The Interplay of Financial Availability, Herding Behavior, and Cryptocurrency Investment Experience Moderated by Government Policy: A Study from Indonesia

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ABSTRACT: This study investigates how financial availability and herding behavior influence the experience of investing in cryptocurrencies, with government policies serving as a moderating factor. This study involved 297 individuals who actively invest in cryptocurrencies in Indonesia. A structural equation model with partial least squares (PLS-SEM) approach was used in this study. The results show that financial availability and government policy affect cryptocurrency investment experience. Meanwhile, government policies have been shown to strengthen the influence of herding behavior. The results also show that herding behavior has no direct effect on cryptocurrency investment experience. Similarly, there is no evidence that government policies can moderate the effect of financial availability on cryptocurrency investment experience. The results show the importance of assessing the financial availability of investors in their investment activities and highlight the importance of government policies to increase the convenience of investing.

Keywords: cryptocurrency, financial availability, herding, government policy, investment, SEM-PLS, social cognitive theory.

I. INTRODUCTION

Numerous individuals, specifically the younger generation, are intrigued by cryptocurrencies. In Indonesia, numerous investors have become intrigued by cryptocurrencies. [1] report that the development of trading in cryptocurrency in Indonesia in 2023 reached IDR 859.4 trillion, a significant increase of 1,223% when compared to IDR 64.9 trillion in 2020. The number of registered cryptocurrency investors reached 18.51 million investors in December 2023, experiencing a significant increase from 11,20 million in December 2021. Regarding demographic factors, also mention that most cryptocurrency investors in Indonesia are aged 18–24, followed by those aged 25–34 and 35–44. The data exhibits that most cryptocurrency investors in Indonesia are Generation Y (those born between 1980 and 1995) and Generation Z (people born between 1995 and 2010). Generation Y has witnessed a technological revolution along with increased use of mobile phones and the Internet which has both advantages and disadvantages [2]. Then, Generation Z is the most technologically adept generation and is extremely connected to the social media [3]. Conducting research with a specific demographic context is expected to provide sharper analyses. This is one the contribution that this research aims to offer.

This study considers financial availability as one of the factors shaping investment in cryptocurrencies. Financial availability is part of an investor's internal environment that can shape behavior. Generation Z consists of young people who typically pursue a higher education. Generation Y comprises those who are beginning their careers, and others who may be at their peak. Each of these characteristics has an impact on the availability of financial resources by generations Y and Z. [4] stated that the increase in financial availability will enable households to participate more actively in the formal financial market and increase their risky asset holdings. The above explanation shows that the characteristics of generations Y and Z make it interesting to study the impact of financial availability in cryptocurrency investment. This is also a novelty offered in this research, given the scarcity of investment in this area, especially in the context of generations Y and Z.

Meanwhile, humans, as social creatures, are inseparable from social interactions in their groups. In cryptocurrency investments, a phenomenon known as herding behavior can be observed, in which individuals tend to mimic the actions of others as a result of social interaction. However, whether this herding behavior will provide a good experience for investors needs further identification.

Herding is a phenomenon in which market participants imitate others' actions, disregarding their private information [5]. Broadly speaking, herding refers to the phenomenon in which economic actors simultaneously adopt similar behavioral patterns because of their tendency to imitate one another [6]. Scholarly attention has been drawn to the occurrence of herd behavior in the cryptocurrency market because variations in cryptocurrency prices are not always based on fundamental factors [6-8]. It has been extensively studied in financial markets, such as those by [9]. Herding behavior is a representation of the external environment in social cognitive theory [10]. This theory explains human behavior in terms of continuous reciprocal interactions among cognitive, behavior al, and environmental factors. Humans then learn by observing the behavior, attitudes, and outcomes of others.

Regarding government's policies, [11] find that effective policy of financial services fosters long-term economic stability while minimizing financial instability's social costs and negative externalities. Moreover, [12] emphasize that further investigation is needed into the juridical, financial, and administrative aspects surrounding digital currencies. Due to inflationary forces and substantial fluctuations in value, these digital assets exhibit extreme instability, a situation referred to as the cryptocurrency trilemma. This three-pronged challenge encompasses inherent market bubbles, difficulties in regulation, and the threat of cybercrime [13]. The impact of policies on investment in cryptocurrencies as a new asset is worthy of further questioning and research. Then, the role of government policy as a factor that can moderate various antecedents that lead to investment activities tends to be rare, therefore, it is one of the novelties offered in this study.

The Indonesian government issued Regulation No. 13 of 2022, which states that it must adopt legislation to protect the public while enhancing the effectiveness of cryptocurrency trading. In 2018, the Indonesian Ministry of Trade enacted Regulation No. 99, which recognized cryptocurrencies as tradable assets and legitimate investment instruments within the Republic of Indonesia. Furthermore, the technology used in cryptocurrency transactions is sensitive to investors' data and confidentiality. The government, through the Commodity Futures Trading Regulatory Agency (Bappebti), regulates this issue, as stated in Article 31D of the Bappebti Regulation No. 13 of 2022. The role of government policy as a factor that can moderate various antecedents that lead to investment activities tends to be rare, therefore, it is one of the novelties offered in this study. Especially in the context of Indonesia as a developing country with a population of cryptocurrency investors that tends to be large, and dominated by the younger generation.

Based on the description above, there are several main problems, including:

1) As individual gain greater access to financial resources, they are likely to become more engaged in formal financial markets and expand their holdings of high-risk assets. As a result, exploring the impact of greater financial availability on cryptocurrency investments offers a compelling direction for further studies.

2) As inherently social beings, humans are inextricably linked to social interactions within their groups. In the realm of cryptocurrency investments, a phenomenon called herding behavior is evident, where individuals tend to emulate others' actions due to social influence. However, the potential benefits of this herding behavior for investors require additional scrutiny.

3) The high-risk nature and complexity of the market have sparked ongoing discussions between policymakers and financial institutions regarding regulatory measures. As such, the effect of policies on cryptocurrency investments as a novel asset class warrants further exploration and research.

4) Furthermore, the scarcity of studies examining the role of government policy as a moderating factor for various antecedents leading to investment activities represents one of the unique aspects of this research.

Based on the above description, the following research question is proposed:

1) Does financial availability affect the cryptocurrency investment experience?

2) Does herding behavior affect the cryptocurrency investment experience?

3) Does government policy affect the cryptocurrency investment experience?

4) Does government policy moderate the relationship between financial availability and herding behavior toward cryptocurrency investment experience?

A survey toward cryptocurrency investors in Indonesia was conducted to address the research questions. This paper is structured to improve readability, beginning with an introduction that addresses the urgency and purpose of this research. The literature review segment encompasses variable definitions and hypothesis formulation, while the research methodology section details the population, sampling techniques, and data-gathering procedures, followed by analytical methods. This study presents extensive results and discussion section, culminating in a concluding segment that wraps up the findings.

