

The Effect Of Multidimensional Risk And Financial Literacy On Sharia Investment Decisions Moderated By Religiosity (Study on Sharia Stock Investors in Southeast Sulawesi Province)

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ABSTRACT

This study aims to identify and analyze: (1) the influence of risk propensity on Islamic investment decisions, (2) the influence of risk attitude on Islamic investment decisions, (3) the influence of risk capacity on Islamic investment decisions, (4) the influence of risk knowledge on Islamic investment decisions, (5) the influence of financial literacy on Islamic investment decisions, (6) the moderating role of religiosity on the relationship between risk propensity and Islamic investment decisions, (7) the moderating role of religiosity on the relationship between risk attitude and Islamic investment decisions, (8) the moderating role of religiosity on the relationship between risk capacity and Islamic investment decisions, (9) the moderating role of religiosity on the relationship between risk knowledge and Islamic investment decisions, and (10) the moderating role of religiosity on the relationship between financial literacy and Islamic investment decisions. The object of this research is the influence of multidimensional risk and financial literacy on Islamic investment decisions moderated by religiosity among Islamic stock investors in Southeast Sulawesi Province. The population in this study includes all Islamic stock investors in Southeast Sulawesi Province, totaling 1,122 individuals, based on the directory of the Bank Indonesia Representative Office in Southeast Sulawesi. The sample consists of 295 respondents selected using probability sampling techniques based on specific criteria. Data collection was conducted through online questionnaires, and the analysis tool used was SEM-PLS version 3.0. The results of the study show that: (1) risk propensity has a positive and significant effect on Islamic investment decisions, (2) risk attitude has a positive but not significant effect on Islamic investment decisions, (3) risk capacity has a positive and significant effect on Islamic investment decisions, (4) risk knowledge has a positive and significant effect on Islamic investment decisions, (5) financial literacy has a positive and significant effect on Islamic investment decisions, (6) religiosity does not moderate the influence of risk propensity on Islamic investment decisions, (7) religiosity does not moderate the influence of risk attitude on Islamic investment decisions, (8) religiosity moderates the influence of risk capacity on Islamic investment decisions, (9) religiosity does not moderate the influence of risk knowledge on Islamic investment decisions, and (10) religiosity does not moderate the influence of financial literacy on Islamic investment decisions.

Keywords: Risk Propensity, Risk Attitude, Risk Capacity, Risk Knowledge, Financial Literacy, Sharia Investment Decisions, Religiosity

1. INTRODUCTION

Investment is an important element in economic development for individuals, organizations, and countries because it can generate future profits while encouraging economic growth through the provision of capital (Awaluddin & Awaluddin, 2024). From an individual perspective, investment helps achieve long-term financial goals and protects purchasing power from inflation (Awaluddin & Awaluddin, 2024). According to Damodaran (2023) and Sharpe et al. (2023), investment involves a commitment of resources with consideration of risk and potential returns, which are influenced by the investor's risk preferences and financial goals. Investments can be divided into conventional and sharia. Conventional investment focuses on optimal returns without considering religious values (Bodie, Kane, & Marcus, 2022), and emphasizes diversification to minimize risk as stated by Markowitz (1952). In contrast, sharia investment is based on Islamic principles such as justice and transparency, and avoids usury, gharar, and maisir (Antonio, 2001; Usmani, 2002; El-Gamal, 2006), with

the aim of public welfare according to the theory of Maqashid Syariah (Al-Ghazali, 1997; Chapra, 2000) and is based on a profit-sharing system (Usmani, 2002; Khan, 1986).

In both investment systems, risk is an unavoidable aspect, including market, liquidity, credit, and operational risks (Brealey, Myers, & Allen, 2022; Sharpe, Alexander, & Bailey, 2023). Sharia investment has additional risks such as compliance with sharia principles (Antonio, 2001; Chapra & Ahmed, 2002). Different risk perceptions between sharia and conventional investors also affect investment decisions; Muslim investors tend to be more cautious and avoid speculative investments (León & Pfeifer, 2017; Lestari et al., 2021). Risk tolerance, which includes risk propensity, risk attitude, risk capacity, and risk knowledge, is an important factor in investment decision making (Cordell, 2001; Jamaludin & Gerrans, 2015; Ahmad et al., 2020). Risk propensity itself reflects an individual's tendency to take risks and is influenced by psychological factors and experience (Nicholson et al., 2005; Sitkin & Pablo, 1992; Grable, 2000). Research shows that risk propensity has a significant effect on investment intentions and performance (Alleyne & Tracey, 2011; Abdin et al., 2022), although some studies show inconsistent results (Combrink & Lew, 2019). Therefore, understanding risk propensity as part of risk tolerance is important to analyze in the context of sharia investment decision making.

