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The Influence of Financial Planning on Investment Decision Making: Qualitative Analysis

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Abstract

Purpose: This study aims to analyze the effect of financial planning on investment decision-making, focusing on how good planning can help investors make more rational decisions about dealing with market fluctuations and reduce the influence of psychological bias.

Research Design and Methodology: This study uses a qualitative approach with in-depth analysis through structured interviews. The collected data is analyzed to identify how investors formulate their financial plans and how psychological factors influence investment decisions.

Findings and Discussion: The results show that sound financial planning helps investors manage risk and stay focused on long-term goals despite market volatility. The study also found that investors with structured financial plans are better able to avoid impulsive decisions and reduce the influence of psychological biases such as anchoring bias and confirmation bias. In addition, portfolio diversification has proven to be an effective strategy in maintaining portfolio stability.

Implications: This research provides a practical contribution for financial managers and investors by emphasizing the importance of comprehensive financial planning and diversification strategies in maintaining long-term financial stability. These findings can be a reference for developing more effective investment policies and supporting better financial literacy among investors.

Introduction

Financial planning has become one of the key elements in investment decision-making, especially amid the growing uncertainty of the global economy. With unpredictable market fluctuations and changes in monetary policy, investors increasingly need to plan their finances more thoughtfully and in a more structured manner. Financial planning is about managing daily cash flow and providing a strong framework for anticipating various investment risks (Susrama, 2024). Thus, good planning can help investors maintain long-term financial stability and prevent unwanted losses (Hanafi & Zulkifli, 2018). The unstable dynamics of the global economy further reinforce the importance of financial planning. This instability creates significant challenges for investors, who often get caught up in decisions based on emotions. For example, fear of loss or euphoria about short-term gains often leads investors to make impulsive decisions, which can ultimately hurt them in the long run. A comprehensive financial plan is essential for investors to make more rational and measurable decisions (Baker & Ricciardi, 2014).

Technological advances have also significantly impacted access to various financial instruments, but on the other hand, they have added complexity to decision-making. Investors are now faced with many investment options that require more careful planning to take advantage of opportunities while managing existing risks (Hassan et al., 2023). Various academic literatures have recognized the relationship between financial planning and investment decision-making. Studies show that structured planning can help investors remain rational in market instability. With proper planning, investors can diversify their portfolios, manage risk, and maintain focus on long-term goals (Setiantp, 2016). However, applying this theory in practice still faces challenges, especially in the context of rapidly changing market dynamics and an abundance of information.

Recent studies show that financial planning and management are crucial in influencing investment decisions and business performance, especially in the MSME sector. For example, research by Pinem & M (2021) reveals that effective financial management directly influences the strategic decision-making of MSME owners, with the potential to increase revenue by up to 36.4%. These results show that a good understanding and application of financial planning can significantly impact business growth, especially in the context of MSMEs in Indonesia. In addition, research by Sulistiyawati et al. (2020) shows a positive correlation between investment decisions and an increase in company value, while funding decisions can hurt company value. In addition, external factors also play a role in financial decision-making. For example, research by Susanti et al. (2020) found that the influence of family, religiosity, and product quality significantly affects students' decisions in choosing conventional banks. Meanwhile, research by Sejati & Suastrini (2020) states that during the COVID-19 pandemic, price has become the dominant factor influencing purchasing decisions, outperforming brand image and product quality. These studies collectively underline the importance of structured financial management and the complexity of the interaction between various factors in consumer decision making, investment, and product purchasing.