II. LITERATURE REVIEW

1. DEFINITION OF VARIABLE

1.1 Cryptocurrency investment experience

The prospect theory proposed by [14] a central theory in behavioral finance. This theory posits that individuals' decisions in risky scenarios often deviate from fundamental utility theory principles. Investors' decisions have given rise to various experiences. Investing as an experience metaphorically represents the subjective and emotional interactions of investors with their investments, as well as how they interpret and find meaning in these investments [15]. Another definition was provided by [16] that investment involves selecting a specific option from several alternatives. This process entails a comprehensive assessment of all available choices, with anticipation of future gains. It follows a meticulous evaluation of various possibilities, aiming to yield benefits in the long run [17, 18]. Then, [19] state that investment is a process through which a part of the funds is committed either to real or financial assets with the hope of return in some future period, factoring in the technical and behavioral aspects. Investment is shaped by a process influenced by individuals' subjective perceptions, heuristics, and bounded rationality [4]. When a person invests, he or she expects a return with certain risk consequences. This is consistent with prospect theory.

[20] assert that judgments pertaining to investments are made to forego present benefits to pursue higher returns in the future. A precise set of goals must be achieved for each investment. Having a choice of risk and return, as well as liquidity, growth, and protecting money from inflation, are some of the numerous practical investment objectives. In this study, investment is the investor's experience when allocating funds to cryptocurrency considering their preferences for risk, the risks encountered, the expected returns, and the appropriateness of their financial goals.

1.2 Financial availability

Subjective financial well-being encompasses people's perceptions and emotions regarding their monetary circumstances. When assessing subjective financial well-being, individuals may contrast their current financial position with various benchmarks, including previous experiences, aspirational states, or tangible elements such as earnings and assets [21]. This financial situation ultimately determines the financial availability of an investment.

Financial availability is a factor to consider in investment. Previous research suggests that individuals with limited financial availability tend to focus on their immediate needs [22]. Consequently, their financial situation influences their financial investments. [23] show that the availability of capital or financial resources is onsariale of the elements that can shape behavior, particularly in the realm of finance. The scarcity of financial resources necessitates prudent decision-making for those affected by it. Conversely, individuals with abundant financial sarialmeans are afforded the freedom to invest [22]. According to [4], higher financial accessibility empowers households to engage more frequently in the formal financial market, thereby enhancing their appetite for riskier asset investments. As an investment option, cryptocurrencies embody volatility as a market risk factor and raise concerns about security attachment. Then, research conducted by [24] on generation Y in Malaysia indicates that the proportion of income allocated is crucial factor in investment.

Financial availability is part of an investor's internal environment that can shape behavior. [25] stated the interplay between individual characteristics, environmental factors, and behavior al tendencies shapes human conduct. In this study, financial availability is the availability of financial resources for investment, including the financial availability to invest in cryptocurrencies as well as the expected size of cryptocurrency investment in investment portfolios.

1.3 Herding Behavior

The efficiency of financial markets, including cryptocurrencies, has recently been a topic of debate. The Efficient Market Hypothesis (EMH) postulates that financial instruments such as stocks and commodities are consistently traded at their fair values. Nevertheless, the rationality assumptions of the EMH are not always upheld in capital markets [26]. According to [27], herding behavior is characterized by individuals that acting irrationally and imitating others' decisions without regard for their beliefs.

Herding behavior is a representation of the external environment in social cognitive theory [25]. This concept elucidates human conduct through ongoing mutual interactions among cognitive, behavioral, and environmental elements. Individuals subsequently acquire knowledge by observing the conduct, mindsets, and consequences of others. In herding behavior, investors disregard signals and indicators that, if they act rationally, would lead to various appraisals of the actual situation and likely result in different behaviors [24, 28]. Individuals naturally desire to simplify complex decision-making processes, which causes them to replicate the conclusions of others. Based on these definitions, this study defines herding behavior as mimicking other people's investment activities in cryptocurrency in terms of type, volume, buying and selling activities, and reactions to other people's behavior.

1.4 Government Policy

Government policy are regulatory measures established by decision-makers to influence the conduct of individuals, groups, and corporations, as well as social, economic, cultural, and religious matters [29]. Government regulation and laws are crucial for managing e-business and maintaining service quality, as well as for authorizing and deploying new technologies within a nation's bounds [30]. These legal frameworks are designed to guarantee that all operations are conducted fairly without a hitch.

In the context of economic transactions, [31] described the governmental oversight and support mechanisms, in the form of legislative guidelines, are established to supervise and ensure compliance from both technology service providers and users, preventing breaches of responsibility. The implementation of appropriate regulatory structures by the government is crucial for safeguarding investors against online deception, financial misconduct, and rule infringements.

Overall, effective policy is crucial for facilitating the responsible and secure adoption of blockchain technology and cryptocurrencies while mitigating potential risks and ensuring the integrity of economic transactions. In this study, government regulation is interpreted as investors' perception of legislative frameworks developed by the government to monitor and ensure investment activity regarding cryptocurrency.

2. HYPOTHESES DEVELOPMENT

2.1 Financial Availability and Cryptocurrency Investment Experience

The social cognitive theory proposed by [10] suggests a mutual deterministic connection between the individual, their surroundings, and conduct. These three components interact dynamically and reciprocally, forming the foundation for behavior and potential strategies to alter behavior s. In this study, financial availability is considered an individual investor variable.

[22] stressed that individuals with limited financial availability are required to evaluate their financial circumstances carefully in their long-term financial decisions. In contrast, individuals with ample financial availability have greater opportunities to allocate their funds. [4] observed that the increased availability of financial resources will enable investors to take a more active role in the formal financial market, allowing them to broaden their portfolio of high-risk assets within this regulated environment.

Younger individuals are likely to have limited financial resources to absorb short-term losses that may have occurred from an investment. [32] found that households with higher incomes are more inclined to engage in financial market activities, as they can readily surmount the fixed expenses associated with participation. The aforementioned information indicates that individuals who possess substantial wealth and allocate a significant portion of their income to investments tend to invest in higher-risk assets. The extreme price volatility of cryptocurrencies, which serve as an indicator of market risk, is particularly appealing for individuals with significant financial resources. Those with substantial financial resources often have favorable outcomes when investing in cryptocurrencies. They typically achieve their investment objectives, remain unaffected by cryptocurrency price fluctuations, exhibit a degree of risk tolerance in cryptocurrency investments, and are prepared to retain their cryptocurrency holdings for extended periods. Based on prior studies, the following hypothesis is proposed:

Hypothesis 1: Financial availability has a positive influence on cryptocurrency investment experience.

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2.2 Herding Behavior and Cryptocurrency Investment Experience

In the financial sector, some investors make independent choices based on their projections of price trends, while others mimic the actions of their peers. When investors adopt the same information and employ identical trading strategies, herding behavior emerges [33]. The role of herding behavior as a representation of the social environment in investment is relevant to the social cognitive theory presented by [10].