Risk attitude is an individual's psychological tendency to respond to risk, both in the context of financial and investment decisions, which is influenced by experience, self-confidence, and perception of risk (Sitkin & Pablo, 1992; Weber & Millman, 1997; Kahneman & Tversky, 1979). In sharia investment, risk attitude not only reflects the courage to take risks, but is also influenced by religious values that limit decision-making to Islamic principles, such as the prohibition of usury, gharar, and maysir (Iqbal & Mirakhor, 2011; Dusuki & Abdullah, 2007). Research shows that risk attitude has a positive effect on sharia investment decisions, meaning that the higher a person's risk tolerance, the greater their tendency to invest in sharia financial instruments (Lestari et al., 2021; Dharma et al., 2024). In addition to risk attitudes, another factor that influences investment decisions is risk capacity, which is a person's objective ability to bear risks based on financial conditions such as income, assets, and financial goals (Grable & Joo, 2004). However, despite having a high risk capacity, sharia investors still consider aspects of halalness and ethical values before making decisions (Dusuki & Abdullah, 2007; Wibowo et al., 2023). The next dimension is risk knowledge, which is an individual's understanding of the types of investment risks and their management strategies, including spiritual risks in the context of sharia (Lusardi & Mitchell, 2011; Hilgert et al., 2003; Dusuki & Abdullah, 2007).

Individuals with high risk knowledge tend to be more rational and selective in choosing sharia investment products (Akhtar & Das, 2019; Baker et al., 2019). Various previous studies have concluded that the multidimensional risk dimension—consisting of risk attitude, risk capacity, and risk knowledge—has a positive effect on sharia investment decisions (Lestari et al., 2021; Hamid et al., 2013; León & Pfeifer, 2017; Annamalah et al., 2019). However, rational decision-making in investment is also determined by the level of financial literacy. In the context of sharia, financial literacy not only includes the basic concepts of conventional finance, but also sharia principles such as halal-haram investment, sharia contracts, and maqashid sharia (Lusardi & Mitchell, 2011; Hassan & Ali, 2019). Individuals with good Islamic financial literacy will be more selective and careful in choosing investment instruments, and are more likely to avoid investments that conflict with Islamic values even though they promise higher returns (At-Tamimi & Kalli, 2009; Iqbal & Mirakhor, 2011). Therefore, Islamic investment decision making is the result of synergy between understanding risk, financial capacity, financial literacy, and belief in Islamic principles.

Islamic financial literacy is one of the important factors in forming smart investment behavior that is in accordance with Islamic principles. The Theory of Planned Behavior (Ajzen, 1991) explains that a person's behavior is influenced by attitudes toward behavior, subjective norms, and perceptions of behavioral control. In the context of Islamic investment, Islamic financial literacy can increase positive attitudes toward halal investment, strengthen social pressure to invest ethically, and foster self-confidence in managing investments in accordance with Islamic principles. In addition, Behavioral Finance Theory (Thaler, 1999) reveals that investors are susceptible to psychological biases, such as overconfidence and herd behavior, and Islamic financial literacy can be a tool to reduce the negative effects of these biases.

From an economic perspective, Human Capital Theory (Becker, 1964) places financial literacy as part of human capital that strengthens an individual's ability to plan and evaluate investments. In the sharia framework, this includes an understanding of contracts such as mudharabah and musyarakah and the implications of zakat on investment assets (Lusardi & Mitchell, 2011). However, sharia investment decisions are not only influenced by economic rationality, but also by religious values. The Shariah Compliance Decision Framework (Iqbal & Mirakhor, 2011) emphasizes that the success of sharia investment is determined by compliance with Islamic moral and spiritual values.

