 years. The data analysis technique used is SEM-PLS. Underconfidence does not affect cryptocurrency investment performance. Underconfidence positively affects Long Term Investment Decision and short term investment decision. Long Term Investment Decision and short term investment decision positively affect cryptocurrency investment performance.

Keywords: investment performance; underconfidence; long term investment decision; short term investment decision; cryptocurrency

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INTRODUCTION

The development of technology has permeated all aspects, whether in organizations, financial markets, or existing investments (Riani, 2024). The development and advancement of technology have given rise to various innovations, especially in the financial sector (Bryzgalova et al., 2023) and (Nugroho and Kusmayadi, 2021), seperti inovasi digital produk keuangan serta literasi digital Innovation is the creation, development, and implementation of new ideas or improvements to existing products, processes, and services to enhance value (Faizal et al., 2024). Simple investments in the form of stocks, bonds, and mutual funds, as well as financial derivative instruments such as forwards, options, and futures, have shown progress, indicating development over the past few decades (Ayedh et al., 2021). Along with the discovery of blockchain, the creation of crypto currencies has brought the global financial market into a new era. One form of financial innovation that has emerged is the presence of cryptocurrencies (Bhimani et al., 2022). The cryptocurrency market has experienced exponential growth in the last 10 years, starting from 2008 (Xi et al., 2019). In 2017, the price of Bitcoin, a leading cryptocurrency, increased drastically with a compound annual growth rate of

around 1,300% (Lammer et al., 2020). Significant price growth and high returns have led more individual investors to consider cryptocurrencies as investable assets despite their extreme volatility (Ji et al., 2019) and (Bai, 2024). Although cryptocurrency serves as a means of payment, there are still pros and cons due to its high risk and high volatility (Vega and Camarero, 2024). In reality, many investors are brave enough to make cryptocurrency an investment (Grobys and Junttila, 2021). The uniqueness of cryptocurrency lies in its high volatility and decentralized nature, which attracts investors interested in the potential for significant profits in both the short and long term. The characteristic of the cryptocurrency market being volatile and unpredictable also presents various challenges, particularly related to psychological factors and investor behavior. According to Forbes magazine, in 2024 only 28% of crypto investors made a profit and 58% claimed to understand how cryptocurrency works (Hooson and Michael, 2024). Cryptocurrency investment requires caution, a strong mindset, and an understanding of the type of investment and its risks. Individual investment management includes planning and managing owned investments with a sense of responsibility in order to achieve improved investment performance (Diana, 2021). External conditions that are volatile, such as the Covid-19 pandemic and the Russia-Ukraine war, also have an impact on the volatility of cryptocurrencies (Moussa et al., 2024)

The Commodity Futures Trading Regulatory Agency (Bappebti) stated that there has been a significant increase in the number of investors and the transaction value of crypto assets in Indonesia (Bappebti, 2022). Even crypto users in Indonesia have surpassed the number of investors in the capital market, mutual funds, and others. In Indonesia, cryptocurrency has developed very rapidly. Indonesia has ranked 4th in the number of cryptocurrency users among 27 countries, with 22.4% of users. The results of the survey conducted by investor.id in 2024 indicate that the majority of crypto users are millennials (Gen Y) at 64% and Gen Z at 23%. In recent years there has been a lot of research and publication on topics such as cryptocurrency markets, cryptocurrency transactions and the use of blockchain in transactions and bitcoin security (Singh et al., 2024). Most researchers believe that cryptocurrencies have value as an investment (Ciaian et al., 2016) and (Korsah et al., 2025). Research studies focus on the investment value of cryptocurrencies, including the financial performance of cryptocurrencies (Bianchi and Babiak, 2022) and the role of cryptocurrencies in portfolio diversification (Bouri et al., 2017) and (Dyhrberg, 2016). Research on investment decisions in cryptocurrency was conducted by (Zhao and Zhang, 2021) finding that investment experience influences cryptocurrency investment. Previous research on determining factors in cryptocurrency investment is relatively scarce. Social media platforms show a different relationship with cryptocurrency investment experiences and future considerations expressed by (Kim and Fan, 2024) and (Kocoglu et al., 2024).

