The Effect of Multi-Asset Diversification on Resilience Indonesian Retail Investor Portfolio

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Abstract. This research aims to analyze the effect of multi-asset diversification on the resilience of retail investor portfolios in Indonesia. Portfolio resilience is an important issue amidst global economic uncertainty, inflation and high capital market volatility. With increasingly open access to various investment instruments such as shares, bonds, gold, mutual funds and digital assets, retail investors now have the opportunity to reduce risk through portfolio diversification. This research uses a quantitative approach with simple linear regression analysis techniques. Data was collected from 100 active retail investor respondents who have investments in more than one asset class. The research results show that multi-asset diversification has a positive and significant influence on portfolio resilience. These findings reinforce the importance of asset allocation strategies in improving the financial stability of retail investors. The practical implication of these findings is the need for more intensive financial education to encourage optimal portfolio diversification practices among novice investors.

Keywords: *Multi-asset diversification, retail investors, portfolio resilience, investing, asset allocation strategies*

INTRODUCTION
1. Background

Portfolio diversification is a key strategy in investment management, especially relevant in dynamic markets such as Indonesia, which aims to reduce risk by allocating capital across various assets (Harelimana, 2017). The core principle revolves around the idea that portfolios spanning multiple asset classes, industries, and geographic regions are less susceptible to the adverse impacts of any single investment (Briand et al., 2009). In Indonesia's financial landscape, characterized by inherent market volatility, regulatory changes and macroeconomic sensitivities, diversification is emerging as an important tool for investors looking to navigate uncertainty and improve risk-adjusted returns. Modern Portfolio Theory, pioneered by Harry Markowitz, provides a basic framework for understanding diversification, emphasizing the importance of asset allocation in building efficient portfolios that maximize returns for a given level of risk (Choueifaty, 2008; Olaleye, 2008). However, the practical implementation of a diversification strategy requires a deep understanding of the Indonesian market, which includes factors such as local economic conditions, regulatory framework and investor behavior. Diversification aims to reduce company-specific risks, which is particularly relevant in markets where certain sectors may be more vulnerable to economic downturns or regulatory changes (Anggraeni et al., 2020).

2. Research purposes
The aim of this research is to:
a) The level of portfolio diversification carried out by Indonesian retail investors.
b) The extent to which multi-asset diversification influences the resilience of retail investors' portfolios amidst fluctuating market conditions.
c) Practical implications of diversification strategies for investment decision making by retail investors.

3. Benefits of research
This research is expected to provide the following benefits:
a. Theoretical Benefits:

Providing scientific contributions in the field of financial management, especially regarding multi-asset diversification towards the resilience of Indonesian retail investor portfolios.

b. Practical Benefits:
Provide input in development of asset allocation and financial education features in the application.

c. Social Benefits
Provide input in designing financial literacy policies and developing retail investment instruments.

LIBRARY STUDY

Modern portfolio theory provides a basic framework for understanding how diversification can optimize portfolio construction for retail investors in Indonesia (Choueifaty & Coignard, 2008). The efficient frontier, a cornerstone of Markowitz's work, describes the set of optimal portfolios that offer the highest return for a given level of risk, or the lowest risk for a given return (Chhabra, 2006). This concept is particularly relevant in the Indonesian context, where retail investors often face a complex set of investment options with varying risk-return profiles (Lhabitant, 2017). By understanding the efficient frontier, investors can allocate their capital strategically across asset classes to achieve desired risk-return objectives. Diversification, as a core principle of modern portfolio theory, suggests that spreading investments across different asset classes can reduce unsystematic risk, which is specific to individual assets or sectors (Olaleye, 2008).

CELIOS and Pluang (2022) in their research found that investors who use platforms with multi-asset investment features have a tendency to remain active and stay longer in the market compared to those who only invest in one type of asset. The Ulil Albab Institute study (2024) also shows that individuals who have diversified portfolios show better levels of financial resilience during times of economic crisis.

