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Risk Tolerance as a Mediation in SME Investment Decisions in Jepara

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Abstract

This study aims to analyze the role of risk tolerance as a mediating variable in the relationship between financial literacy, experienced regret, financial socialization, and investment decisions among SMEs in Jepara. The study involved 300 SMEs selected using purposive sampling. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that financial literacy, experienced regret, and risk tolerance have a positive effect on investment decisions, while financial socialization has no significant effect. Risk tolerance is proven to mediate the effect of financial literacy and experienced regret on investment decisions, but it does not mediate the relationship between financial socialization and investment decisions. These findings highlight the dominant role of internal individual factors in shaping investment decision-making among SMEs.
Keyword: Experienced Regret, Financial Literacy, Financial Socialization, Investment Decision, Risk Tolerance

INTRODUCTION

In the era of globalization and information technology advancements, people are starting to find ways to earn additional income outside of their main job. One alternative to get it is by investing. Unfortunately, along with the increasing interest of the public in investing, more and more people are also taking advantage of this to commit fraud under the guise of investment (Tjondro et al., 2025). As a result, people who lack understanding about investing and expect big profits can get caught up in scams. In this case, people's knowledge of investing and regret over a bad investment experience can affect the way they make money. investment decision (Putra et al., 2016).

Investment is an economic activity that involves investing or funds in the hope of profiting from the management of invested capital (Safryani et al., 2020). There are various sectors in investment, including the real and financial sectors. Investments in the financial sector generally offer high liquidation rates, shorter time frames, and lower risk compared to other sectors (Gryglewicz, 2011).

According to the results of a survey conducted by the Ministry of Investment and Downstream or the Investment Coordinating Board (BKPM) in 2024, the investment level in Central Java is IDR 19,127.45. This figure decreases when compared to the results of the 2023 BKPM survey which is still IDR 56,129,397. This decline not only shows problems in investment flows, but also indicates the cause of low investor interest in investment decision-making, both rationally and emotionally. This shows that investors tend to adjust investment decisions by considering risks and potential profits as a whole.

Investment decision is an action carried out by a person in keeping some part of the income that exists today and the hope of making a profit in the future through an increase in the value of the asset (Che Hassan et al., 2023). Investment decision can increase productivity, create jobs, and drive innovation (Azhari et al., 2024). Despite the many investment opportunities, challenges such as political uncertainty, regulatory changes, and market conditions are important aspects to consider in the acquisition investment decision. Rapid and dynamic changes in economic conditions require investors to make the right decisions in order to minimize risk and maximize profits (Azhari et al., 2024).

One of the factors that is quite important for investors in considering their investment options is to understand risk tolerance. Risk tolerance that is, a person's proficiency in accepting and dealing with risks that may occur in the investments made (Hikmah et al., 2020). Each type of investment not only offers benefits, but also comes with risks. Getting higher risk tolerance a person, the greater the investment opportunity. This is in line with the study carried out by Putri et al., (2024) which indicates that the better the investor sets risk tolerance so that it can have an impact on investment decision which is increasingly profitable.

Individuals who have a good financial understanding are realistic to make rational decisions in managing finances and more easily evaluate the risks associated with different types of investments. They have the ability to understand the potential benefits while minimizing risk (Coleman & Farraro, 1992). Financial literacy it plays an important role in helping a person understand and utilize financial information, such as knowledge of financial management, investments, savings, and financial risks (Ismanto et al., 2020). This makes investment decision be more precise and planned. Based on research conducted by Nadhifah & Anwar (2021) indicates that it is getting higher financial literacy that investors have, so that it is getting bigger risk tolerance because investors are able to consider various aspects, such as the level of profit, investment period, and can reduce the risks that must be faced.

Investors may be more cautious or even avoid potentially profitable investments if they have experienced regret previous (Edison & Aisyah, 2023). Experienced regret it is a regret experienced by a person for making mistakes in the past that have an impact on future decisions. Individuals who experience experienced regret the consequences of past mistakes tend to reduce risk tolerance in the future. The higher it is experienced regret experienced by investors, the higher the risk tolerance that they have. This means that investors are trying to be more courageous to face risks because they already have previous experience and are able to manage experienced regret. In addition, the greater the level of risk chosen by investors, the greater the potential profits that can be obtained. These findings are in line with the study Dewi et al., (2021) which gives a statement if it is larger experienced regret which investors feel, so that their tolerance for risks is also greater.