Prospect theory explained by (Kahneman and Tversky, 1979) stating that people make decisions based on gains and losses rather than the final outcome, and also set a reference point and make decisions accordingly. Investors assess gains and losses differently, and values are calculated from a reference point. Investors assess losses and avoid risk in the domain of gains. Investment performance reflects the success of investment decisions made by investors. In the context of cryptocurrency, investment performance varies greatly depending on the chosen strategy and the investor's ability to handle market volatility. Underconfident investors may achieve lower performance, both in the short term and the long term, because the uncertainty they feel affects the timing and volume of their investments (Gisbert-Perez et al., 2022). Investors are faced with choices involving potential losses or gains; loss aversion can lead to a tendency to avoid risks that could result in losses, even if the potential gains are significant.

(Pikulina et al., 2017) stating that underconfidence is a bias driven by cognitive heuristics where individuals underestimate their knowledge and skills. (Ahmad, 2021) asserting that too many people underestimate themselves, leading them to suffer from underconfidence bias. Some people think that they consider themselves not skilled in making decisions. Such behavior reflects a bias driven by cognitive factors. An investor is considered less confident when their subjective knowledge decreases (Razmdoost et al., 2015). Previous research states that underconfidence affects investment performance as indicated by (Aristei and Gallo, 2023), (Cucinelli and Soana, 2023) and (Dela Cruz et al., 2020). Underconfidence negatively affects investment performance, as stated by (Pearson and Korankye, 2023) and (Alves, 2023).

Meanwhile, short-term and long-term investment decisions can yield different results depending on market conditions, analytical skills, and the investor's readiness to face risks. Regulators must act quickly to identify and manage the dangers posed by financial innovations (Dabi et al., 2024). Short-term investment decisions are often made by investors looking to take advantage of daily or weekly price movements (Barber and Odean, 2013) and (Van Dolder and Vandenbroucke, 2024). In the cryptocurrency market, short-term decisions can provide significant profit opportunities in a short time, but the risk of loss is also high. Investors who focus on short-term decisions are often influenced by market sentiment and news that directly impact asset prices. For underconfident investors, short-term investment decisions can be a significant challenge because they tend to feel hesitant or afraid of experiencing losses, resulting in lower potential gains compared to more confident and quick-acting investors. Cryptocurrency is known for its high volatility, so short-term decisions require quick analysis and measured courage (Shahrour et al., 2025). Underconfident investors can diversify their assets with lower volatility and focus on cryptocurrencies with large market capitalization, such as Bitcoin, which tend to be more stable. Long-term investment decisions aim to hold assets over a longer period, with the expectation that the value of the assets will increase over time. In the context of cryptocurrency, long-term decisions provide opportunities for investors to avoid short-term fluctuations and potentially benefit from long-term price uptrends. However, underconfidence can also affect long-term decisions, as less confident investors may doubt their ability to assess the potential of the asset. As a result, they tend to sell the asset too quickly when prices drop, losing potential long-term gains. Long-term investment in cryptocurrency requires confidence in the potential of the asset in the future. For underconfident investors, focusing on understanding the fundamentals in depth can be beneficial.

Underconfidence negatively affects short-term investment decisions and long-term investment decisions as stated by (Ahmad and Wu, 2024). Long term investment positively affects investment performance, as stated by (Vuković and Pivac, 2023). The limited studies on the underconfidence bias affecting short-term and long-term investment decisions encourage further research. There are several studies that examine the influence of biases on short-term and long-term investment decisions. Research examining the impact of Overconfidence bias on Long-term investment decisions was studied by (Vuković and Pivac, 2023). These findings explain the personal characteristics of investors to make better investment decisions. Private enterprise identity influences long-term investment decision making, as stated by (Chen et al., 2024). These findings indicate that long-term investment decision-making is determined by issues of identity. Love of money affects short-term investment and long-term investment found by (Chaudary et al., 2024). Presentativeness bias, anchoring bias, and availability bias affect short-term investment as stated by (Sudirman et al., 2023). Previous research examined financial literacy in relation to short-term investment decisions and long-term investment decisions conducted by (Aman et al., 2024). This perspective is important for designing the investment portfolio owned. This study examines the impact of underconfident investors in making investment decisions on the outcomes achieved.