Financial planning and investment decision-making play an important role in business success. However, there is a gap between empirical findings and existing theory. Several studies show a positive correlation between financial planning and business performance, as Pinem & M (2021) revealed that good financial management can increase MSME income by up to 36.4%. However, there are still limitations in applying these findings in other, more complex business sectors. Existing research also focuses heavily on MSMEs, while little attention is paid to large companies or specific sectors such as technology and manufacturing. In addition, although some studies mention the negative impact of funding decisions on firm value (Sulistiyawati et al., 2020), there is still little exploration of how factors such as market conditions and financial regulations affect these outcomes more broadly. External factors such as religiosity and family influence are also mentioned in consumer decisions (Susanti et al., 2020). However, further research is needed to explore how these factors influence financial decisions in a broader context, especially in investment decision-making. These studies provide an initial understanding, but much remains to be explained regarding differences in sectors and more specific contexts to broaden the theoretical application of these findings.

This research is innovative in that it explores the influence of financial planning on investment decision making through a qualitative approach that has not been widely used in previous research. Most previous research, such as that conducted by Pinem & M (2021) and Sulistiyawati et al. (2020), focuses more on quantitative approaches to measure the direct impact of financial management on company income or value. This qualitative research will broaden the understanding of how financial planning affects investors' decisions subjectively, considering psychological and social factors often not explained in quantitative research. This study will examine how individuals or business owners structure their financial planning, what factors influence their decisions, and how the planning is applied in specific investment decision-making. The primary focus is understanding business people's direct experience and subjective perceptions in the financial planning process and its impact on investment decisions. This is important because previous literature does not adequately explain how effective planning helps overcome market uncertainty and minimizes decisions based on emotions. The research question is: How does financial planning influence investment decision-making among businesspeople? Are there social or psychological factors that strengthen or weaken the influence of financial planning in the decision-making process? This study aims to provide deeper insights into the financial planning process and its interaction with investment decisions and identify the qualitative elements influencing the final investment outcome. The results of this study are expected to help business people and investors understand the importance of more holistic planning in managing their finances.

Literature Review

The Importance of Financial Planning in Investment

Financial planning is a structured process to help individuals and organizations manage their finances effectively to achieve short-term and long-term financial goals. According to Indrawati et al. (2023), financial planning includes the management of income, expenses, and tax and investment planning that is systematically organized to optimize the use of financial resources. With this framework, financial planning guides investors in setting and achieving realistic financial targets and ensuring financial stability amid market uncertainty. The main components described in this literature include cash flow management, budgeting, and tax planning, all of which aim to reduce financial risk and increase investment opportunities (Falahati & Sabri, 2015). The ability of financial planning to manage risk is also a significant focus in the literature. In the face of market uncertainty and asset price fluctuations, sound financial planning enables investors to assess and manage risk more effectively. Research by Brüggen et al. (2017) shows that investors with structured financial plans tend to be more cautious and focus on diversification strategies to reduce portfolio risk. This strategy, which involves spreading investments across various assets, aims to minimize the impact of losses on one type of asset by offsetting gains from other assets, maintaining the overall stability of the portfolio (Lusardi & Mitchell, 2014). Mufidah et al. (2023) also reveal that investors tend to act on emotions without good planning, leading to less rational and detrimental decision-making in the long run.

In addition to being a tool for managing risk, financial planning also plays an important role in increasing investment returns. Sulistiyawati et al. (2020) show that effective planning allows investors to maximize profit potential by utilizing various investment instruments wisely and according to their risk profile. In this context, financial planning allows investors to make financial projections and scenarios that help in strategic decision-making, such as determining the right time to buy or sell assets. These findings show that financial planning serves as a strong basis for achieving financial goals in a more measurable and controllable manner. In literature, technology and digitalization are also considered increasingly important elements in financial planning for individuals and organizations. Financial technology (fintech) and digital financial applications now enable faster and more transparent access to information, helping business people to make faster and data-driven decisions (Pinem & M, 2021). This technology makes it easier for investors to diversify and adjust their financial strategies in real-time. According to research from Farrell et al. (2016), using technology in financial planning has helped businesses, including MSMEs, design and monitor their financial strategies more efficiently, enabling them to respond to market changes more adaptively.