Investors who have experienced experienced regret over past decisions tend to be more cautious or even too aggressive in taking investment decision in the future. This shows that investment decision not completely rational, but rather influenced by emotions and previous experiences (Shefrin, 2000). Studies conducted by Hikmah et al., (2020) that provides a statement if investors with a experienced regret who are tall generally have a long enough investment experience, so they are able to take advantage of the lessons from the past to make investment decision which is better in the future. In contrast to the studies carried out by Fitriasuri et al., (2024) which suggests that although individuals have experienced regret in investing will not reduce one's interest in staying invested.

Financial socialization plays an external role as an external factor that shapes the financial behavior of SMEs through social interactions, such as the influence of family, friends, and the media (Naufalia et al., 2022). A person who has financial socialization it can be easier to assess the risks associated with different types of investments. As a result, they become more risk-tolerant because they have higher knowledge, experience, and confidence to be present in investment uncertainty. The better financial socialization received by individuals, the more courageous and rational they are in taking investment decision that are at risk. Studies conducted by Kang et al., (2024) provide a statement if the individual who obtains financial socialization the right ones will have a better understanding and confidence to do financial risk management. This makes them tend to have a risk tolerance that is the ability and courage to take investment decision even though it contains risks.

Investors with a financial socialization have a better financial understanding, so that they are able to take investment decision the wiser (Fatin & Juwita, 2023). For SMEs, financial socialization can support investment decision and business sustainability. The higher the level financial socialization that a person receives, the higher the ability to make investment decision. Studies conducted by Fatin & Juwita (2023) provide a statement if financial socialization has a positive impact on investment decision. This suggests that an individual's decision to invest in risky assets is also influenced by interactions and information from his or her external environment.

The study carried out aims to analyze the role of risk tolerance in mediating the influence of financial literacy, experienced regret, and financial socialization on investment decisions. The contribution of this research lies in a deeper knowledge of a number of factors that influence the taking of investment decision, as well as providing insights for SMEs to improve financial literacy and manage risk tolerance better. Thus, this research is expected to help minimize the risk of fraud under the guise of investment and support business sustainability.

LITERATURE REVIEW

Behavioral Finance Theory

Behavioral finance theory is a theory that explains that an individual's decisions regarding financial management are influenced by psychological factors that shape the way they assess risk, profit, and financial information (Nofsinger, 2001). Behavioral finance examine how psychological factors, such as emotions and cognitive biases, affect an individual's financial behavior and decisions (Shefrin, 2000). For example, fear of losing or being overconfident can lead a person to take investment decision that is less than optimal. This theory emphasizes that the higher a person's psychological ability and financial knowledge, the better his ability to plan and take investment decision precisely (Atmaningrum et al., 2021).

Rational Choice Theory

According to Coleman & Farraro (1992) which is the trigger rational choice theory emphasizing that each individual will choose to perform an action by utilizing all the resources at his disposal, with the aim of achieving a goal. Rational choice theory emphasizes the importance of the word "rational" which suggests that individual behavior can be understood as the result of a logical and explainable process of cognition. This theory is also expressed as "utility maximizing approach" which shows if the individual can make the most profitable choice for himself or herself (Boudon, 2003). Rational choice theory is an approach used in academia to explain the way a person makes decisions. The goal is that the decision can help achieve the expected goals in the most effective and efficient way. An investor often uses rational choice theory to understand how individuals make choices among various investment options, taking into account risk preferences, available information, and expected profits.

The Effect of Financial Literacy on Investment Decision

Financial literacy can provide a deeper understanding to SMEs in making better financial policies, including to determine the right type of investment. Financial literacy increases as one's financial knowledge increases, which will ultimately result in investment decision more precise (Fadila et al., 2022). According to Mahardika et al., (2023) financial literacy it is an understanding, ability, and belief that influences a person's attitude and behavior in managing finances more effectively, and plays an important role in making decisions to achieve prosperity. An investor with a good financial understanding tends to make rational choices in managing finances, such as saving, investing, and avoiding risky debt. It can be said that it is getting higher financial literacy individual, so that a person's ability to manage finances in accordance with their goals is better.