The limited empirical studies on the influence of underconfidence on investment performance encourage further research. To our knowledge, there is still a lack of research on underconfidence regarding short-term investment decisions and long-term investment decisions on investment performance. This research contributes to the existing literature on prospect theory, which states that investment decision-making is fraught with risk and can be influenced by biases. In this study, the bias referred to is underconfidence, which affects short-term and long-term investment decisions and ultimately impacts investment performance. The difference from previous research lies in the bias used to determine investment decisions; in this study, it is underconfidence. Previous research has been limited in examining underconfidence as a determinant of investment decisions and investment performance.

Lack of confidence in making investment decisions can hinder investors from making optimal decisions, whether for short-term or long-term investments (Karki et al., 2024). The highly complex cryptocurrency market underconfidence can negatively impact investment decisions because less confident investors tend to be more cautious or even hesitant in making decisions. Investors who feel underconfident are likely to postpone investment decisions more often or make smaller investments to avoid the risk of loss. Short-term investments, which often require quick reactions to market changes, can cause investors to miss out on profit opportunities arising from rapid price fluctuations due to underconfidence (Iamin, 2024). Investors may also be too focused on excessive analysis, resulting in situations where they take too long to analyze data and lose momentum in

making decisions. In making long-term decisions, underconfidence can hinder investors from holding onto assets for extended periods due to the uncertainty they feel. Investors may hesitate to hold onto cryptocurrency because they are worried that the asset's price will drop drastically in the long term or are less confident in the intrinsic value of the asset. As a result, investors may often panic when there are indications of a price drop, causing the potential for long-term profits to be lost (Rossetto, 2021).

A lack of confidence can lead investors to choose conservative or passive strategies, which may not be optimal in the dynamic cryptocurrency market environment (Gemayel and Preda, 2021). Investors who exhibit underconfidence tend to avoid taking the necessary risks to achieve significant investment results. This leads to less aggressive investment decisions, which can result in lower investment performance compared to more confident investors. Low literacy can also cause investors to have low confidence (Marliyah et al., 2023). In the cryptocurrency market, which has the potential to generate high returns in a short period, underconfidence can cause investors to miss promising investment opportunities. The feeling of hesitation to invest or excessive fear of loss risks hinders them from making decisions that could yield high returns (Pikulina et al., 2017). This can cause them to fall behind more proactive investors who are better at managing risks. High volatility in the crypto market can trigger excessive uncertainty among investors, causing them to underestimate their ability to predict prices, which is characteristic of underconfidence (Evrim Mandaci and Cagli, 2022) and (Bajra and Aliu, 2023). Moreover, rapidly changing liquidity often creates unstable market conditions where asset prices can fluctuate drastically in a short period. (Aliu et al., 2024). This reinforces the sense of doubt among investors in making investment decisions. Market sentiment such as news and speculation can cause investors to hesitate in making decisions. Previous studies have found that underconfidence negatively affects investment performance, as stated by (Pearson and Korankye, 2023) and (Alves, 2023). Underconfidence negatively affects short-term investment decisions and long-term investment decisions as stated by (Ahmad and Wu, 2024). H1 : Underconfidence negatively affects investment performance. H2 : Underconfidence negatively affects short-term investment decisions. H3 : Underconfidence negatively affects long-term investment decisions.