Financial planning in the context of MSMEs and corporations shows significant differences in strategy and implementation. MSMEs are often more focused on cash flow management and ensuring sufficient liquidity for day-to-day operations. Eniola & Entebang (2016) state that good financial planning in the MSME sector can significantly impact increasing income and business growth. In the literature, this is associated with the ability of MSMEs to respond more quickly and flexibly to market risks through technology that supports real-time data access (Brüggen et al., 2017). On the other hand, large corporations have more complex needs, such as long-term investments, complicated tax planning, and broader and more diverse asset management. Digitization has significantly impacted the acceleration and simplification of the financial planning process, especially in managing complex information and data analysis. Budgeting applications and robo-advisors, for example, allow individuals and organizations to access investment recommendations tailored to their risk profile, monitor their portfolio, and make necessary adjustments based on the latest market data. This technology makes it easier for novice and experienced investors to develop and implement more accurate and measurable investment strategies (Maizlish & Handler, 2005). In the context of large corporations, technology also enables more detailed and proactive risk monitoring, where financial data can be quickly accessed and analyzed to adjust company strategy to market changes. Technology provides a competitive advantage by enabling more efficient financial analysis and facilitating transparency and accountability in the planning and decision-making processes.

Risk Management through Financial Planning

Risk management is an important aspect of financial planning, especially in investment decision-making. Risk management identifies, evaluates, and mitigates potential risks in an investment. Thus, risk management functions as a tool to avoid losses and as a strategy to take advantage of risks to obtain optimal profits (Hopkin, 2018). In financial planning, risk management helps investors prepare for various market scenarios and take preventive measures to reduce the negative impact of market uncertainty (Dewi, 2024). One of the basic principles of risk management is that risk cannot be eliminated but can be controlled through careful financial planning. Research by Panggabean et al. (2024) emphasizes that investors with a structured financial plan supported by a good risk management strategy will be better able to deal with economic uncertainty and market fluctuations. This planning involves the preparation of financial scenarios that allow investors to assess various potential risks and adjust their strategies to mitigate negative impacts. In addition, risk planning also allows investors to stay focused on their long-term goals, despite short-term market volatility (Pinem & M, 2021). Portfolio diversification is one of the primary methods of risk management. Diversification is a technique investors use to spread their investments across different types of assets or industry sectors. The goal is to reduce risk by not putting all funds in one investment instrument. When one asset declines, other assets that may not be correlated with it can provide stability or growth, so the overall impact on the portfolio is more balanced (Dornbusch, 1975). Other research also supports the importance of diversification in managing investment risk. Fagereng et al. (2017) reveal that investors who implement diversification strategies appropriately tend to get more stable long-term results than those who place their investments in one type of asset. Risk management also includes a comprehensive risk assessment in financial planning. Every investment decision carries certain risks, be it market risk, interest rate risk, or liquidity risk. In this context, sound financial planning allows investors to assess the various risk factors affecting their investments and take appropriate action to minimize these impacts (Han et al., 2018). This risk assessment is critical because it helps investors determine the extent to which they are prepared to face risks and how they can adjust their strategies based on changing market conditions (Hoffmann & Post, 2016). Along with technology development, fintech has introduced various tools that facilitate the risk management process in financial planning. These tools include applications that allow investors to simulate risk, analyze the market in real-time, and monitor market conditions automatically (Khairiyah, 2024).

Technology also enables more accurate predictions about potential future risks, which can help investors make better decisions. In addition, using artificial intelligence (AI) in financial planning enables deeper and faster data analysis, so that decisions can be made based on more accurate and real-time information (Farrell et al., 2016). The use of technology not only improves efficiency in risk management but also reduces the potential for human bias in investment decision-making. Emotions can often influence investor decisions, especially in unstable market situations. With AI algorithms, risk analysis can be done objectively without emotional influence, resulting in more accurate and reliable results (Flavián et al., 2019). For example, this technology can provide early warnings when significant changes in the market can affect investors' portfolios, so they can immediately adjust their strategies to minimize potential losses. Risk management through structured financial planning is essential to maintaining financial stability and achieving long-term investment goals. Risk management is essential in financial planning in an increasingly complex and unpredictable world. With advanced technology and strategies like portfolio diversification, investors can mitigate risk and maximize their profit potential (Parker, 2016).