A number of previous studies that support the studies carried out are, Nadhifah & Anwar (2021) states if financial literacy have a positive and significant impact on investment decision. It is supported by Kulintang & Putri (2024) which states that if financial literacy has a positive impact on investment decision. So this study formulates the following hypothesis:

H1: Financial literacy has a positive effect on investment decisions

The Effect of Experienced Regret on Investment Decision

An investor tends to be more cautious when investing in types of investments that offer high returns but also carry great risks. Investors then consider the potential risks that may arise from the investment choice. It can be said that individuals who have experienced regret tend to set a type of investment that is less risky because they have had investment experience that is not good enough (Wardani & Lutfi, 2016). Experienced regret is an experience that someone has experienced that causes a sense of regret or disappointment related to taking investment decision that have been taken, or even accepted the risk resulting from taking investment decision previous (Febrianti et al., 2022). According to Hikmah et al., (2020) experinced regret is a feeling of regret that arises in a person as a result of past experiences that make them feel disappointed and regretful for the investment decision that has been taken. This feeling also arises because they are not ready to accept the risks that arise as a result of investment decision before.

The findings of the study that prompted this study were carried out by Febrianti et al., (2022) which gives a statement if experienced regret has a positive impact on investment decision. It is supported by Hikmah et al., (2020) which gives a statement if experienced regret has a positive effect on investment decision. So the study carried out formulated a hypothesis, namely:
H2: Experienced regret has a positive impact on investment decisions

The Effect of Financial Socialization on Investment Decision

Financial socialization Reflects the process of imparting knowledge and understanding related to finance through social interactions that have the potential to influence individual behavior in managing finances (Safitri & Kartawinata, 2020). Source financial socialization can come from family, friends, and the media. In this process, other individuals play an important role as a source of financial information and experience, thus influencing the way individuals assess risk and make investment decision (Shefrin, 2000). The better financial socialization that individuals receive, the higher the opportunity for the formation of a mature understanding of risks, opportunities, and financial strategies.

The findings of the study supporting this study were carried out by Fatin & Juwita (2023) which gives a statement if financial socialization have a positive impact on investment decision. So the study carried out formulated the following hypothesis:
H3: Financial socialization has a positive impact on investment decisions

The Effect of Risk Tolerance on Investment Decision

Risk tolerance or risk tolerance is a person's ability to accept and face potential risks that may occur, both in decisions and actions taken (Hikmah et al., 2020). In the context of investment, risk tolerance reflects the extent to which an investor is willing to take risks in order to obtain higher potential profits (Soraya et al., 2023). Investment decision It is not only based on rational analysis, but is also influenced by attitudes and tolerance to risk (Nofsinger, 2001). Investors with risk tolerance height tends to be more daring to determine investment decision on risky instruments because they believe in the potential for greater profits. Conversely, individuals with risk tolerance Low tend to avoid risk and choose safer instruments, even if the results are relatively small.

The results of the study carried out by Fridana & Asandimitra (2020) states if risk tolerance has a positive impact on investment decision. It is supported by Putri et al., (2024) which states that if risk tolerance have a positive and significant impact on investment decision. So the study carried out formulated a hypothesis, namely:
H4: Risk Tolerance has a positive impact on Investment Decision

The Role of Risk Tolerance Mediation on Investment Decisions

Risk tolerance is the level of ability of a person who is willing to accept and take risks in investment decision. Each investor has a different perception of the level of risk they can accept in the investment process (Soraya et al., 2023). Individuals do not always act rationally in the face of risk, so risk tolerance can vary depending on the psychological as well as social aspects that build their financial behavior.