Investment decisions are important decisions in relation to improving investment performance (Anggia and Suteja, 2019). Investors who focus on short-term investment decisions usually try to take advantage of daily or weekly price movements that are often triggered by news, market sentiment, or other external factors that arise suddenly (Aggarwal, 2022). This short-term investment decision allows investors to generate profits quickly, but they also carry high risks due to unforeseen price changes. Investors need to have speed and precision in conducting technical analysis and making quick decisions in order to achieve optimal results. Investors with financial knowledge are expected to be able to manage their investments (Diana, 2021). Investors who choose a long-term strategy usually focus on the intrinsic value of the cryptocurrency they hold, hoping that the asset will increase in value over time. Long-term investment decisions can be a more stable strategy, as they are not affected by high daily price fluctuations. Long-term investment decisions allow investors to minimize transaction costs and avoid the risk of overtrading. Investment decisions require good skills, knowledge, and financial behavior (Wulandari, 2022). The quality of investment decisions will impact investment performance (Giovanni et al., 2022). Empirical studies on short-term investment decisions have a positive impact on investment performance, as stated by (Ahmad and Wu, 2024). Previous empirical studies found that long-term investment positively affects investment performance as stated by (Vuković and Pivac, 2023). H4 : Short-term investment decisions have a positive impact on investment performance. H5 : Long-term investment decisions have a positive impact on investment performance.

METHOD

This research uses a quantitative approach and employs primary data. Primary data were collected using a questionnaire distributed to cryptocurrency investors in Bali. The statement items on the questionnaire were measured using a 5-point Likert scale. The population in this study is cryptocurrency investors in Bali, whose number is unknown. The sample was determined based on opinion (Hair et al., 2019) that is the number of

indicators x 5-10, which is 150 samples. The sampling technique used is purposive sampling with the criterion that cryptocurrency investors have been investing for at least 2 years. In the research questionnaire, a preliminary screening statement is provided, namely whether you have invested for at least 2 years. If the respondent answers yes, they will be directed to answer the subsequent statements; if not, the questionnaire completion will be terminated. The sample in this study was determined based on the accidental sampling technique, specifically investors who have been investing for at least 2 years and are willing to be respondents in the research. The research questionnaire was distributed until the sample was fulfilled. The data analysis technique used is SEM-PLS.

Underconfidence is the lack of self-confidence that investors have when making investment decisions. Short Term Investment Decision is an asset held by investors for 3-12 months. Long Term Investment Decision is an asset held by investors for more than 1 year. Investment performance is the result of investment decisions made by investors. The indicators used to measure each construct are presented in Table 1. Underconfidence is measured by 3 indicators, namely being nervous in expressing opinions, which is a characteristic of investors who are hesitant in conveying their opinions. Decreased confidence is a psychological condition of investors who doubt their decision-making abilities. Lack of skills and knowledge means that investors feel they do not yet possess the level of practical ability and theoretical understanding in making decisions. Short Term Investment Decision is measured by 4 indicators, namely Taking advantage of investment opportunities means that investors take strategic actions to invest in an asset. Following portfolio management activities means that investors are diversifying their investment portfolios. Adding investment funds is an action of increasing capital in the portfolio. Conducting research is the process of gathering, analyzing, and evaluating information to make decisions.

Long Term Investment Decision is measured by 4 indicators, namely Saving income for investment purposes means setting aside a portion of income for investment. Having an investment portfolio means that an investor has a collection of investment instruments. Investing funds in the long term means allocating capital to investment instruments with the aim of achieving long-term returns. Managing an investment portfolio is the process of designing and monitoring a collection of investment assets. Investment Performance is measured by 4 indicators, namely the Expected Return Rate, which is the rate of return in line with expectations. The rate of return exceeding expectations is the level of yield that surpasses expectations. Satisfied with the purchase decision is the feeling of satisfaction with the decision to buy an investment instrument. Satisfaction with the selling decision is the feeling of satisfaction with the decision to sell investment instruments. These indicators were chosen as variable components because, in the context of the cryptocurrency market, which is full of uncertainty and has high volatility, these indicators are relevant as investors often face complex and difficult-to-understand information, reinforcing a lack of confidence in making short-term and long-term investment decisions and impacting investment performance.