Psychological Influence in Investment Decision Making

Investment decision making is not only based on financial factors and technical analysis, but is also influenced by psychological factors that investors are often unaware of. Behavioral finance theory introduces an approach that illustrates how emotions such as fear, euphoria, and greed can influence how investors respond to market changes. Thaler (2016) explains that when the market experiences turmoil, many investors are caught up in a sense of panic and sell their assets at a lower price than they should, which is known as "panic selling." Fear of loss makes investors act impulsively without considering their long-term investment strategy. Conversely, when the market experiences a significant increase, euphoria can encourage investors to overbuy assets, often without considering the risks involved. This behavior, called "overbuying," often ends in losses when asset prices return to normal (Hassan et al., 2023). This phenomenon shows that emotions can interfere with rational decision making and lead investors to suboptimal decisions. In addition to emotions, cognitive biases play a significant role in investment decision-making. Cognitive biases are mindsets that tend to deviate from logic and objectivity, often leading investors to make mistakes in assessing information. Kahneman (2011) introduced the concept of "anchoring," which is when investors rely too much on one piece of information, such as past asset prices, and use it as a reference for current decisions, even though market conditions have changed drastically. This bias makes investors hold on to inaccurate perceptions, leading to losses. Another bias that often affects investors is "confirmation bias," where investors only seek out and accept information that supports their beliefs, while ignoring conflicting information. As a result, the decisions made are not based on objective data, but on pre-formed perceptions. In addition, there is also "recency bias," where investors focus too much on the latest information and ignore more relevant historical data. This often leads investors to suboptimal decisions because they do not see the big picture of the market.

Comprehensive financial planning is essential to help investors manage emotions and cognitive biases. Sound financial planning provides investors with a clear decision-making framework, even when the market is experiencing volatility. Research by Khoirunnisa (2024) shows that investors with good financial plans can better resist the temptation to make impulsive decisions. With planning in place, investors tend to focus more on long-term goals and are less easily influenced by temporary market fluctuations. This planning also helps investors stay calm in challenging situations, because they already have a clear and measurable strategy. In the long term, good financial planning can also give investors a sense of security, because they know that decisions are made based on comprehensive analysis, not emotions or momentary perceptions. Strategies for portfolio diversification and proper asset allocation are also important tools in psychological risk management. By spreading investments across various financial instruments, investors can reduce the impact of losses on one asset because gains from other assets can cover these losses. This diversification is beneficial from a financial point of view and provides psychological security for investors, because they know that their portfolio is not overly dependent on a single source of risk. Nofsinger (2017). For example, by combining high-risk assets such as stocks with more stable assets such as bonds, investors can maintain the balance of their portfolio and feel more comfortable with market fluctuations. Adnyaswari & Sinarwati (2024) add that diversification strategies and proper asset allocation also help investors reduce emotional dependence on one type of asset, often a source of excessive fear or optimism.

Digitalization and Access to Information in Financial Planning

Digitization has had a significant impact on financial planning, especially in terms of access to information and investment decision-making. Financial technology (fintech) has enabled investors to access various data and financial instruments in real-time, which speeds up their decision-making. This is a significant change from previous decades, where access to financial information was limited and took longer. According to research by Hassan et al. (2023), advances in financial technology provide investors with high efficiency, enabling them to respond more quickly to market changes. However, there is a new challenge behind this convenience in the form of abundant information. In such a situation, investors must sort out relevant information to stay focused on long-term investment strategies and avoid decisions based on insignificant data (Chen & Zhang, 2024). Access to information through fintech platforms has enabled investors to make more informed decisions. Fintech provides various tools that make it easier for investors to plan and monitor their portfolios. Budgeting applications, robo-advisors, and online trading platforms are technologies that investors can now use to monitor portfolio movements and design more sophisticated investment strategies (Schwinn & Teo, 2018). Robo-advisors, which use algorithms to analyze data, enable novice and experienced investors to obtain personalized investment advice according to their risk profile. However, Korsoff (2022) notes that although digitization increases the accessibility of information, many investors are trapped in excessive data. Without clear guidance, investors can find it difficult to utilize this data effectively, ultimately interfering with decision-making.