Religiosity also has a significant influence on individual financial behavior. Studies by Mahdzan et al. (2017), Firmansyah and Andanawari (2020), and Mansour & Jlassi (2014) show that religiosity can affect risk tolerance and preferences for investment types. Investors with high religiosity tend to avoid non-sharia investment instruments because of concerns about sin and violation of religious values. In this framework, religiosity acts as a moderator that strengthens or weakens the influence of financial literacy, risk propensity, risk attitude, risk capacity, and risk knowledge on sharia investment decisions (Glock & Stark, 1965; Ajzen, 1991).

In line with this, Antonio et al. (2012) through the Integrative Islamic Financial Behavior Theory emphasized that Muslim financial behavior is not only influenced by rational aspects such as literacy, but also by religious values. Value-Belief-Norm Theory (Stern et al., 1999) also strengthens the position of religiosity as a value filter that guides individuals in choosing economic decisions, including investment. Therefore, in sharia investment, financial literacy and religiosity cannot be separated because both complement each other in forming decisions that are not only rational but also in accordance with Islamic law.

Empirical phenomena show that even though Indonesia is the country with the largest Muslim population in the world, the participation of sharia investors is still very low. OJK data (2022) shows that Indonesia's sharia financial literacy has only reached 9.14%, far behind conventional financial literacy which reached 49.6%. However, the number of sharia stocks and sharia investors continues to increase. In Southeast Sulawesi, the number of stock investors increased from 13,323 in 2021 to 30,257 people in 2024. However, the proportion of sharia investors is still around 3-4% of the total number of investors (IDX Prov. Sultra, 2025). This shows that there is great potential that has not been optimally explored.

Previous research results also showed varying findings. Fauzi and Rafik (2024) found that the higher an individual's understanding of Islamic finance, the higher their tendency to invest in accordance with Islamic law. However, Galoeh (2024) found a negative relationship between financial knowledge and investment decisions, indicating that high literacy is not always directly proportional to preferences for certain investments. Therefore, further research is needed that can explain more deeply the influence of multidimensional risk and financial literacy on Islamic investment decisions, as well as the moderating role of religiosity.

2. LITERATUR REVIEW

Multidimensional Risk

According to research results (Cordell, 2001, 2002 in Wahl & Kirchler, 2020), there are four aspects used to evaluate a person's risk tolerance, namely: Risk propensity is an individual's tendency to take risks in the decision-making process, especially in situations that contain uncertainty. According to Sitkin and Pablo (1992) risk propensity is a relatively stable psychological trait, reflecting a person's tendency to face risks. Mertens and Lion (2008) define risk propensity as a dispositional trait that describes how much an individual is driven to take risks in various life situations.

Risk Attitude Concept, In simple terms, risk is defined as something related to uncertainty. In many behavioral and psychological theories, uncertainty is considered an important mediator of human response when in a situation with unknown outcomes (Sjoberg, Elin Moen & Rundmo, in Dewi, 2014). Attitude itself is a person's attitude towards a particular object that tends to be accompanied by actions in accordance with the attitude towards the object. So, the definition of risk attitude is an attitude or state of mind related to uncertainty that can have a positive or negative effect on a goal (Utami, 2022). Attitude towards risk is also influenced by a person's perception of risk. Investors who tend to like risk usually have a low level of risk perception and tend to be brave in making decisions (risk seekers). Investors who tend to avoid risk usually have a high level of risk perception so that it can be said that these investors are risk averse investors (Riaz, et.al, in Sastri, 2016). If we draw a conclusion, risk attitude itself is an investor's attitude (individual) in facing the risks that will be accepted when making an investment, either an investment in real assets or in financial assets. When associated with investor attitudes, it can be said that risk attitude can influence the level of return or profit expected by investors (Sastri, 2016).

Risk capacity is an important concept in risk management that refers to the objective ability of an individual or organization to bear risk without endangering its survival or the achievement of its goals. This concept is different from risk attitude and risk appetite, because it focuses more on the aspect of actual and limited ability, rather than on willingness or preference. According to Hillson and Murray-Webster (2007), risk capacity is the maximum level of risk that can be borne by an individual or organization based on available resources, operational constraints, and external regulations. They emphasize that risk capacity is objective and measurable, and is the final limit in the risky decision-making process. In their framework, risk capacity is clearly separated from risk appetite and risk attitude, where risk appetite is the level of risk that is desired to be achieved, while risk attitude is the psychological response to risk that is influenced by the individual's perception and disposition.