Table 1. Construct dan Indicator

Construct	Indicator	Source
Underconfidence (UC)	Nervous in expressing opinions (UC1) Confidence is declining (UC2) Skills and knowledge are still lacking (UC3)	(Ahmad, 2021)
Short Term Investment Decision (STID)	Taking advantage of investment opportunities (STID1) Participating in portfolio management activities (STID2) Adding investment funds (STID3) Conducting research (STID4)	(Ahmad, 2021)
Long Term Investment Decision (LTID)	Savings from income for investment purposes (LTID1) Having an investment portfolio (LTID2) Investing funds for the long term (LTID3) Managing an investment portfolio (LTID4)	(Ahmad, 2021)
Investment Performance (IP)	The return rate meets expectations (IP1) The return rate exceeded expectations (IP2) Satisfied with the purchase decision (IP3) Satisfied with the decision to sell (IP4)	(Vuković and Pivac, 2023)

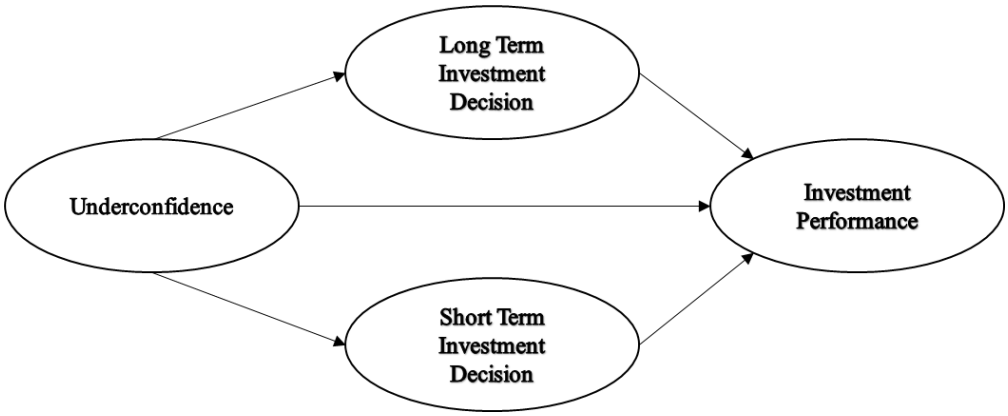

Figure 1. Model Penelitian

RESULTS

The analysis of respondent characteristics based on age, field of work, and investment duration is presented in Table 2. The majority of respondents are aged ≤ 30 years, totaling 79 respondents or 53 percent. In terms of job characteristics, the majority of respondents work as private employees, totaling 56 respondents or 37 percent. Based on investment duration, the majority of respondents have been investing for 2-5 years, totaling 110 respondents or 73 percent. The results show that young respondents dominate this study; in the cryptocurrency market, the younger generation tends to be more interested in new technologies and has a higher risk tolerance. This is in line with the research conducted by (Christina et al., 2024) stating that the younger generation should become entrepreneurs or investors even on a small scale. The results show that the majority of respondents have 2-5 years of cryptocurrency investment experience. The dominance of this group reflects the characteristics of investors who have been involved in the cryptocurrency market long enough to recognize patterns of volatility and market dynamics, but may not yet have reached the level of expertise possessed by investors with more than 5 years of experience. 2-5 years of experience provide a relevant perspective for this research because this group is in the transition phase from beginner to mature investor. Further research could add respondent characteristics with criteria of education level and income because these factors could impact investor decision-making.

Table 2. Results of Respondent Characteristic Analysis

Category	Number of Respondents	Percentage (%)
Age		
≤ 30 Years	79	53
31 Years - 40 Years	55	37
> 40 Years	16	11
Total	150	100
Work		
Civil Servant	21	14
Private employee	56	37
Not working yet (Student)	26	17
BUMN Employe	18	12
Entrepreneur	29	19
Total	150	100
Duration of Investment		
2-5 Years	110	73
6 Years – 10 Years	31	21
> 10 Years	9	6
Total	150	100

Results of the convergent validity test all indicators have an outer loading value > 0.6 (Bougie and Sekaran, 2019), thus all indicators are declared to meet the requirements of convergent validity.