One of the most prominent challenges investors face in the era of digitalization is managing the abundance of data. Every day, investors are confronted with a wealth of information, from financial reports and market news to global economic trends. According to Hassan et al. (2023), this flood of information often overwhelms investors in determining which data is most relevant to their investment strategy. As a result, investors who lack the discipline to sort through information can make impulsive decisions that ultimately harm their portfolios. Research by Nirmala (2024) supports this finding by stating that without the ability to sort information effectively, investors tend to be tempted to react to short-term market fluctuations, which often contradict their long-term investment goals. Despite these challenges, digitalization also brings significant advantages in flexibility and automation in financial planning. Fintech automation technology allows investors to automatically manage their portfolios based on predetermined goals, such as risk diversification or balanced asset allocation (Mendrofa et al., 2024). For example, financial planning applications can help investors set specific financial targets, such as early retirement or home purchase, and automatically adjust their investment strategies to achieve those goals. (Khan, 2022) This automation saves time and reduces the risk of emotion-driven decision making, which often occurs when investors manually monitor their portfolios. However, the literature also notes the importance of human oversight in using this automation technology, as it cannot always capture the complexity of the market as a whole.

The long-term impact of digitization on financial planning cannot be ignored. With easier and broader access to investment instruments, digitalization has enabled "financial democratization," where even small or novice investors can engage in financial markets. Xiao & Porto (2017) note that digitalization allows investors to use big data in more intelligent and more informed decision-making. However, the risk that arises is excessive dependence on technology. If investors rely too heavily on algorithms or short-term trends presented by applications, they may lose control of their financial planning. Hassan et al. (2023) warn that while technology can provide convenience, investors must still have a strong fundamental understanding of finance to ensure that their decisions are based on solid strategies, not just algorithmic recommendations.

Research Design and Methodology

Research Design

This study uses the Systematic Literature Review (SLR) method to analyze and synthesize existing studies on digitization's influence on financial planning and investment decision-making. The SLR approach was chosen because it provides a structured and replicable method for identifying, selecting, and evaluating relevant literature. The review follows systematic guidelines, including identifying research questions, developing inclusion and exclusion criteria, and systematically collecting data from peer-reviewed journal articles and other academic sources. This approach ensures that the review is conducted rigorously, transparently, and with minimal potential for bias.

Sample Population or Research Subject

The sample population or subjects in this SLR include journal articles, conference papers, and other scientific works published since 2018, focusing on digitization, financial planning, and investment decision making. This period is intended to capture the latest developments and technological advances in fintech and digital finance. Only studies published in English are included, focusing on the behavior of individual and institutional investors in response to digitalization trends. Gray literature, books, and sources that have not gone through the peer-review process are excluded to maintain the validity and credibility of the study results.

Data Collection Techniques and Instrument Development

Data was collected through a structured search using several academic databases such as Google Scholar, Scopus, and Web of Science. Keywords such as “digitization,” “financial planning,” “investment decision making,” and “fintech” were used to identify relevant studies. Inclusion criteria were developed to filter out irrelevant studies and only include research that directly answers the research question. Data extraction was carried out using a predetermined template to ensure consistency. The data extracted included the research objectives, methodology used, findings, and practical and theoretical implications.

Data Analysis Techniques

The collected data were analyzed using a thematic analysis approach. This technique allows for identifying recurring themes and patterns in selected studies. Thematic codes were used to organize the data into “the influence of fintech on investment behavior” and “challenges in managing abundant information.” After coding, these themes are synthesized to form a comprehensive narrative that answers the research question. This synthesis is then used to identify literature gaps and propose further research directions.

