

ABSTRACT

This research aims to determine whether there are differences in investor herding behavior in making investment decisions that are influenced by the value relevance of accounting information and the social influence of individuals. The combination of the influence of rational factors (value relevance of accounting information) and irrational factors (individual social influence) in one research model that is tested for its influence on investor herding behavior in investment decision making is the development of previous research and the application of Behavioral Finance theory.

The method used in this research is a genuine or randomized experimental method with two factors between subject designs because each factor has two levels. The value relevance factor for accounting information has the following levels: 1) increasing the value of EPS and BVPS, 2) decreasing the value of EPS and BVPS. Individual social influence factors have a level: positive social influence and negative social influence. The samples taken as subjects (participants) were 480 individual investors in the Indonesian capital market registered at PT. KSEI in the city of DKI Jakarta and Makassar. Participants were divided into four experimental groups and four control groups. Furthermore, the collected data were analyzed using the Independent Sample T-Test and Two Way Anova test.

The results showed that there were differences in herding behavior in investment decision making when investors were influenced by the value relevance of accounting information and individual social influence. However, the interaction between the two variables has no effect on differences in investor herding behavior in making investment decisions. The conclusion is that this study supports the theory of behavioral finance and EMH. It is proven that the behavioral finance theory is complementary to the deficiencies of the EMH theory. Suggestions for future research can combine new ideas from the two theories in one research model to develop the concept of herding behavior in investment decision making.

Keywords: Investor Herding Behavior, Investment Decisions, Value Relevance of Accounting Information, Individual Social Influence, Experiment