Table 3. Outer Loading Values

Questions	*Outer Loading*	Explanation
Investment Performance (IP)		
The return rate meets expectations (IP1)	0,764	Valid
The return rate exceeded expectations (IP2)	0,749	Valid
Satisfied with the purchase decision (IP3)	0,736	Valid
Satisfied with the decision to sell (IP4)	0,791	Valid
Long Term Investment Decision (LTID)		
Savings from income for investment purposes (LTID1)	0,808	Valid
Having an investment portfolio (LTID2)	0,733	Valid
Investing funds for the long term (LTID3)	0,813	Valid
Managing an investment portfolio (LTID4	0,707	Valid
Short Term Investment Decision (STID)		
Taking advantage of investment opportunities (STID1)	0,761	Valid
Participating in portfolio management activities (STID2)	0,667	Valid
Adding investment funds (STID3)	0,826	Valid
Conducting research (STID4)	0,702	Valid
Underconfidence (UC)		
Nervous in expressing opinions (UC1)	0,889	Valid
Confidence is declining UC2)	0,842	Valid
Skills and knowledge are still lacking (UC3)	0,752	Valid

The analysis results show that all AVE values are > 0.5, which means all variables meet the criteria for convergent validity (Henseler, 2021).

Table 4. AVE Value

Variable	AVE Value
Investment Performance (IP)	0,511
Long Term Investment Decision (LTID)	0,588
Short Term Investment Decision (STID)	0,550
Underconfidence (UC)	0,688

Table 5 shows that the √AVE value of the construct is greater than the variance shared with other constructs, thus supporting discriminant validity.

Table 5. Discriminant Validity based on AVE and Correlation

	IP	LTID	STID	UC
IP	0,715			
LTID	0,823	0,767		
STID	0,899	0,734	0,741	
UC	0,305	0,286	0,337	0,829

Composite reliability and Cronbach's alpha have values greater than 0.70 (Henseler, 2021). The analysis results show that composite reliability and Cronbach's alpha for each research variable are above 0.70, indicating that the reliability between indicator blocks is considered good. The results of the measurement model evaluation (outer model) based on the criteria of convergent validity, discriminant validity, composite reliability, and Cronbach's alpha, indicate that it has met the criteria for validity and reliability testing. The results of the analysis are presented in Table 6.

Table 6. Results of Composite Reliability and Cronbach's Alpha Calculations

Variable	*Composite reliability*	*Chronbach's Alpha*	Explanation
Investment Performance (IP)	0,701	0,678	Reliabel
Long Term Investment Decision (LTID)	0,776	0,767	Reliabel
Short Term Investment Decision (STID)	0,734	0,725	Reliabel
Underconfidence (UC)	0,852	0,781	Reliabel

R-square can indicate the strength or weakness of the influence exerted by exogenous variables on endogenous variables. R-square (R2) can also indicate the strength or weakness of a research model. The calculation results show an R-Square (R2) value of 0.866 for the Investment Performance variable, meaning that 86.6 percent of the Investment Performance variable is influenced by Underconfidence, Long Term Investment Decision, and Short Term Investment Decision. The R-Square (R2) for the Long Term Investment Decision variable is 0.082, meaning that 8.2 percent of the Long Term Investment Decision is influenced by Underconfidence. The R-Square value for the STID variable is 0.114, meaning that 11.4 percent of the Short Term Investment Decision variable is determined by Underconfidence.

Table 7. R-Square Calculation Results (R2)

Variable	*R-Square*	Explanation
Investment Performance (IP)	0,866	Strong
Long Term Investment Decision (LTID)	0,082	Weak
Short Term Investment Decision (STID)	0,114	Weak

The relationship between each variable can be seen from the results of the t-statistic test presented in Figure 2.