Several studies have investigated the influence of herding behavior factors on investors' investments in the equity financial market [28] Market participants are often swayed by fellow investors who communicate and share information. They tend to emulate the behavior s and choices of those in their social circles [34] The description above shows that herding behavior is an important component in shaping investment activities by investors. In the context of the cryptocurrency market, [13] examined herd-like behavior and transmission effects within the cryptocurrency market. [35] finds that during periods of market stress or heightened volatility, the phenomenon of herding becomes more pronounced. [28] ascertained that herding behavior affects investments in cryptocurrency, both in terms of cryptocurrency type and volume, coupled with other investors' buying and selling decisions.

The debate regarding herding in cryptocurrency investments comes with the emergence of several studies that show that herding behavior does not occur in the cryptocurrency market. [36] examined the impact of economic policy uncertainty on herding behavior in addition to the CSAD approach, which indicates anti-herding behavior. Furthermore, [37] utilized data from 20 major cryptocurrencies, and the MV Index Solution Crypto Compare Digital Assets for the large-cap index also showed no indication of herding tendency.

This study posits that investors tend to emulate others' investment conduct in the context of cryptocurrencies. Those who act herding in their cryptocurrency investment would have good experience during their cryptocurrency investment experience, including achieving their investment goals, are not sensitive to price volatility in cryptocurrencies, have a certain risk tolerance when investing in cryptocurrencies, and are willing to hold cryptocurrencies for a long period of time.

Hypothesis 2: Herding behavior has a positive influence on cryptocurrency investment experience.

2.3 Government Policy and Cryptocurrency Investment Experience

The social cognitive theory proposed by [10] suggests a mutual causal relationship between individuals, their surroundings, and their actions. In this context, government policy is a part of an individual's external environment. Existing policies as a framework for investor protection will be considered when determining investment in cryptocurrencies.

Government policies establish legal frameworks and consequences for behavior, which can influence individuals' perceptions associated with certain actions. Legal frameworks established by governments regulate service providers and consumers, ensuring obligation fulfilment and violation avoidance [31]. In addition, [38] state that certain policies have been shown to benefit financial markets. Thus, policies are considered important in protecting the interests of investors. To mitigate the risks associated with adopting cryptocurrency as a means of payment, it is crucial to have governmental backing, directives, and regulatory frameworks in place [39]. Legal frameworks play a crucial role in enabling, regulating, and overseeing institutional settings. [40] argued that policies are mandatory to avoid or decrease uncertainty outcomes.

It is widely believed that policies can enhance the efficiency of the cryptocurrency market and reduce the potential risks associated with investing in this domain. Consequently, investors are likely to react positively to regulatory measures [41]. Individuals who perceive substantial support from the government through policies designed to protect their cryptocurrency investments are likely to have positive investment experiences. Thus, the proposed hypothesis is as follows:

Hypothesis 3: Government policy has a positive influence on the cryptocurrency investment experience.

2.4 Moderating Role of Government Policy

Social cognitive theory proposed by [10] emphasizes the reciprocal interaction between cognitive processes, behavior, and environmental factors. Government policies are actions taken by decision-makers to influence various aspects of society, including individuals, groups, corporations, and cultural and religious matters [29]. These policies can have significant consequences on daily life, which can be observed through laws, policies, and social norms. Several studies have employed government policy as a moderator. In the Chinese context, government policies can encourage the purchase of energy-efficient vehicles [42]. Additionally, the role of governments policy as a moderator was investigated by [43] in state-owned enterprise context, and [44] in construction companies' context.

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In investment, policies pertaining to securities is essential for assuring strong investor protection and stock market growth [45]. Study in [46] noted that policies play a crucial role in generating investor awareness and boosting their confidence in a new financial technology, hence facilitating its widespread adoption. Government support is a legal framework developed to regulate that service providers perform their obligations under the set legal framework and guarantee the consumers from online scams, fraud, and violations [47].

Government instructions and policies can impact customer behavior towards adopting new technologies. Government policies are necessary to facilitate and control the adaptation of new technology, even though we know that using technology can benefit and enhance productivity. However, because of legal security, they will understand and adopt it [48]. Government support, standards, and policies are crucial for mitigating the risk associated with the use of cryptocurrencies [31].

Previous research highlights that the perceived risk associated with cryptocurrency is high as it is decentralized in nature. If government support is present, it can moderate the effect positively, as consumers trust legality and security more. Regulatory support from the government is crucial when investing in cryptocurrencies. Due to their digital attachment, Gen Y and Gen Z individuals with knowledge and experience in utilizing digital financial products will likely prefer to participate in cryptocurrency. Thus, the proposed hypothesis is as follows:

Hypothesis 4a: Governments policy strengthens the influence of financial availability on cryptocurrency investment experience

Hypothesis 4b: Governments policy strengthens the influence of herding behavior on cryptocurrency investment experience

III. MATERIAL AND METHOD

1. DATA COLLECTION

In this study, data were collected through a questionnaire survey. A questionnaire is an instrument given to respondents personally or non-personally with the intention of being completed. The purpose of the questionnaire was to obtain data from the respondents in statements related to the variables studied. The questionnaire was distributed with the assistance of an enumerator, and the survey data were gathered with the assistance of an enumerator who had extensive experience in cryptocurrency investment. This individual has been involved in cryptocurrency investment for over eight years and is actively engaged in various cryptocurrency investor groups. Before conducting the survey, the researcher briefed the enumerator regarding the prerequisites for responding, the purpose of each statement in the questionnaire, and how to administer the survey.

The variable measurement scale was based on a Likert scale. The Likert scale is useful for measuring opinions, attitudes, and feelings, or specifically, unobservable variables [49]. The Likert scale employed used an interval scale of 1 to 5. Researchers recommend the use of Likert scale 5 the most because it reduces respondents' frustration rate and improves the quality and average response [50]. The sample selection method is purposive sampling, choosing respondents to be sampled if they meet certain criteria [51].

Purposive sampling was used so that the group was better matched to the research goals and aims. This enhances the rigour of the study and the reliability of the data and results [34]. The purposive sampling employed in this study was heterogeneous. Heterogeneous purposive sampling refers to the selection of examples that are intentionally chosen to encompass a wide range of diversity in relation to a specific occurrence or event. In this study, respondents were selected based on the following criteria: 1) actively invest in cryptocurrency, and 2) age range of 21–44 years.

2. RESEARCH DESIGN

In this study, SEM-PLS analysis Using Smart-PLS third edition was conducted as the main analysis for hypothesis testing to deepen the analysis related to cryptocurrency investment experience by Generation Y and Z. Then, descriptive analysis using SPSS 26th version presents respondents.

In the field of structural equation modelling (SEM), two techniques are predominantly employed: covariance-based SEM (CB-SEM) and partial least squares SEM (PLS-SEM, alternatively known as PLS path modelling). The primary application of CB-SEM is the validation or refutation of theories and their associated hypotheses. On the other hand, PLS-SEM was employed in this study due to its ability to explore theoretical extensions of established theories as this study is an exploratory one [52]. Moreover, the use of structural equation models allows researchers to determine the degree to which each indicator affects the endogenous variables.