According to Power (2007), risk knowledge is the ability of individuals or organizations to understand the existing risk structure, including its causes and consequences. This knowledge allows for more rational decision-making in the face of uncertainty. He emphasized that risk knowledge needs to be built systematically as part of the organizational culture. Aven (2016) stated that risk knowledge does not only include statistical data or probability, but also a comprehensive understanding of the risk context, including uncertainty and its potential impact. In his view, risk knowledge includes both quantitative aspects (eg, chance and magnitude of loss) and qualitative aspects (such as perception and intuition).

Financial Literacy

According to Noctor et al., (1992) financial literacy is the ability to make an assessment of information and in an effort to make decisions regarding the use and management of money effectively and efficiently. While Ulfatun et al., (2016) argue

that financial literacy is a process that measures how well someone understands and applies financial concepts to implement better financial management. Based on the above understanding, it can be concluded that financial literacy is a person's ability to apply financial information in making financial management decisions. Based on the description above, financial literacy is the ability to manage finances through three dimensions of knowledge, skills, and attitudes in order to make effective and appropriate financial decisions with target goals. Then according to Lusardi & Mitchell (2010) financial literacy can be interpreted as financial knowledge with the aim of achieving prosperity. This can be interpreted that preparation needs to be done to welcome globalization, more specifically globalization in the financial sector. Meanwhile, Bhushan and Medury (2013) explain that financial literacy is very important for several reasons. "First, consumers who have financial literacy can get through difficult financial times due to the fact that they may have accumulated savings, buy insurance and diversify their investments. Second, financial literacy is also directly correlated with positive financial behavior such as paying bills on time, loan installments, saving before running out and using credit cards wisely. Financial Literacy according to Hogarth (2003) is how someone manages their finances in insurance, institutions, saving and budgeting. Bhushan and Medury (2013) stated that it is important to be able to obtain financial literacy because currently there are many financial products that are starting to appear and an individual is required to be able to understand the risks and benefits of these financial products.

Religiosity

Religiosity comes from the word "religion" or religion which means a system of beliefs, practices, rituals and an organized symbol designed to facilitate closeness to the sacred (God, Higher Power or truth) and to foster an understanding of one's relationship and responsibility with others in community life (Koenig et al., 2000: 18). Religiosity is defined as an awareness of divinity and a tendency to achieve a balance between worldly needs and the willingness to follow all commands and avoid all prohibitions of God. The main goal is to build piety, obedience and maintain behavior (Ashiq, 2004). This means that religiosity refers to how someone performs worship, obeys wholeheartedly believes in religious teachings as a guide to life in the world and life in the afterlife. Fetzer (1999) also defines religiosity as something that focuses more on behavioral, social issues, and is a doctrine of every religion or group. The doctrines owned by every religion must be followed by every follower. Furthermore, Astogini et al. (2011) explained that religiosity is a person's religious experience that involves symbols, beliefs, values and behavior that are driven by spiritual power. Religion is a system that forms beliefs, values, hopes and behaviors held by members of a group or society. Religiosity is an awareness of the existence of God which is reflected in the willingness to obey God's commands with the aim of building piety, obedience and guarding against prohibited acts (Ali et al., 2016). What is meant is that someone who has a level of religiosity will carry out worship activities and serve religion with all their heart, believing in the teachings of the religion they adhere to as a guideline in life and trying wholeheartedly to protect themselves from sinful acts. Religiosity can also be interpreted as obedience to religious teachings, piety and a person's attitude that is embedded in him/herself which originates from religious life (Dekhil et al., 2017).