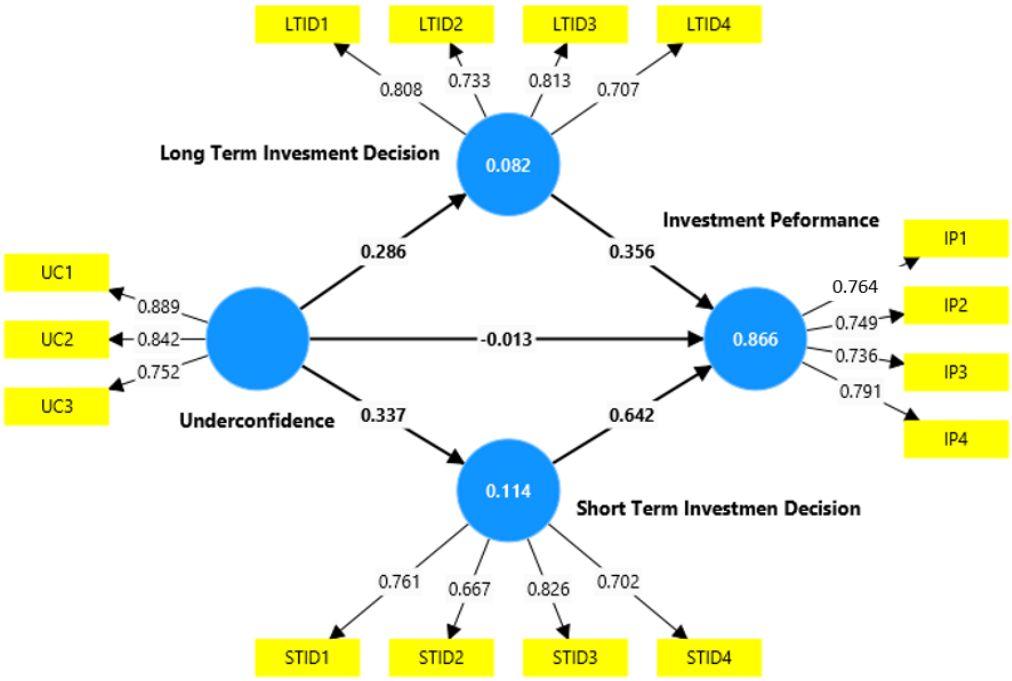

Figure 2. Results of the t-statistic Test

Based on the path coefficients, t-statistics compared to the critical t-value and P-value presented in Table 8, the hypothesis testing results show that H1 is not supported because the result is not significant, while H2 and H3 are not supported in this study but show positive and significant results, which differ from the hypothesis although significant, the direction of the influence is different. Meanwhile, H4 and H5 are supported in the study.

Table 8. Hypothesis Testing Results

Hypothesis	Original Sample	T statistics	P Value	Explanation
H_1 : UC -> IP	-0,013	0,408	0,683	Not Significant
H_2 : UC -> LTID	0,286	2,978	0,003	Significantly Positive
H_3 : UC -> STID	0,337	3,682	0,000	Significantly Positive
H_4 : LTID -> IP	0,356	4,212	0,000	Significantly Positive
H_5 : STID -> IP	0,642	7,059	0,000	Significantly Positive

DISSCUSSION

Underconfidence does not affect the performance of cryptocurrency investments. The cryptocurrency market has very high trading volatility in response to rapid and unpredictable price changes. Underconfident investors tend to avoid risk by making overly cautious decisions or delaying investments. In the context of high volatility, this decision is not sufficient to significantly influence the outcome because external factors such as market sentiment, global policies, or technology are more dominant. Investors who exhibit underconfidence may tend to rely on the views or strategies of other investors. If the majority of the market moves in a certain direction, the influence of underconfident investors may become insignificant on investment outcomes because these investors merely follow trends rather than making strategic decisions. This aligns with the research conducted by (Heo et al., 2021). Underconfident investors may tend to sell assets too quickly when the market experiences a temporary price decline due to a lack of trust in their ability to assess whether the decline is temporary or a fundamental change. Investors are hesitant to take long-term investment opportunities like buying undervalued assets because they fear their analysis might be wrong in the future. Such behavior can cause losses for investors both in the short term and in the long term.