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In the PLS-SEM approach, there are two distinct parts: the measurement model, also very frequently referred to as the outer model, and the structural model, also sometimes referred to as the inner model. The measurement model indicates how the observable or manifest variables represent the latent variables being measured, while the structural model indicates the strength of the relationships between latent or construct variables [53]. The quality of quantitative research depends principally on the quality of research instruments. The characteristics of a good measuring instrument are perceived by the level of validity and reliability [51]. Thus, validity and reliability testing are essential.

A series of validity tests were conducted, including convergent and discriminant validity. Convergent validity tests whether the indicator variables used are significant in terms of reflecting the construct or latent variables. The convergent validity test was conducted by examining the outer loading or factor loading value of each indicator on its construct. An indicator is considered valid when the factor loading value exceeds 0.5 [54]. Furthermore, discriminant validity was tested to ascertain whether each concept within a latent variable or construct was distinct from the other variables. The discriminant validity was assessed by evaluating the heterotrait-monotrait (HTMT) value. Then, reliability testing is carried out to ensure a measuring instrument's accuracy, mutuality, and consistency [51]. This test is conducted to determine the extent of the measuring instrument's consistency if repeated. Reliability testing can use the composite reliability method, which should be greater than 0,7 [55].

Structural model using PLS can be seen from the value of the coefficient of determination or R^2, the magnitude of the relative effect size or F^2, along with the coefficient [56]. R^2 is applied to ascertain how substantial the proportion of independent variables is in describing dependent variables [56]. The R^2 value will be between 0 and 1.

The research process, from defining the research design and planning the research to analyzing the data, can be illustrated with the following diagram.
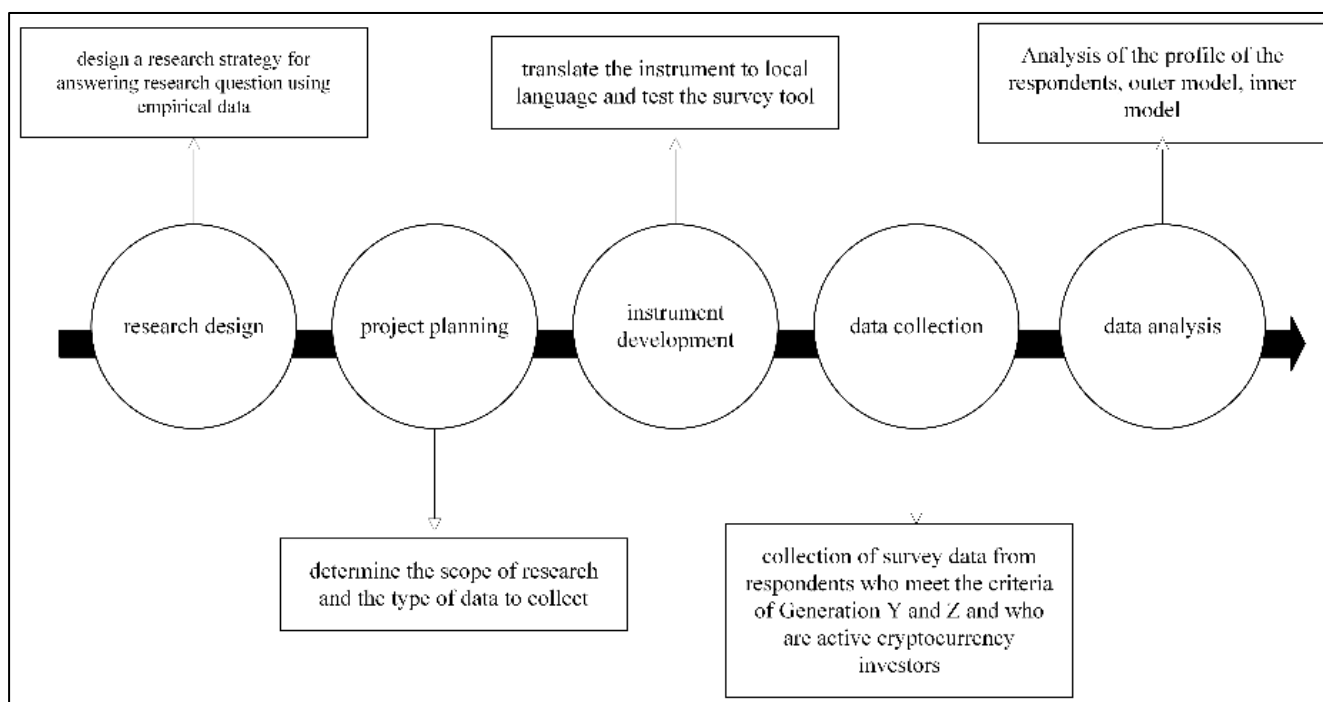

FIGURE 1. Research flow.

3. MEASUREMENT

This study consists of several groups of constructs, namely that financial availability and herding behavior as exogenous constructs. Then, one endogenous construct in this study is cryptocurrency investment experience. Meanwhile, the study includes government policy, which acts as a moderating construct. The constructs are latent, thus the constructs in this study measured by using a number of indicators. The operationalization of constructs containing the definitions and indicators of the constructs tested is shown below.

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Table 1. Measurement.

Constructs	Indicators	References
Cryptocurrency investment experience	Investment decisions that support investment objectives	(24)
	Losses are normal	
	Risk tolerance towards investment decisions	
	Investment holding periods are spread over long span of time	
Financial availability	Portion of monthly income for investing	(24)
	Portion of investment funds for cryptocurrencies	
	The share of cryptocurrencies in the investment portfolio	
Herding behavior	Other investors' decisions of choosing cryptocurrency types have an impact on investment in cryptocurrencys	(24,28)
	Other investors' decisions of the cryptocurrency volume have an impact on investment decisions	
	Other investors' decisions of buying and selling cryptocurrency have an impact on investment decisions	
	Usually react quickly to the changes of other investors' decisions and follow their reactions to the cryptocurrency market	
Government policy	Presence of policys would provide me with an incentive to use cryptocurrencies	(31,57)
	Policys and monitoring would reduce the risks associated with using cryptocurrencies	
	Policys related to cryptocurrency investment can protect investor	

IV. DATA ANALYSIS

1. RESPONDENTS PROFILE

The survey was carried out between July and August 2023. The online survey was conducted using Google Forms. An enumerator was enlisted to aid researchers in collecting the data. The researcher distributed questionnaires to more than a thousand individuals by first asking them if their profile matched the desired sample characteristics for this study. A total of 324 responses were gathered, thus, the response rate in this study was 27%.

The researcher performed manual data cleansing to ensure the validity and reliability of the data. Consequently, 297 respondents were included in the study. This number has fulfilled the rules set by [56] that minimal sample size is ten times the number of paths. With five pathways, the minimum sample size required for this study was 50. Likewise, this number also fulfils the suggestion of [57] that minimum of 200 samples are necessary to reach a reliable conclusion when utilizing structural equation modelling (SEM).

This study used descriptive analysis to provide a comprehensive profile of the respondents, focusing on characteristic constructs such as age, gender, education degree, occupation, length of experience investing in cryptocurrency, investment horizon, and whether they were part of a community of investment investors. The statistical program utilized for doing descriptive analysis is SPSS 26th version. The demographic information of respondents who completed the survey for the study presented below.