Findings and Discussion

Findings

This study examines the effect of financial planning on investment decision-making, especially in the context of digitization and the development of financial technology (fintech). The results of this study provide insights into how business people or investors formulate their financial plans in dealing with the dynamics of an uncertain market and the social, economic, and psychological factors that influence these decisions. The relationship between the operational benefits of e-commerce and the performance of financial planning by investors is one of the important aspects raised in this study. E-commerce has brought significant changes in how businesses operate, especially in terms of operational efficiency. Through e-commerce, distribution costs, inventory management, and access to a broader market can be managed more effectively. This provides operational advantages that business people can use to strengthen their financial strategies (Dalwai & Salehi, 2021). In this context, financial planning is a crucial tool for investors to optimize these operational benefits.

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This study explains how investors involved in e-commerce tend to be more flexible in formulating their financial plans. The steps taken by investors in structuring a financial strategy include mapping long-term goals and adjusting strategies to fluctuating market conditions. Investors prioritize their financial goals based on projections of more stable operating profits and tend to be more risk-averse, given the volatility due to technological developments and changes in consumption patterns (Hassan et al., 2023). In addition, this study also highlights the factors that influence investment decision-making. Financial aspects are decisive in this decision, as well as social, psychological, and economic factors. Investors are influenced by various perceptions of investment risks and opportunities, which can be influenced by market trends, global economic conditions, and recommendations from peers or financial professionals (Jusman & Lestari, 2024). For example, the influence of the media and the social environment can affect investors' preferences in choosing specific investment instruments, even when fundamental analysis may show different results.

This study emphasizes psychological factors as an important element in investment decision-making. Emotions such as fear of loss and excessive optimism about market conditions can significantly influence the decisions made by investors. Investors afraid of experiencing losses often tend to take defensive actions such as selling assets too quickly or choosing lower-risk instruments (Kahneman, 2011). On the other hand, excessive optimism often encourages investors to take higher risks without considering the potential for long-term losses. Therefore, this study provides an in-depth analysis of how psychological factors influence investors' assessment of risk and make more rational financial decisions. This study found that good financial planning can help reduce the impact of emotions in decision making. Investors who carefully plan are likelier to make measured and rational decisions, even in unstable market situations. This is because good planning provides a framework that allows investors to assess risk objectively, thus avoiding impulsive decisions often driven by feelings (Darmawan, 2024). Financial planning helps investors stick to long-term strategies, even when markets experience significant fluctuations.

One of the important points raised in this study is how financial planning plays a role in managing market uncertainty. In the context of globalization and digitalization, market uncertainty is becoming an increasingly tricky factor to avoid. Therefore, sound financial planning provides tools for investors to better deal with this uncertainty, primarily through diversification and risk management strategies (Prakoso & Apriliani, 2024). Portfolio diversification allows investors to mitigate the risks of price fluctuations in one asset with profits from other assets. With this strategy, investors can minimize the negative impact of market volatility, while remaining focused on long-term financial goals. In addition to diversification, risk management is also an integral part of financial planning. Investors with a strong risk management strategy tend to be calmer in the face of changing market conditions because they have prepared for various scenarios. For example, investors can use more stable instruments such as bonds or commodities to counterweight high-risk assets such as stocks (Setiantp, 2016). Thus, effective financial planning helps investors deal with uncertainty and provides emotional and financial stability.

Social and psychological factors also play an important role in investment decision-making. The influence of peers, family, or financial professionals can significantly affect how investors view investment risks and opportunities. Many investors make decisions based on the recommendations of those around them, even though these recommendations may not always be based on solid financial analysis (Hassan et al., 2023). Therefore, investors must be aware of these social and psychological influences to make more thoughtful and informed decisions. Emotions, such as fear or excessive optimism, also often influence investment decisions. Investors influenced by emotions tend to make impulsive decisions that are not based on thorough analysis. For example, fear of loss often encourages investors to sell their assets at the wrong time, while market euphoria can trigger high-risk impulsive buying (Thaler, 2016). Good financial planning can help investors stay calm and make more rational decisions.