Underconfidence positively affects long-term investment decisions and short-term investment decisions. Although underconfidence is often negatively associated with investment decision-making such as Underconfident investors tend not to take excessive risks and prefer a more conservative approach (Pikulina et al., 2017). But underconfidence can have a positive influence on short-term and long-term investment decisions if followed by careful and analysis-based strategies. In short-term investments, investors tend to be more cautious before making transactions. This attitude can prevent making impulsive decisions that are often driven by market volatility (Alzyoud et al., 2025). Conducting a thorough evaluation and avoiding speculation not based on data, investor underconfidence has a chance to make wiser decisions in the short term. Investment knowledge can help underconfident investors increase their desire to invest (Imro'ah and Safitri, 2024) and (Sukma and Pradana, 2022). In long-term investments, it can help investors because they focus more on stable assets, have strong fundamentals, and have the potential to provide consistent returns. Investors might invest more in assets like Bitcoin, which are considered more established compared to Altcoins that have volatility. Because of their lack of confidence, these investors tend to seek more information before making a decision. A more in-depth analysis process often results in better long-term investment decisions (García-Monleón et al., 2021). Underconfidence can make investors less susceptible to short-term market volatility, allowing them to hold onto their investments longer, which often becomes a successful long-term strategy. This statement is in line with the research conducted by (Steinmetz et al., 2021) which states that cryptocurrency ownership is often associated with long-term investment.

In short-term investments, the cryptocurrency market is heavily influenced by news and trends. Underconfident investors tend to make more cautious decisions and often avoid taking large risks, thereby reducing the potential for sudden losses (Misra et al., 2022) and (Koohang et al., 2023). Underconfidence can make investors rely more on current data and market indicators rather than intuition or speculation. This allows investors to make more measured and data-driven short-term decisions. Underconfident investors are often more flexible in adjusting their portfolios based on short-term market condition changes. Although it appears as a lack of confidence, it actually helps them maximize opportunities from short-term market movements. The financial knowledge possessed by investors can enhance their confidence, thereby increasing their interest in investing (Pangestika and Rusliati, 2019).

Long term investment decisions and short term investment decisions positively affect investment performance. Long-term investment decisions are usually based on in-depth fundamental analysis, including growth prospects, business strength, and asset stability. This strategy allows investors to benefit from asset value appreciation over time (Rizky et al., 2024). Short-term investment decisions allow investors to profit from rapid price movements in the cryptocurrency market. With the right strategy, such as swing trading or scalping, investors can improve their overall investment performance. This is in line with the statement made by (Massei, 2023).

CONCLUSION

Underconfidence does not affect cryptocurrency investment performance. Underconfidence positively affects Long Term Investment Decision and short term investment decision. Long Term Investment Decision and short term investment decision positively affect cryptocurrency investment performance. The positive impact of underconfidence can occur if managed well, for example, through financial education, a deeper understanding of investment assets, and support from existing analytical techniques. Therefore, it is important to understand the factors that determine how underconfidence can positively contribute to investment decisions and investment performance. Practical implications: Underconfident investors can be directed to view bias as a strength, especially in conducting in-depth risk analysis before investing. In the short term, investors can take advantage of cryptocurrency volatility to achieve quick gains, while in the long term, they can focus on stable assets for consistent value growth. Underconfident investors tend to underestimate their ability to make investment decisions, but this can become a strength if managed well and appropriately. Investors can conduct thorough research and analysis before making decisions, which means the decisions made are more informed and cautious. Investors are expected to gradually enhance their education and training to gain a deeper understanding of the cryptocurrency market and how to evaluate assets. Implications for OJK Regulation can support the development of educational programs to enhance financial literacy and understanding of cryptocurrency. This helps underconfident investors make better decisions without being influenced by speculative information or market manipulation. Investors can be trained to understand when to use short-term strategies and when to focus on long-term ones, based on market conditions and investment goals. Future research can develop a more comprehensive model by incorporating other variables from behavioral finance, such as overconfidence, risk aversion, or herding behavior. This can provide a more comprehensive picture of how psychological factors influence decision-making and investment performance. Subsequent research can explore how the interaction between underconfidence and other variables (such as financial literacy levels, access to information, or investment experience) affects short-term, long-term investment decisions, and investment performance.

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