Sharia Investment Decisions

Sharia investment is an investment activity carried out based on Islamic sharia principles. This investment is not only aimed at gaining profit, but also to achieve blessings and balance between the world and the hereafter. Fatwa of the National Sharia Council of the Indonesian Ulema Council No. 20/DSN-MUI/IV/2001 defines sharia investment as a form of investment in business activities that do not conflict with Islamic sharia, such as avoiding usury, gharar (uncertainty), and maysir (speculation/gambling). According to Muhammad Syafii Antonio, investment decisions in a sharia perspective must avoid elements of riba (interest), gharar (excessive uncertainty), and maysir (speculation or gambling), and ensure that the business activities financed are halal and beneficial to society. This shows that sharia investment decisions emphasize the importance of moral integrity and compliance with Islamic law. Ascarya (2008) emphasized that sharia investment decisions are not merely about pursuing worldly profits, but also considering aspects of blessings, justice, and maslahat, which are part of the maqashid sharia or the main objectives of Islamic sharia. Therefore, the sharia investment decision-making process includes an assessment of ethical, social, and spiritual aspects, in addition to financial aspects. According to Taufiq and Antonio (2007), sharia investors must also conduct a screening process (sharia screening) on the company or project to be financed, both in terms of its business activities and its financial structure, to comply with the investment criteria permitted in Islam. Thus, sharia investment decisions according to experts are a comprehensive process that considers the suitability of sharia law, Islamic ethical principles, and the investor's social and spiritual responsibilities in every step of their investment decision-making.

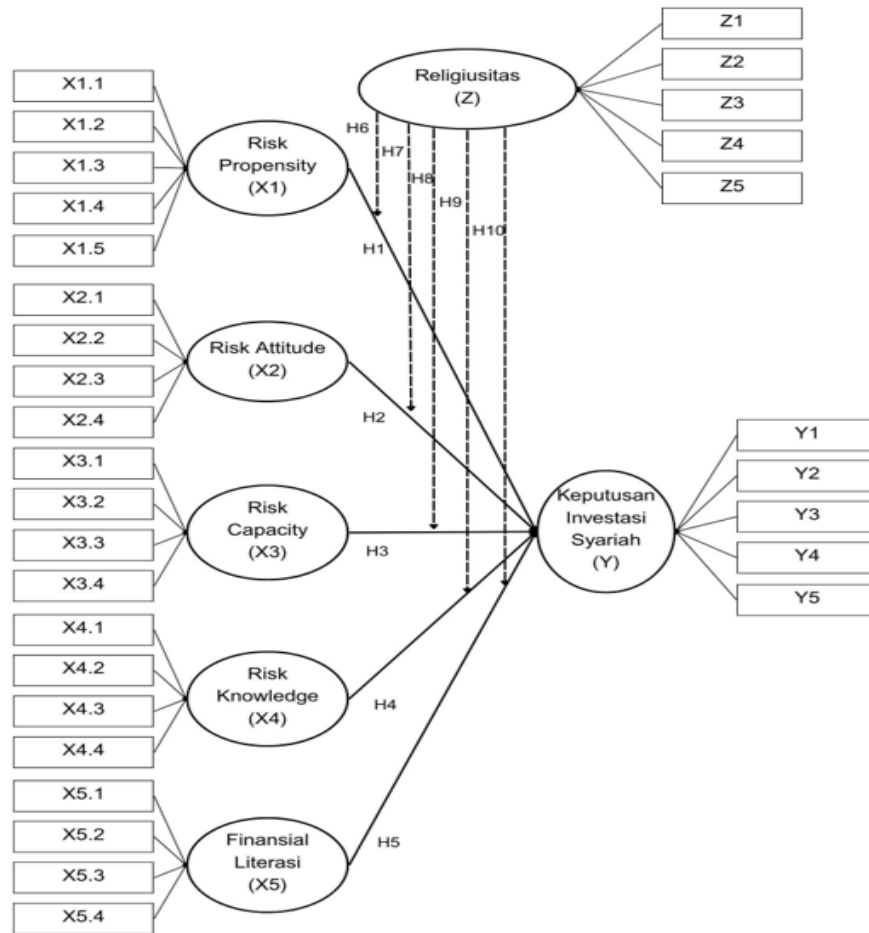


Figure 1 Conceptual Framework

Research Hypothesis

- H1: Risk propensity has a positive and significant effect on investment decisions
- H2: Risk attitude has a positive and significant effect on investment decisions
- H3: Risk Capacity has a positive and significant effect on investment decisions
- H4: Risk Knowledge has a positive and significant influence on investment decisions
- H5: Financial Literacy has a positive and significant influence on investment decisions
- H6: Religiosity plays a moderating role in the influence of Risk Propensity on investment decisions
- H7: Religiosity plays a moderating role in the influence of risk attitude on investment decisions
- H8: Religiosity plays a moderating role in the influence of risk attitude on investment decisions
- H9: Religiosity plays a moderating role in the influence of risk knowledge on investment decisions
- H10: Religiosity plays a moderating role in the influence of financial literacy on investment decisions

3. RESEARCH METHODS

This study aims to examine the influence of multidimensional risk and financial literacy on sharia investment decisions moderated by religiosity in sharia stock investors in Southeast Sulawesi Province. The population in this study were all sharia stock investors in Southeast Sulawesi Province totaling 1,122 people taken from the directory of the BI Representative Office of Southeast Sulawesi Province. The sample of this study was 295 respondents taken using probability sampling techniques based on criteria. The data collection method used an online questionnaire and the analysis tool used was SEM-PLS Ver 3.0.