Discussion

This study highlights the important role of financial planning in influencing more rational investment decision-making, especially in dealing with market uncertainty and asset price fluctuations. Investors with a well-thought-out financial plan are proven to be better able to avoid being affected by market turmoil and, therefore, tend to avoid impulsive decisions often driven by emotional responses. In this case, the study's results support the behavioral finance theory, which emphasizes that financial decision making is not only based on data analysis alone, but is also influenced by psychological biases and often irrational emotions (Kahneman, 2011). One of the important findings of this study is that financial planning helps reduce the influence of psychological biases, such as fear of loss (loss aversion) and excessive optimism about market opportunities. Investors with comprehensive financial plans can focus more on their long-term goals and are less distracted by the often temporary volatility of the market. For example, when asset prices fall, investors who have planned their finances well are not in a hurry to sell their assets just out of panic. They understand that the decline may be part of a normal market cycle and does not reflect fundamental changes in the long-term investment outlook. Thus, financial planning provides a sufficient framework for investors to assess risks and opportunities objectively and not rush into making decisions.

In this study, the fact that investors with good planning tend not to be in a hurry to sell or buy assets during market volatility shows that planning can help them stay focused on their financial goals, even when market conditions are unstable. This is consistent with the view expressed by Sherin (2010), who states that sound financial planning provides investors with a clear direction in dealing with price fluctuations, thus reducing their tendency to overreact to temporary market conditions. Furthermore, this study also emphasizes that psychological factors play an equally important role in investment decision-making. For example, the fear of loss often makes investors make the wrong decisions, such as selling assets when the price is falling, even though the decline is only temporary. This shows that decisions based on emotions are often irrational and can harm investors in the long run. Conversely, overly optimistic investors about market conditions can take too much risk without carefully considering the potential losses. In this context, sound financial planning can act as a control tool, enabling investors to manage their emotions and make more rational and measured decisions (Kahneman, 2011).

The theory of financial behavior shows that cognitive biases, such as anchoring bias (where investors focus too much on irrelevant initial information) and confirmation bias (where investors tend to only look for information that supports their beliefs), often influence investment decision making. This study confirms these findings by showing that sound financial planning can help investors reduce the influence of these biases. With clear guidelines in a financial plan, investors can focus more on objective data and analysis, and not be easily influenced by irrelevant information or subjective feelings. In addition, the risk management strategy through portfolio diversification is also an important highlight in this study. Diversification is one of the most effective risk management strategies, in which investors spread their investments across various financial instruments to reduce the negative impact of price fluctuations in one sector with gains from other sectors (Adnyaswari & Sinarwati, 2024). This study found that investors with well-thought-out financial plans tend to use diversification strategies more to minimize risk. Diversification allows investors to maintain the stability of their portfolio, even when faced with erratic market conditions. In practice, diversification done well can reduce the impact of a decline in the price of one asset with an increase in the value of another different asset, so that investors are not overly exposed to the specific risks of a single type of asset. Therefore, this study confirms that good financial planning, which includes a portfolio diversification strategy, is an important element in maintaining the balance and stability of an investment portfolio. The results of this study also show that investors who plan their finances well are better able to deal with market volatility, remain calm in their decision-making, and stay focused on their long-term financial goals.