In ter ms of the length of experience investing in cryptocurrencies, the respondents in this study mainly belonged to the groups with 1 to 2 years of experience, which is as many as 118 individual (39.7%), then the

groups with more than 3 years of experience, which is as many as 91 individual (30.6%). Furthermore, in terms of investment goals in cryptocurrencies, 219 individuals (73.7%) focused on long-term goals, while 78 individuals (26.3%) had short-term goals. Then, most of those surveyed report being connected to a group of cryptocurrency investors.

Table 2. Respondents profile.

Profile	Characteristics	Frequency	Percent
	less than 1 year	21	7.1
	1-2 year	118	39.7
Cryptocurrency investment year of experience	2-3 year	67	22.6
	more than 3 years	91	30.6
	Total	297	100.0
	Long term investment	219	73.7
Investment horizon	Short term investment	78	26.3
	Total	297	100.0
	Yes	281	94.6
Joining Cryptocurrency Investor Community	No	16	5.4
	Total	297	100.0
Profile	**Characteristics**	**Frequency**	**Percent**
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Cryptocurrency investment year of experience	2-3 year	67	22.6
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	Total	297	100.0
	Long term investment	219	73.7
Investment horizon	Short term investment	78	26.3
	Total	297	100.0
	Yes	281	94.6
Joining Cryptocurrency Investor Community	No	16	5.4
	Total	297	100.0

[1] Source: Processed data (2023)

2. OUTER MODEL

A number of validity assessments were carried out in this study using factor loading and average variance extracted (ave) measures. Reliability was also assessed using composite reliability and cronbach's alpha. Then, multicollinearity analysis was also carried out in this study using the variance inflation factor measure. The validity, reliability, and multicollinearity analysis are presented in the table below.

Table 3. Outer model.

Constructs	Indicators	Factor Loading	VIF	Average Variance Extracted (AVE)	Composite Reliability	Cronbach's Alpha
	CIE1	0.518	1.222			
	CIE2	0.824	1.525			
CIE				0.517	0.805	0.697
	CIE3	0.853	1.637			
	CIE4	0.627	1.247			
FA	FA1	0.664	1.181	0.649	0.845	0.718

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	FA2	0.900	2.369			
	FA3	0.833	2.153			
	GP1	0.910	2.955			
GP	GP2	0.900	2.784	0.771	0.910	0.850
	GP3	0.820	1.622			
	HB1	0.573	1.864			
	HB2	0.869	2.666			
HB	HB3	0.772	2.427	0.632	0.870	0.867
	HB4	0.922	1.819			

[1] Source: Processed data (2023)

The analysis reveals in Table 3 show that all indicators and costructs have successfully met the criteria for validity. An indicator is considered valid when the factor loading value exceeds 0.5 [58]. Furthermore, the Average Variance Extracted (AVE) is a metric used to assess a construct's convergent validity. A suitable AVE is 0.50 or greater, indicating that the construct accounts for at least 50% of the variance of its items [55].These results indicate that each indicator and construct in this study is proven valid.

A reliability analysis was performed to determine the extent of internal consistency between the indicators for the measurement of each construct or latent variable. Higher scores indicate a higher level of reliability. For this reason, the generally accepted boundaries of the reliability coefficient can satisfactorily reflect the reliability of internal consistency for a construct, with a lower bound of 0.70 - or 0.60 for studies of an exploratory nature - and an upper bound of 0.95, thus avoiding indicator redundancy that could potentially threaten content validity [59]. Each construct in this study is above 0.7 as the lower threshold set. Therefore, it can be concluded that each construct in this study is reliable.

This study also applied the Variance Inflation Factor (VIF) to test for multicollinearity. The VIF is a statistical tool used to uncover multicollinearity in regression studies. Multicollinearity is an issue in which there is a strong correlation between independent constructs that might affect the statistical output or results from a regression model. For this study, the VIF was less than five, showing no serious multicollinearity between the items under study.

2.1 Heterotrait-Monotrait Ratio of Correlations (HTMT)

The discriminant validity was assessed by evaluating the heterotrait-monotrait (HTMT) value. Discriminant validity is considered to be achieved when the HTMT value is below the threshold of 0.9 as suggested by [60]. The statistical outcomes of the discriminant validity test for the measurement model are presented in the subsequent table.

Table 4. Heterotrait-Monotrait Ratio of Correlations (HTMT).

	CIE	FA	FA*GP	GP	HB	HB*GP
CIE						
FA	0.279					
FA*GP	0.131	0.096				
GP	0.361	0.130	0.248			
HB	0.119	0.095	0.099	0.189		
HB*GP	0.163	0.150	0.052	0.034	0.133	

[1] Source: Processed data (2023)

According to the HTMT test, as shown in Table 4, all values are lower than the threshold of 0.9. Therefore, it can be concluded that all constructs employed in the study demonstrate validity and have effectively met the requirements for discriminant validity.

.2.2 Fornell-Lacker Criterion

Discriminant validity also can be seen by employing the Fornell-Lacker Criterion test. According to [61], evaluating discriminant validity involves analysing whether a latent variable explains more variance in its associated indicator constructs than the variance of other constructs in the same model. Discriminant validity is deemed good when the squared average variance extracted (AVE) of each external construct, displayed on the diagonal, exceeds the correlation between the construct and other constructs, displayed below the diagonal. The outcomes of the Fornell-Larcker Criterion are as stated

Table 5. Fornell-Lacker Criterion

|	CIE	FA	FA*GP	GP	HB	HB*GP
CIE	0.719					
FA	0.218	0.805				
FA*GP	-0.095	0.085	1.000			
GP	0.314	0.092	-0.229	0.878		
HB	0.144	0.033	0.133	0.119	0.795	
HB*GP	0.142	0.130	-0.052	-0.004	-0.098	1.000

[1] Source: Processed data (2023)

The Fornell-Larcker criterion test presented in Table 5 indicate that the square root of the Average Variance Extracted (AVE) for each construct exceeds the correlation value between constructs and other constructs within the model. As a result, the prerequisites for discriminant validity have been met.