Financial literacy reflects an individual's ability to grasp basic financial concepts that help investors be better prepared for market fluctuations and not be easily influenced by emotional factors in making investment decision (Sawitri & Candraningrat, 2025). Investors with a financial literacy good people tend to have risk tolerance which is higher because this understanding forms a habit in implementing risk management in a more planned manner. Getting higher risk tolerance owned by investors, the greater the tendency to take investment decision which is more daring. Financial literacy It also allows investors to understand investment risks more deeply, so that the decisions taken become more rational and measurable (Coleman & Farraro, 1992). Investors who have financial literacy and risk tolerance Those who are high are able to manage behavioral biases more rationally, because they understand that risk is an integral part of an investment, so their focus is more on the potential for long-term gains rather than the fear of short-term losses.

In perspective behavioral finance theory submitted by Nofsinger (2001), investment decision not only determined by rational information, but also psychological factors, one of which is experienced regret. Investors who have experienced regret are more likely to learn from previous decisions, so they are more cautious and better understand the risks. This understanding can improve risk tolerance, the willingness of the individual to accept the possibility of loss in order to obtain greater profit (Trouche et al., 2014). Individuals who have a experienced regret those who are high are generally used to facing the consequences of investment, so they are able to assess risks better and are not easily trapped in emotional fears. Experienced regret not only affects attitudes towards risk but also strengthens risk tolerance, which ultimately encourages investors to take investment decision with higher risk but still measurable (Lani Djaini et al., 2025).

Supporting the results of research conducted by Miyya et al., (2024) which states that if risk tolerance can mediate the influence between financial literacy on investment decision. In addition, research conducted by Dewi et al., (2021) which states that risk tolerance can mediate the impact between experienced regret on investment decisions. So this study formulates the following hypothesis:
H5: Risk tolerance is able to mediate the impact of financial literacy on investment decisions
H6: Risk tolerance is able to mediate the impact of experienced regret on investment decisions

METHOD

The type of research used is quantitative research. The data used is primary data which is taken directly using questionnaire or questionnaire. The population in the study carried out is small and medium enterprises (SMEs) in the city of Jepara. The data collection technique in the study carried out was using the non-probability sampling with techniques purposive sampling. Where the criteria used in the sample selection are (1) having small and medium enterprises (SMEs) with a minimum of 5 employees; and (2) businesses that have been running for at least more than 1 year. According to Hair et al., (2014) a good sample size in a study should consist of 100 or more respondents. The author collected data by distributing 19 statement item questionnaires to 300 relevant respondents who supported this study. However, only 282 questionnaires were received. Data are analyzed using the Partial Least Sqaure (PLS).

Table 1. Operational Variables

Variabel		Indicator	*Source*
Investment Decision	1. 2. 3.	Return Risk The time factor	Shafiria Widyatamaka (2023); Puji Pratiwi (2023); Fitriasuri (2024)
Risk Tolerance	1. 2. 3.	Accept the loss of a portion of your savings to gain greater profits Willing to take risks to acquire something Want to increase risk if the profit is too low	Werner Ria Murhadi (2023)
Financial Literacy	1. 2. 3. 4.	Basic knowledge of finance Savings and loans Insurance Investment	Ulfy Safryani (2020); I Gusti Agung Prabandari Tri Putri (2024); Deta Dini Savira (2021)
Experienced Regret	1. 2. 3. 4.	Trauma of investing due to bad experiences Being deceived in investing Feelings of regret in investing Experiencing losses in investing	Astri Kusuma Wardani (2016); Edi Pranyoto (2020); Fitriasuri (2024)
Financial Socialization	1. 2. 3. 4.	Parents Influences Peer Influences Media Influences Workplace Influences	Safitri & Kartawinata (2020)

RESULT AND DISCUSSION
RESULT
Respondent Characteristics

The data in the table below shows the identity of the respondents according to gender, age, length of business and number of employees. The results of the descriptive analysis showed that the percentage of respondents consisted of 143 (50.70%) men and 139 (49.30%) women. Thus, most of the respondents are SMEs in Jepara who are male. Based on age, most of the respondents were over 20 years old, namely 216 people (76.60%), respondents under 20 years old amounted to 3 people (1.06%), and respondents over 50 years old amounted to 63 people (22.34%). Based on the length of business run by SMEs in Jepara, the majority are over 10 years, namely 123 people (43.62%), followed by SMEs with a business period of 6 to 10 years, namely 85 people (30.14%), and then SMEs with a business period of 1 to 5 years as many as 74 people (26.24%). Based on the number of employees, the majority of respondents have employees of 5 to 19 people, namely 255 people (90.42%), followed by 20-99 employees as many as 26 people (9.22%), and finally with more than 99 employees as many as 1 person (0.35%). The results of the analysis of respondent characteristics are shown in table 2 below:

Table 2. Respondent Characteristics

No	Features	Description	Frequency	%
1.	Gender	Male	143	50,70%
		Women	139	49,30%
2.	Age	< *20* Years	3	1,06%
		20 – 49 Years	216	76,60%
		> *50* Years	63	22,34%
3.	Long Term of Effort	*1 – 5* Years	74	26,24%
		6 – 10 Years	85	30,14%
		≥ *10* Years	123	43,62%
4.	Number of Employees	*5 – 19*	255	90,42%
		20 – 99	26	9,22%
		≥ *99*	1	0,35%

Evaluation of the Measurement Model (Outer Model)

The results of the analysis using smartPLS software show the results in the measurement model and the structural model. The measurement model, commonly called the outer model, aims to test the validity and reliability of the instrument of each variable studied. Table 3 shows the results for the outer model consisting of loading factor (convergent validity), average variance extracted (AVE), cronbach's alpha, and composite reliability. The convergent validity test is carried out by measuring the outer loading value. The indicator is declared to meet convergent validity in the good category if the outer loading value > 0.70. Based on these data, each indicator of the research variable has an outer loading > 0.70. The data in table 3 indicates that there are no variable indicators that have an outer loading value of < 0.70 and AVE < 0.50, as well as Cronbach's alpha < 0.70. It can be concluded that all indicators are said to be valid and reliable in presenting each variable so that they can be used for further analysis.

The coefficient of determination basically measures the extent to which the model can explain the variation of dependent variables, where the coefficient of determination is between 0-1. Based on table 3, *experienced regret, financial literacy,* and *financial socialization* contribute 71.7% to *investment decisions* and 47.5% to *risk tolerance.*

Table 3. Composite Reliability Results

Variabel	Outer Loading	AVE	Cronbach's alpha	R-Square adjusted	LIVE
Experienced Regret	0.893-0.919	0,815	0.887		2.158-3.044
Financial Literacy	0.737-0.892	0,710	0.897		1.746-2.975
Financial Socialization	0.955-0.959	0,916	0.909		3.257
Investment Decision	0.820-0.930	0,796	0.871	0.717	1.804-3.305
Risk Tolerance	0.928-0.956	0,895	0.941	0.475	3.372-5.611

To improve the validity and reliability check, this study conducted a discriminant validity test using the Fornell Larcker test. The results of Fornell Larcker can be seen in the following table 4:

Table 4. Validitas Discriminant

	ER	FL	FS	ID	RT
ER	0.903				
FL	0.005	0.842			
FS	0.575	-0.090	0.957		
ID	-0.109	0.816	-0.176	0.892	
RT	-0.012	0.643	0.275	0.686	0.946

Based on table 4, it can be seen that the value of discriminant validity measured by fornell-larcker criteria for each variable has a higher correlation compared to the other variables. Likewise with the indicators of each variable. This indicates that the placement of indicators for each variable is appropriate.

Hypothesis testing

After the outer model test is met, the inner model test is carried out. The structural model in this study is commonly called the inner model which is measured using the value of the determination coefficient (R2), path coeffient, and t statistic. This test was carried out to prove the existence of a relationship between latent variables. The results of the direct influence hypothesis test are shown in the path coefficient image below:

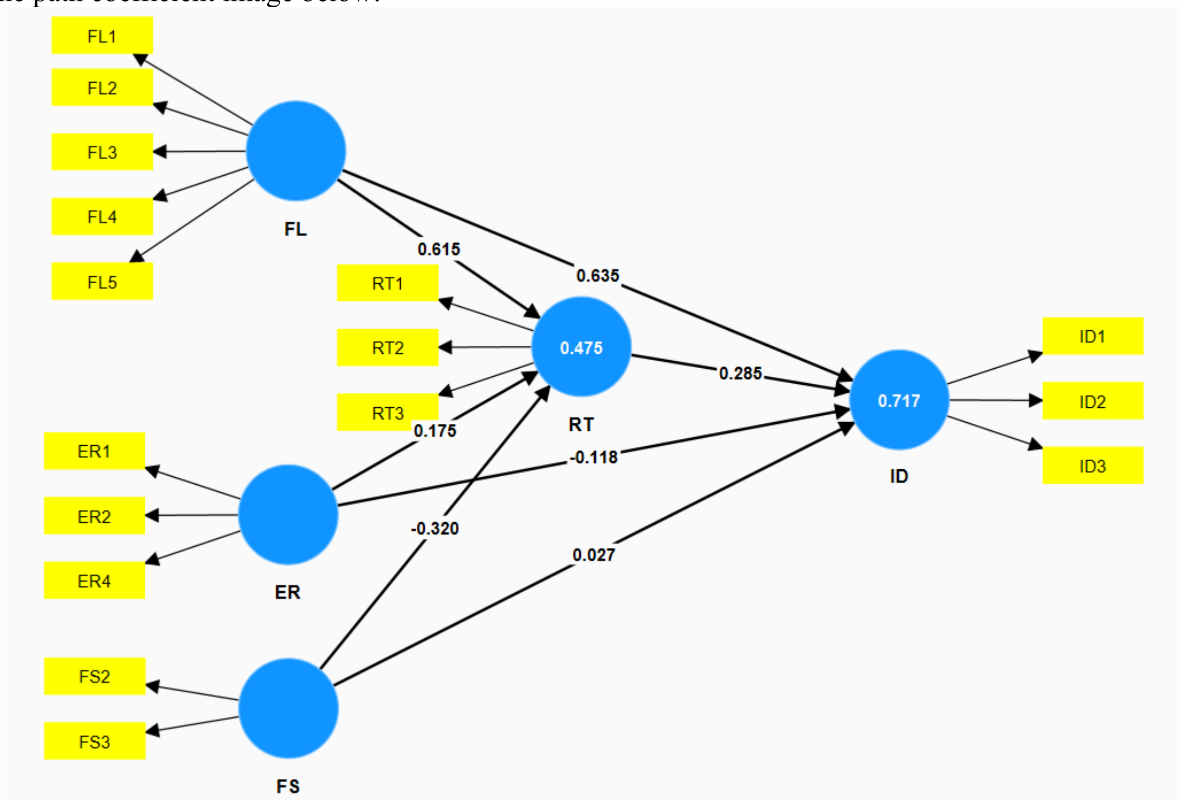

Image 1. Hypothesis Testing

The hypothesis will be accepted if the positive path coefficient and the statistical T-value > 1.96 at the significance level (P values) < 0.05. The results of the direct influence hypothesis test can be seen in the following path coefficient table:

Table 5. Hypothesis Testing

	Original sample (O)	T statistics (|O/STDEV|)	P values
ER -> ID	0.118	2.087	0.037
FL -> ID	0.635	13.685	0.000
FS -> ID	0.027	0.523	0.601
RT -> ID	0.285	5.193	0.000
ER > RT > ID	0.050	2.331	0.020
FL -> RT -> ID	0.175	4.797	0.000

Based on table 5, it can be stated that the hypothesis test is as follows: The effect of *financial literacy* on *investment decisions* has a path coefficient of 0.635 with a statistical T value of 13,685 > 1.96 and a P value of 0.000 < 0.05, meaning that *financial literacy* has a positive and significant impact on *investment decisions*. The effect *of experienced regret* on *investment decision* has a path coefficient of -0.118 with a statistical T value of 2.087 > 1.96 and a P value of 0.037 < 0.05, meaning that *experienced regret* has a negative and significant impact on *investment decision*. The effect of the relationship between *the financial socialization* variable on *investment decision* has a path coefficient of 0.027 with a statistical T value of 0.523 < 1.96 and a P value of 0.601 > 0.05, meaning that *financial socialization* does not have a significant impact on *investment decision*. The effect *of risk tolerance* on *investment decisions* has a path coefficient of 0.285 with a statistical T of 5.193 > 1.96 and a P value of 0.000 < 0.05, meaning that *risk tolerance* has a positive and significant impact on *investment decisions*.