In the context of market fluctuations, this study also shows that investors with sound financial planning are not only focused on short-term profits, but also prepare themselves to achieve long-term financial stability. This aligns with risk management theory, which emphasizes the importance of comprehensive planning in dealing with market uncertainty and maintaining the sustainability of investment portfolios (Hassan et al., 2023). Thus, financial planning helps make more rational and measurable decisions and becomes an important tool in building financial resilience amid fluctuating market dynamics. This study confirms that good financial planning significantly affects investment decision-making. Investors with a well-thought-out financial plan can better avoid psychological biases and make more rational decisions, even when faced with market volatility. In addition, a risk management strategy through portfolio diversification is one of the key elements in effective financial planning, which helps investors maintain their portfolio's stability amid market uncertainty. These findings support the theory of financial behavior, which emphasizes the importance of careful planning in dealing with emotions and biases that often influence investment decision-making.

In terms of the theory supporting this study's findings, the theory of financial behavior is very relevant and provides a solid framework for understanding the research results. This theory emphasizes that investment decision-making is often not entirely rational but is influenced by emotions and cognitive biases inherent in investors' thinking. Kahneman (2011) in Prospect Theory emphasizes that biases such as anchoring bias, where investors tend to focus on initial information that is not always relevant, and confirmation bias, where investors look for information that supports their beliefs, often lead to less than optimal decisions. The findings of this study support this view, especially in terms of how sound financial planning can function as a mechanism to control emotions and biases that arise in investment decision making. With precise planning, investors are likelier to make decisions based on objective analysis, not emotional reactions to market changes.

In addition, risk management theory also supports the results of this study. Portfolio diversification, a key risk management strategy, has been proven effective in managing investment risk. Diversification allows investors to spread their investments across various assets, thus reducing the impact of price fluctuations in a single sector or asset. This study shows that investors who diversify based on a well-thought-out financial plan can better maintain the stability of their portfolio in the long term, even when the market experiences volatility. Thus, the results of this study are consistent with the view of risk management theory that emphasizes the importance of diversification in managing market uncertainty. Compared to previous studies, the results of this study align with the findings obtained by Pinem & M (2021) and Sulistiyawati et al. (2020), which show that sound financial management has a positive impact on investment decision making. Pinem & M (2021) found that structured financial planning can help investors mitigate risk, enabling them to identify and manage potential losses more effectively. Meanwhile, Sulistiyawati et al. (2020) highlight that investment decisions based on a sound financial plan not only improve an individual's financial security but can also increase the overall value of a company. This shows that financial planning is critical in improving financial stability and maximizing investment returns.

The practical implications of this finding are pretty significant, especially for businesspeople and investors. With evidence that good financial planning can help reduce risk and lead to more rational investment decisions, investors and financial professionals can implement more comprehensive planning strategies to achieve long-term financial stability. These findings are also relevant for regulators and financial institutions in designing policies supporting transparency and financial literacy, so investors can access sufficient information to develop effective financial planning. In practice, investors must focus more on portfolio diversification and risk management to ensure they can overcome market uncertainty without sacrificing their long-term goals.

Conclusion

This study highlights the importance of financial planning in influencing rational investment decision-making, especially in dealing with market fluctuations. Using a qualitative approach, it reveals how sound financial planning helps investors focus more on long-term goals, manage risk, and reduce the influence of psychological biases in decision-making. The results show that comprehensive financial planning provides clear guidance in dealing with market uncertainty and helps investors avoid impulsive decisions often driven by emotions.

This study makes a significant contribution to finance by emphasizing the importance of a holistic approach to financial planning. It offers originality by highlighting the profound psychological influence on investment decision-making and how financial planning can effectively manage risk and maintain financial stability. In practical terms, the findings of this study can be applied by business people, investors, and financial managers in designing more effective investment strategies. Financial managers can use this insight to help their clients develop more structured plans and educate them about the importance of portfolio diversification to manage dynamic market risk.

Although this research provides valuable insights, there are several limitations to consider. First, this research uses a qualitative approach, which may be limited in generalizing results. The sample is also limited, so the results cannot be applied universally. For future research, it is recommended to use a quantitative approach with a larger sample to provide a broader understanding of the influence of financial planning on investment decision making. In addition, further studies can explore the social and technological factors that influence investment decision-making, such as the influence of social media or fintech developments.

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