3. INNER Model

3.1 Structural Equation Result

The complete structural test results are described in Figure 2 as follow.
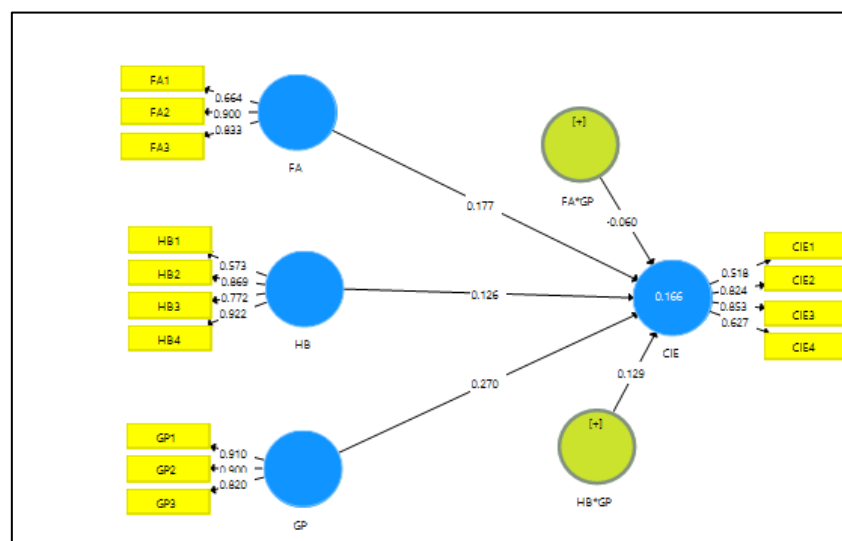
[1] Source: Processed data (2023)

FIGURE 2. Structural equation results.

The figure above presents structural equation results pertaining to the influence of financial availability, herding behavior, and government policy, along with its moderating role on cryptocurrency investment experience. The magnitude of the coefficient influence for each construct on cryptocurrency investment experience is depicted in the figure. Likewise, the magnitude of the loading factor of each indicator on the construct it builds. Additionally, the subsequent table presents the outcomes of the SEM-PLS examination.

Table 6. Inner Model (Hypothesis Testing).

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
FA -> CIE	0.177	0.180	0.055	3.202	0.001
HB -> CIE	0.126	0.114	0.126	0.997	0.160
GP -> CIE	0.270	0.283	0.077	3.507	0.000
FA*GP -> CIE	-0.060	-0.065	0.062	0.961	0.168
HB*GP -> CIE	0.129	0.106	0.077	1.667	0.048

[1] Source: Processed data (2023)

The analysis of the path coefficients for each construct, namely financial availability, herding behavior , government policy, and its moderating role on cryptocurrency investment experience is also shown in the following figure.
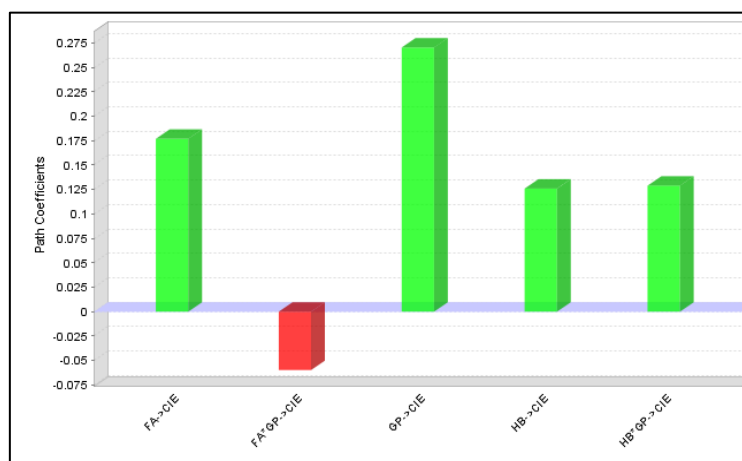
[1] Source: Processed data (2023)

FIGURE 3. Path Coefficient.

Based on the results of the hypothesis testing between the constructs listed in Table 6, it can be described as follows:

- The first hypothesis, which posits that financial availability positively influences cryptocurrency investment experience, is supported. Table 6 reveals a positive coefficient value of 0.177 for the relationship between financial availability and cryptocurrency investment experience, with a t-statistic of 3.202 (exceeding 1.645) and a p-value of 0.001 (below 0.05). These findings confirm H1, indicating that financial availability indeed has a positive impact on cryptocurrency investment experience.

- Conversely, the second hypothesis, suggesting that herding behavior positively affects cryptocurrency investment experience, is not supported. Table 6 shows a positive coefficient value of 0.126 for the relationship between herding behavior and cryptocurrency investment experience, but with a t-statistic of 0.007 (not exceeding 1.645) and a p-value of 0.160 (above 0.05). Consequently, H2 is rejected, implying that herding behavior does not significantly influence cryptocurrency investment experience.

- The third hypothesis (H3) proposes that government policy has a positive and significant effect on cryptocurrency investment experience. Table 6 demonstrates a positive coefficient value of 0.270 for the relationship between government policy and cryptocurrency investment experience, with a t-statistic of 3.507 (surpassing 1.645) and a p-value of 0.000 (below 0.05). These results confirm H3, suggesting that government policy indeed has a positive and significant impact on cryptocurrency investment experience.

- Hypothesis H4a, which suggests that government policy moderates the relationship between financial availability and cryptocurrency investment experience, is not supported. Table 6 indicates a negative coefficient value of -0.060 for the FA*GP and cryptocurrency investment experience relationship, with a t-statistic of 0.961 (below 1.645) and p-value of 0.168 (above 0.05). As a result, H3a is rejected, signifying that government policy does not moderate the relationship between financial availability and cryptocurrency investment experience.

- Lastly, Hypothesis H4b, which proposes that government policy moderates the relationship between herding behavior and cryptocurrency investment experience, is accepted. Table 6 shows a positive coefficient value of 0.129 for the HB*GR and cryptocurrency investment experience relationship, with a t-statistic of 1.667 (meeting or exceeding 1.645) and a p-value of 0.048 (at or below 0.05). These findings support H4b, indicating that government policy does moderate the relationship between herding behavior and cryptocurrency investment experience.

3.2 Slope Analysis

In addition, this study includes a hypothesis test of the moderating role of government policy with financial availability and herding behavior on cryptocurrency investment experience. To deepen the analysis of the moderating role, the slope analysis of the moderating function is conducted as shown in the following figure.
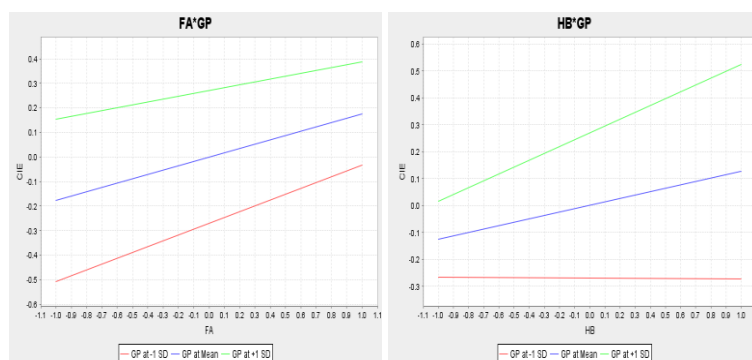
[1] Source: Processed data (2023)

FIGURE 4. Moderating Effect of Government Policy

The lines in both graphs denote the interaction between the independent constructs of financial availability and herding behavior with the dependent variable of cryptocurrency investment experience at different levels of government policy. For positive interaction, there would be a positive slope-upward trending line-between the independent variable of financial availability and herding behavior, moderated by government policy, and cryptocurrency investment experience. Whereas the steep slopes, represented by the green line, might indicate a stronger effect when government policy is higher at +1 SD, the shallow slope represented by the red line implies weaker or almost negligible effects at a low level of government policy -1 SD. Then, interaction seems to be much stronger for herding behavior as on the right graph, the green line has a steeper slope compared with the left graph FA*GP. The implication of such observation is that herding behavior may have a more pronounced effect on investment experience in cryptocurrency when government policy is higher compared to financial availability.

