ABSTRACT

This research observes the factors affecting risk taking in risk management. The testing is conducted to the variables of financial literacy, emotion, overconfidence, risk perception and risk taking. The population of this research is all start-up investors in Surabaya and Malang. The sampling technique used in this research is purposive sampling with 150 respondents. This research uses survey and analysis technique used is Structural Equation Modeling (SEM). The research result shows that financial literacy has negative effect on risk perception; emotion has positive effect on risk perception; overconfidence has negative effect on risk perception, financial literacy has positive effect on risk taking; however, emotion does not influence on risk taking; overconfidence has positive effect on risk taking, and risk perception has negative effect on risk taking. Overconfidence gives the greatest direct effect on risk taking, and then on financial literacy. Risk perception as intervening variable indicates that overconfidence has the greatest effect on risk taking followed by the effect of financial literacy on risk taking. Relating to risk taking, it shows that heuristic theory and fuzzy trace theory are applied to the investor in this research and is considered in risk management.

Keyword: financial literacy, emotion, overconfidence, risk perception, and risk taking.