Operational Definition Of Variables

Risk propensity (X1) is the tendency of an individual or organization to take or avoid risks when making decisions. It indicates the extent to which a person feels comfortable with uncertainty and potential negative consequences.

Risk attitude (X2) is the way a person responds to and deals with risk in decision making. This attitude reflects the extent to which a person is willing to accept, avoid, or manage risk based on their perception of the situation and its possible consequences.

Risk Capacity (X3) is the extent to which an individual, organization, or system is able to bear risk without experiencing significant adverse consequences. It reflects the limits of a person's or company's financial, operational, or psychological ability to deal with risk.

Risk Knowledge (X4) is the level of understanding of a person or organization regarding various types of risks, their impacts, and how to identify, analyze, and manage risks effectively.

Financial Literacy (X5) is the respondent's perception of a number of financial abilities and knowledge that they have in managing or using a certain amount of money to improve their standard of living and well-being.

Religiosity (Z) is the consistency between cognitive elements related to one's belief in religion, affective elements related to one's feelings towards religion, and conative elements that show behavior in accordance with the teachings of one's religion.

4. RESEARCH RESULT

Discriminant Validity

Another method can be done by comparing the Square root of Average Variance Extracted (AVE) value of each latent variable with the correlation between other latent variables in the model. The provision is if the AVE of the latent variable is greater than the correlation with all other latent variables, then it is said to have good discriminant validity, where a good discriminant validity value must be greater than 0.50. The results of the cross loading and AVE analysis can be displayed in table 1.

Table 1 AVE, AVE Root and Correlation Between Variables

Research Variables	AVE	$\sqrt{\text{AVE}}$	<i>Risk propensity (X1)</i>	<i>Risk attitude (X2)</i>	<i>Risk Capacity (X3)</i>	<i>Risk knowledge (X4)</i>	<i>Financial literacy (X5)</i>	<i>Sharia Investment Decision (Y)</i>	<i>Religiosity (Z)</i>
<i>Risk propensity (X1)</i>	0,851	0,923	1	0,943	0,995	0,860	0,923	1,059	0,913
<i>Risk attitude (X2)</i>	0,832	0,912	0,943	1	0,999	0,802	0,894	1,040	0,970
<i>Risk Capacity (X3)</i>	0,972	0,986	0,995	0,999	1	0,876	0,912	1,183	1,021
<i>Risk knowledge (X4)</i>	0,920	0,959	0,86	0,802	0,876	1	0,959	0,974	0,862
<i>Financial literacy (X5)</i>	0,963	0,981	0,923	0,894	0,912	0,959	1	0,912	0,918
<i>Sharia Investment Decision (Y)</i>	1,237	1,112	1,059	1,040	1,183	0,974	0,912	1	1,123
<i>Religiosity (Z)</i>	1,075	1,037	0,913	0,970	1,021	0,862	0,918	1,123	1

Source: Processed primary data, 2025

The test results in Table 5.25. show that the square root of average variance extracted ($\sqrt{\text{AVE}}$) value of all research variables is greater than the correlation between latent variables and other latent variables, so that the instrument of each variable is said to be discriminant valid. The $\sqrt{\text{AVE}}$ value for each variable such as Risk propensity, Risk attitude, Risk Capacity, Risk knowledge, Financial literacy, Sharia Investment Decisions, and Religiosity shows higher results compared to the correlation between other constructs, and most of them are above the tolerance limit value of 0.70. Thus, it can be concluded that each construct in this research model has good discriminant validity.

Composite Reliability

Composite reliability tests the reliability value between indicators of the constructs that form it. Composite reliability results are said to be good if the value is above 0.70.