Then, the coefficient of determination, commonly referred to as R-squared (R^2) also tested in thi study. The coefficient of determination is a statistical measure that reflects the proportion of variance of an endogenous variable that can be explained by an exogenous variable. It ranges from zero to one, with higher values indicating a greater degree of explanation. The coefficient of determination for this study was as follows:

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3.3 Model Fit

The Standardized Root Mean Square Residual is a measure of fit in SEM. The SRMR reflects the average difference between observed and model-implied correlations, thus an indication of the good-of-fit for the model. The SRMR as shown in the table below.

Table 7. Model fit

	Saturated Model	Estimated Model
SRMR	0.078	0.078

[1] Source: Processed data (2023)

The estimated model represents the particular model that you have proposed based on hypothesized relationships. An SRMR of 0.078 for the estimated model was indicative of good fit.

3.4 R-Square

This study also shows the coefficient of determination which is displayed in the following table.

Table 8. R Square

	R Square	R Square Adjusted
CIE	0.166	0.151

[1] Source: Processed data (2023)

Based on the data presented in Table 8, it is demonstrated that cryptocurrency investment experience is impacted by various factors, including financial availability, herding behavior, government policy, and the interaction between government policies and the aforementioned constructs. Table 8 show that approximately 16.6% of the variance in the model can be attributed to these factors, while the remaining 83.4% is influenced by external factors that were not accounted for in the model. The findings indicate that investment, including in cryptocurrencies, is a complex process, encompassing numerous factors, both internal and external.

4. DISCUSSION

4.1 The effect of financial availability on cryptocurrency investment experience

The results of this study using SEM-PLS analysis, show that financial availability has a positive effect on cryptocurrency investment experience. The result aligns with social cognitive theory by [10] that proposes a mutually influential relationship amongst an individual, their surroundings, and their actions. These three components interact dynamically and reciprocally, shaping both the behavior and potential strategies for behavioral modification. This interplay forms the foundation for understanding human conduct and for developing interventions to alter it. In this study, financial availability is considered a representation of factors within an individual as an investor in cryptocurrency. Individuals who hold a substantial portion of their total investments, in addition to a sizable portfolio in cryptocurrencies, generally experience a sense of contentment when investing in this asset and regard inherent risks as ordinary.

In terms of the respondents' demographics, those who participated in this study were Generation Y and Generation Z. The younger generation tends to be more flexible when it comes to investing. This is also due to their access to more information through various digital channels. Cryptocurrency markets offer a unique learning opportunity for young investors to understand blockchain technology, decentralized finance (DeFi), and alternative investment strategies. The availability of funding allows them to experience different cryptocurrencies and investment approaches, thus deepening their understanding of this evolving asset class.

The results of this study are also supported by a number of previous studies, including [24] on generation Y in Malaysia indicates that the proportion of income allocated to investments influences the decision to invest in the stock market. Then, [4] observed that as a result of the growth in financial availability, investors will be able to participate more actively in the formal financial market and expand their holdings of risky assets in the formal financial market.

The explanation above demonstrates that individuals who possess personal wealth, along with a significant allocation of their income towards investments, exhibit a greater tendency to engage in the investment of higher-

risk assets. The extreme price volatility of cryptocurrencies, which serves as an indicator of market risk, invites individuals with significant financial availability. The results of this study provide a basis for investors to assess their financial availability, both in terms of the availability of financial resources to invest, as well as the expected portion of cryptocurrency in their portfolio. The personal assessment of financial availability is expected to enhance a good experience by investors when they invest in cryptocurrencies.

4.2 The effect of herding behavior on cryptocurrency investment experience

The results of this study using SEM-PLS analysis show that herding behavior, as an external factor, has no significant effect on cryptocurrency investment experience. These results indicate that the behavior of other investors in the investor environment is not a determinant of the cryptocurrency investment experience. Investors prefer to invest based on their own analysis rather than following the behavior of others. Investors may rely on their ability; therefore, they may ignore another investor's behavior and show anti-herding behavior. This research is not in line with social cognitive theory by [10] which is represented by herding behavior in this study.

Examining the profile of participants in this study reveals that the bulk of them are cryptocurrency investors with over a year of experience. This longevity has equipped them with analytical sophistication to make informed decisions regarding their cryptocurrency investments. As investors gain experience and engage in self-directed learning, they tend to move away from herd mentality. It is worth noting that herding behavior escalates investor risk, compromises market efficiency, and diminishes the advantages of diversification. These findings suggest that cryptocurrency investors are inclined towards rational decision-making.

The results of this study show the maturing nature of cryptocurrency investors, indicating a preference for independent decision-making rather than following trends or herding behavior. Investors rely more on their own abilities than on the behavior of others to have a better experience in investing, including making investing in cryptocurrencies a part of achieving financial goals.

The outcomes of this research are corroborated by prior investigations conducted by [62] that demonstrate no evidence of herding behavior in the cryptocurrency market using both the CSSD and CSAD approaches. Additionally, [36] examined the impact of economic policy uncertainty on herding behavior in addition to the CSAD approach that indicates anti-herding behavior

The findings of the present study therefore run against earlier research by [63] who argue that external factors are always more influential during the early stage of innovation adoption because of the limited number of previous adopters who can influence the decision. The statement being relevant for an investment in digital cryptocurrencies in Indonesia, these so-called digital assets first appeared in Indonesia in 2008 and then entered the Indonesian market in 2012. With this, after over ten years of development, today, the cryptocurrency industry is considered an emerging business.

The findings suggest that herding behavior does not play a significant role in cryptocurrency investment experiences. Instead, investors in this market tend to make autonomous choices rather than following popular trends or others' decisions. Study participants predominantly rely on their own assessments, evaluations, and individual investigations when deciding on cryptocurrency investments. This autonomous approach may be attributed to the necessity for a more profound technical comprehension of the highly unpredictable and intricate cryptocurrency market, as well as the considerable experience of investors. This self-guided behavior could also indicate a maturing cryptocurrency investor base, where critical evaluation and well-informed decision-making take precedence over peer influence. Consequently, herding, which is prevalent in many conventional financial markets, appears to be less prominent in the cryptocurrency sphere, signaling a shift towards rationality and self-sufficiency in investment choices.

4.3 The effect of government policy on cryptocurrency investment experience

The results of this study using SEM-PLS analysis show that government policy has a significant effect on cryptocurrency investment. The results of this study strengthen the evidence for the presence of social cognitive theory in shaping individual behavior, including cryptocurrency investment experience. Policies set by the government are considered to protect investors, thus making them have a good experience while investing in cryptocurrency. Government policies are important for mitigating unpredictable consequences. The provision of policies may serve as a motivating factor for individuals to adopt emerging technologies such as cryptocurrencies, thereby reducing the perceived risk associated with this kind of digital asset.