Based on table 5, the indirect influence between independent variables and dependent variables in the study carried out can be stated, namely: The effect of *financial literacy* on *investment decisions* with *risk tolerance* as a mediating variable has a path coefficient of 0.175 with a statistical T value of 4,797 > 1.96 and a value of P Values of 0.000 < 0.05, meaning that *the risk tolerance* of the impact mediates the impact *Financial literacy* in *investment decisions*. The effect *of experienced regret* on *investment decisions* with *risk tolerance* as a mediating variable has a path coefficient of 0.050 with a statistical T of 2.331 > 1.96 and a P value of 0.020 < 0.05, meaning that *risk tolerance* is able to mediate the effect of *experienced regret* on *investment decisions*. The effect *of financial socialization* on *investment decisions* with *risk tolerance* as a mediation variable has a path coefficient of -0.091 with a statistical T value of 4.097 > 1.96 and a P value of 0.000 < 0.05, meaning that *risk tolerance* cannot mediate the impact of *financial socialization* on *investment decisions*.

Based on table 5, the indirect influence between independent variables and dependent variables in the study carried out can be stated, namely: The effect of *financial literacy* on *investment decisions* with *risk tolerance* as a mediating variable has a path coefficient of 0.175 with a statistical T value of 4,797 > 1.96 and a value of P Values of 0.000 < 0.05, meaning that *the risk tolerance* of the impact mediates the impact *Financial literacy* in *investment decisions*. The effect *of experienced regret* on *investment decisions* with *risk tolerance* as a mediating variable has a path coefficient of 0.050 with a statistical T of 2.331 > 1.96 and a P value of 0.020 < 0.05, meaning that *risk tolerance* is able to mediate the effect of *experienced regret* on *investment decisions*. The effect *of financial socialization* on *investment decisions* with *risk tolerance* as a mediation variable has a path coefficient of -0.091 with a statistical T value of 4.097 > 1.96 and a P value of 0.000 < 0.05, meaning that *risk tolerance* cannot mediate the impact of *financial socialization* on *investment decisions*.

DISCUSSION

The Effect of Financial Literacy on Investment Decision

Based on table 5 indicates that if financial literacy have a positive impact on investment decision. With an adequate understanding of financial literacy, SMEs are better able to estimate the investment choices to be taken and ensure the right strategy in obtaining profits in the future. With levels financial literacy good example, SMEs can conduct a more thorough risk and profit potential analysis, so that the investment decision to be more rational and directed for sustainable business growth. Enhancer financial literacy SMEs are very important because they can strengthen their ability to manage finances and make optimal use of investment opportunities. This not only helps in the retrieval investment decision which is wiser, but also increases confidence in the face of market dynamics and economic uncertainty. These findings are in line with research conducted by Darwish (2025), which indicates that financial literacy positively and significantly impact on investment decision. A person with financial literacy have better analytical skills in understanding investment risks and returns, so that they are able to make investment decision smarter. Therefore, efforts to improve financial literacy needs to be the main focus in supporting the success of investment by SMEs.

The Effect of Experienced Regret on Investment Decision

Based on table 5 indicates that if experienced regret negatively impact on investment decision. This means that it is getting bigger experienced regret experienced by individuals in the recruitment of investment decision before, then the lower the tendency to take investment decision in the future. Experienced regret experienced by investors makes them more cautious and willing to avoid risks that have the potential to cause losses. Nevertheless, experienced regret can also be a valuable lesson that can help them to be wiser and bolder to take investment decision, Because they already have experience that can be used as a reference. This research is in line with Wardani & Lutfi (2016) which indicates if experienced regret significantly negatively impact on investment decision. Although investors have experienced disappointment in the past, this does not prevent them from continuing to invest in higher-risk assets. However, in this study, SMEs tend to place their funds in assets with a low level of risk. This shows that SMEs prioritize capital security over the potential for greater profits but are at high risk.