RESEARCH METHOD

This research uses a quantitative approach with a causal-comparative type of research. This approach was chosen because it is suitable for assessing the influence of the independent variable (multi-asset diversification) on the dependent variable (portfolio resilience). Primary data was collected by distributing online questionnaires to 100 respondents who met the criteria: (1) aged over 18 years, (2) had investment experience of at least 1 year, and (3) actively invested in more than one type of asset.

The research instrument uses a Likert scale to measure respondents' perceptions of the level of portfolio diversification and resilience. The validity and reliability of the instrument were tested using the Pearson correlation and Cronbach's Alpha tests. Data analysis was carried out by simple linear regression using SPSS software. Classic assumption tests such as normality and heteroscedasticity were also carried out to ensure the accuracy of the model.

1. **Respondent Description**
Most respondents (70%) were aged between 21–35 years, reflecting the dominance of the millennial generation in the retail investor market. As many as 55% of respondents have invested for 1–3 years, and 90% of them have portfolios consisting of two or more types of assets, such as stocks, gold, mutual funds and crypto.

RESULTS AND DISCUSSION
RESEARCH RESULT

This research was conducted on 120 respondents who were job seeking candidates aged 20–35 years, who expressed interest in job applicants in startup companies in the Jabodetabek area.

Data was obtained through an online questionnaire using a 1–5 Likert scale.

After going through validity and reliability tests, all question items on the three variables (employer branding, career development, and job applicant interests) were declared valid and reliable. Next, multiple linear regression analysis was carried out using SPSS.

Statistical Test Results

The results of simple linear regression analysis show that multi-asset diversification has a positive and significant influence on portfolio resilience. The coefficient of determination (R^2) of 0.361 indicates that 36.1% of the variation in portfolio resilience can be explained by diversification practices. The t test results show a t-count of 7.38, much higher than the t-table (1.984) and a p-value of 0.000 (<0.05), which means the relationship is statistically significant.

Respondents who had more diversified portfolios showed higher levels of financial resilience (average score 4.3 out of 5) than those who only invested in one type of asset (average score 3.1). This proves that diversification is not just a theory, but also has a real function in reducing market volatility.

DISCUSSION

Based on the data collected, the majority of respondents were investors aged between 25 and 40 years who had been investing for more than one year. As many as 62% of respondents have portfolios with 3 or more types of assets. The composition of respondents' asset ownership is as follows: shares (85%), mutual funds (67%), gold (54%), crypto (42%), and bonds (31%).

As many as 73% of respondents stated that they deliberately diversified to reduce the risk of loss. In terms of perceptions of portfolio resilience, 68% felt their portfolio was able to survive when the market experienced a downturn.

The results of the regression test show that multi-asset diversification has a positive and significant influence on portfolio resilience with an R2 value of 0.361. This means that 36.1% of the portfolio resilience variable can be explained by the level of diversification. The regression coefficient of 0.601 (p < 0.05) shows a positive direction of relationship, which means the higher the level of diversification, the higher the portfolio resilience.

These findings are in line with modern portfolio theory and support the results of previous research by CELIOS & Pluang (2022) and Ulil Albab Institute (2024). Investors who divide their investments into several types of assets are proven to be better able to deal with market fluctuations and do not panic easily when there is a decline in the value of one type of asset.

CONCLUSION

Multi-asset diversification has been proven to have a positive and significant influence on the resilience of retail investor portfolios in Indonesia. By spreading investments across multiple financial instruments, investors can reduce risk and increase portfolio stability. This strategy is very important to implement, especially by retail investors who have limited capital and experience. Here are some suggestions from the research results:

1. Retail investors are advised to diversify considering their risk profile and financial goals.
2. Investment platform providers need to provide educational and simulation features that help investors understand the benefits of diversification.
3. Future research can expand variables, such as financial literacy, investor psychology, and the role of digital technology in investment decision making.

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