The results of this study can be linked to the profiles of the participating respondents. 281 respondents or 94.6% were investors who joined the cryptocurrency investor community, and 16 others (5.4%) did not join the cryptocurrency investor community. In general, investor communities provide information on the

cryptocurrency market, including all regulatory developments. Members usually discuss changes in policies, legislative proposals, and enforcement actions that promote awareness among members.

The findings of this study align with the statements made by [46] who highlighted the importance of policies in promoting consumer awareness and confidence in new financial technologies. Thus, policies facilitate the widespread acceptance and use of these technologies. Implementing effective policy responses can enhance investors' trust and confidence, ultimately resulting in a favorable influence on the cryptocurrency market. Then, investors are likely to react positively to regulatory measures [41]. Individuals who perceive substantial support from the government through policies designed to protect their cryptocurrency investments are likely to have positive investment experiences.

A number of policies related to investment in cryptocurrencies have been legislated in Indonesia. The Indonesian government has issued Regulation No. 13 of 2022, which states that it must adopt legislation that protects investors' interests while enhancing the effectiveness of cryptocurrency investment. The Ministry of Trade of the Republic of Indonesia issued Regulation No. 99 of 2018 related to the use of cryptocurrencies as assets that can be traded and used as investment tools. Furthermore, the technology used in cryptocurrency transactions is sensitive to confidentiality. The government, through the Commodity Futures Trading Regulatory Agency (Bappebti), has regulated this particular issue, as stated in Article 31D of Bappebti Regulation No. 13 of 2022.

These results show the importance of government policies that protect investors but are in line with the development of these digital assets to promote a good experience when investing in cryptocurrencies. Government policies have proven to make investors feel protected and have good experience when investing in cryptocurrencies. The better the government's regulatory support in protecting the interests of investors, the better the investor experience in the future, which can further increase the enthusiasm for investing in this new asset.

4.4 The moderating role of government policy

The results of this study using SEM-PLS analysis show that government policy does not moderate the relationship between financial availability and cryptocurrency investment experience. However, government policy moderates the relationship between herding behavior and cryptocurrency investment experience.

Existing government policies on investing in cryptocurrencies protect investors who tend to herd in their investment activities from bad experiences when investing in cryptocurrencies. Herding behavior is considered an irrational act, where investors invest by following the behavior of others around them. The existence of government policies is considered to protect investors who do not act irrationally when investing in cryptocurrency.

In investments with herding behavior, investment risk increases because of investors' lack of utilization of cognitive factors. Therefore, the existence of policies encourages investors to rely on their own abilities rather than imitating the behavior of other investors. Government policies play a critical role in mitigating the risks associated with herding behavior in cryptocurrency investments by enhancing transparency, promoting education, implementing investor protection, providing analytical tools, encouraging ethical practices, and fostering long-term investment perspectives.

The results of this study are in line with a number of previous literatures, including [31]. Government support, standards, and policies are essential for mitigating cryptocurrency risks. Implementing regulatory measures could address the uncertainties that impede widespread acceptance for transaction-related uses. In investment, policies pertaining to securities is essential for assuring strong investor protection and stock market growth [45]. Then, [46] noted that policies play a crucial role in generating investor awareness and boosting their confidence in a new financial technology, hence facilitating its widespread adoption.

In investment contexts characterized by herding behavior, the associated risk significantly heightens because investors cannot use the cognitive aspects appropriately. In this context, therefore, regulatory mechanisms encourage the investor to rely on their skills and not simply imitate the decisions of their peers. Second, regulatory measures are instrumental in the mitigation of risks associated with herding behavior in cryptocurrency investments through increased transparency, education, investor protection, analytical tools and resources, ethics, and a long-term focused mindset.

Furthermore, the results suggest that government policies do not seem to play a significant role in how financial availability influences cryptocurrency investment. The growing demand for cryptocurrencies and their increasing acceptance by mainstream institutions and investors has contributed to the development of these digital assets. This market-driven demand and adoption often outpace regulatory developments, allowing

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investors to access cryptocurrencies based on market dynamics and technological advancements, rather than regulatory constraints.

V. CONCLUSION

Financial availability has a positive effect on cryptocurrency investments. Individuals who hold a substantial portion of their total investments, in addition to a sizable portfolio in cryptocurrencies, generally experience a sense of contentment when investing in this asset and regard inherent risks as ordinary. The results also show that herd behavior is not a determinant of good cryptocurrency investment experience. This shows the maturity of investors who prefer to perform their own analyses and take responsibility for the results.

This study also examines the role of government policy in investment in cryptocurrencies. Government policy has a significant effect on cryptocurrency investment experience. These results demonstrate the importance of government policies that protect investors, which is in line with the development of these digital assets. The results of this study show that existing government policies on investing in cryptocurrencies protect investors who tend to herd in their investment activities from bad experiences when investing in cryptocurrencies. Herding behavior is considered an irrational act, where investors invest by following the behavior of others around them. The existence of government policies is considered to protect investors that do not act irrationally when investing in cryptocurrency.

1. RESEARCH IMPLICATION

This study provides a basis for investors to assess their financial availability, both in terms of the availability of financial resources to invest, as well as the expected portion of cryptocurrency in their portfolio. The personal assessment of financial availability is expected to enhance a good experience by investors when they invest in cryptocurrencies.

On herd behavior not affecting the cryptocurrency investment experience self-analysis is required by investors rather than copying the behavior of others in investing in cryptocurrencies. Experience and knowledge are expected to boost the analytical acumen of investors.

Then, government policy is an important part of the investment domain. Therefore, the results of this study call on policymakers to always adapt their policies to the evolution of cryptocurrency as a new asset that continues to grow. On the other hand, policymakers will certainly pay attention to the balance in relation to the interests of industry players.

Factors that reflect social cognitive theory in this study, namely financial availability and government policy, are proven to be factors that are considered when investing in cryptocurrency. Meanwhile, herding behavior, which reflects social factors in social cognitive theory as well as the irrational actions of investors, is not proven in this study. These results show that behavior influenced by the social environment, in the context of following the herd, is no longer used, especially in the context of investing. This is evidence that investors are becoming more mature in their investment management. These results also show that cryptocurrency investors, especially in the Indonesian context, tend to be rational in their investment decisions.

2. LIMITATION OF STUDY AND FURTHER RESEARCH

The coefficient of determination for cryptocurrency investment experience stands at 0.166, statistically speaking, which suggests there is scope for future studies to explore additional factors influencing such investments. This behavior al research involved a wide range of participants from various backgrounds. However, this study did not explicitly examine how demographic constructs affect investors' views and their subsequent impact on cryptocurrency investment decisions. Future research can also further explore the factors that can determine the cryptocurrency investment experience, such as internal and external factors.

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Author contribution

All authors made an equal contribution to the development and planning of the study.

Conflict of Interest

The authors declare no conflicts of interest.

Data Availability Statement

Data are available from the authors upon request.

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