The Effect of Financial Socialization on Investment Decision

Based on table 5 indicates that if financial socialization has a positive impact on investment decision. For SMEs, financial socialization play an important role in shaping financial perspectives and behaviors, including in taking investment decision. These findings show that the higher the financial socialization that individuals receive, the greater the tendency to make investment decision. However, the influence is not strong enough to make investment decision What is better is that it is not supported by other factors, such as financial literacy and risk tolerance. The results of the study were carried out in accordance with the study Hendarto et al., (2021) which indicates if financial socialization have a positive and insignificant impact on investment decision. This means that although financial socialization Through family, friends, and the media can encourage individuals to be more likely to make investments, but these influences are not strong enough to directly determine the quality of the take-up investment decision.

The Effect of Risk Tolerance on Investment Decision

Based on table 5 shows that risk tolerance has a positive effect on investment decision. That is, individuals who have risk tolerance those who are tall will tend to dare to take investment decision. This courage can be seen in his attitude of not worrying too much about the risks that may arise during the investment process, since his main focus is on obtaining greater profits. Conversely, individuals with risk tolerance those who are low tend to be more cautious and less courageous in taking investment decision. Risk tolerance is an important factor in determining the intake investment decision SMEs in Jepara. SMEs with risk tolerance those who are high are more likely to learn about various investment options that can support business growth. The findings of the study were carried out in accordance with the study Nur Aini & Lutfi (2019) which indicates that risk tolerance has a positive and significant impact on investment decisions. He stated that investors need to train their intuition in determining the level risk tolerance To take investment decision which is in line with expectations, as well as maintaining the safety of financial assets.

The Effect of Financial Literacy on Investment Decision through Risk Tolerance

Based on table 5 indicates that financial literacy has a positive impact on investment decision through risk tolerance. SMEs that have a level of financial literacy high tends to have a better understanding of various financial aspects, including the risks and opportunities of an investment. This understanding builds confidence in evaluating and managing risks rationally. With adequate understanding, SMEs are not easily influenced by the fear of loss and are more daring to take investment decision which provides long-term benefits. As the increase in risk tolerance, the individual's ability to create investment decision also become stronger and more directed. SMEs with risk tolerance good ones tend to be better prepared to face market dynamics and are not easy to take investment decision emotionally when facing uncertainty. Thus, risk tolerance plays an important role in connecting financial literacy with the intake investment decision which is better for business growth. The results of the study were carried out in accordance with the study Sa'diyah et al., (2024) which indicates if risk tolerance can mediate the influence between financial literacy on investment decision.

The Effect of Experienced Regret on Investment Decision through Risk Tolerance

Based on table 5 shows if experienced regret have a positive impact on investment decision through risk tolerance. This indicates that SMEs who have experienced experienced regret on past decisions tend to have risk tolerance so that it becomes more able to take investment decision. Experienced regret encourage individuals to learn and be better prepared to take risks investment decision in the future. Experienced regret does not always have a negative impact, but can encourage a person to form a more courageous, rational, and measurable attitude in taking investment decision. This reinforces the understanding that psychological factors, such as experienced regret, plays an important role in shaping an individual's financial behavior through improvement risk tolerance. The results of the study were carried out in accordance with the study Dewi et al., (2021) which indicates if risk tolerance can mediate the influence between experienced regret on investment decision.

CONCLUSION

According to the studies carried out, conclusions can be drawn if experienced regret has a negative impact on investment decisions. On the other hand, financial literacy, financial socialization, and risk tolerance have a positive impact on investment decisions. In addition, experienced regret and financial literacy also have a positive effect on risk tolerance, while financial socialization has no effect on risk tolerance. These findings also indicate that risk tolerance plays a significant mediating variable in the relationship between financial literacy and experienced regret in investment decisions, but risk tolerance cannot mediate the influence of financial socialization on investment decisions.

Therefore, according to the findings of the analysis carried out, it can be concluded that the studies carried out indicate that financial literacy, financial socialization, and risk tolerance play an important role in encouraging better investment decision-making. Although experienced regret has no significant effect, its effect becomes strong when mediated by risk tolerance.

The limitation of this study is that it was only conducted in one area, namely Jepara City, so the findings may not be fully generalized to the wider population. The data collection method in this study uses questionnaires so that the validity of the respondents cannot be fully ascertained, especially related to honesty in providing answers. The study of all variables in this study still shows limitations in the contribution of novelty to existing literature.

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