Table 2 Results of Reliability Testing of Instrument Measurement Model

Variabel	Construct Reliability	Results
<i>Risk propensity</i> (X1)	0,878	Reliabel
<i>Risk attitude</i> (X2)	0,866	Reliabel
<i>Risk Capacity</i> (X3)	0,845	Reliabel
<i>Risk knowledge</i> (X4)	0,900	Reliabel
<i>Financial literacy</i> (X5)	0,865	Reliabel
Sharia Investment Decisions (Y)	0,857	Reliabel
Religiusitas (Z)	0,860	Reliabel

Source: Processed primary data, 2025

$$Q2 = 1 - (1 - 0.680) * (1 - 0.634) * (1 - 0.568) \rightarrow Q2 = 0.949$$

The test results in Table 5.26 show that all latent variables analyzed, namely Risk propensity (X1), Risk attitude (X2), Risk Capacity (X3), Risk knowledge (X4), Financial literacy (X5), Sharia Investment Decisions (Y), and Religiosity (Z), have composite reliability values (construct reliability) greater than 0.70. This indicates that the seven variables have good composite reliability and meet the criteria for use in construct measurement. Thus, all instruments used in this study are declared reliable and suitable for use to measure the latent variables in question.

Goodness of Fit Model Evaluation

The structural model is evaluated by considering the Q2 predictive relevance model which measures how well the observation values are generated by the model. Q2 is based on the coefficient of determination of all endogenous variables. The magnitude of Q2 with a range of $0 < Q2 < 1$, the closer the value is to 1, the better the model.

Table 3 Hypothesis Testing

Endogenous Variables	Rsquare
Sharia Investment Decisions	0,955

Source: Processed primary data, 2025

Table 3 shows the results of the Goodness of Fit test of the structural model based on the R-square (R^2) value on the endogenous variable, namely the Sharia Investment Decision. The R-square value obtained is 0.955, which means that 95.5% of the variation or change in the Sharia Investment Decision variable can be explained by the independent variables used in the model, such as Risk propensity, Risk attitude, Risk Capacity, Risk knowledge, and Financial literacy. This very high R-square value indicates that the structural model has a very strong predictive ability, and the relationship between the variables in the model can be said to be very good. Thus, this model can be relied on to test the influence between variables in this study. Based on the R-square value that has met the criteria ($> 0.75 = \text{strong}$), it can be concluded that the model has met the Goodness of Fit structurally and is feasible to be used in further analysis.

Direct Effect Testing

Hypothesis testing and direct influence path coefficients between the variables Risk propensity (X1), Risk attitude (X2), Risk Capacity (X3), Risk knowledge (X4), Financial literacy (X5), and Sharia Investment Decisions (Y) were conducted. The results of the influence test between variables can be seen from the path coefficient values and critical points (t-statistics) presented in the path diagram in the following scheme.

Table 4 Direct Effect Testing

No	Path of Influence	Original Sample (O)	Sample Mean (M)	STDEV	t-statistic	P values
1	<i>Risk propensity</i> (X1) $\rightarrow$ Y	0,164	0,165	0,03	5,560	0,000
2	<i>Risk attitude</i> (X2) $\rightarrow$ Y	0,046	0,046	0,025	1,828	0,068

3	<i>Risk Capacity</i> (X3) → Y	0,345	0,345	0,029	11,843	0,000
4	<i>Risk knowledge</i> (X4) → Y	0,065	0,065	0,022	2,941	0,003
5	<i>Financial literacy</i> (X5) → Y	0,227	0,228	0,03	7,535	0,000

Source: Processed primary data, 2024

Testing the Effect of Mediation

Based on the results of testing conducted on indirect influences using the SmartPLS Version 4 analysis tool, the following results were found.

Table 5 Testing the Effect of Mediation

Influence Variables	Coefficients	Std. Error	Sig. (p-value)	Information
Religiosity (Z) x Risk Propensity (X1) -> Sharia Investment Decision (Y)	-0,027	0,02	0,193	Not Significant
Religiosity (Z) x Risk Capacity (X3) -> Sharia Investment Decision (Y)	0,059	0,028	0,038	Significant
Religiosity (Z) x Risk knowledge (X4) -> Sharia Investment Decision (Y)	-0,044	0,024	0,063	Not Significant
Religiosity (Z) x Financial literacy (X5) -> Sharia Investment Decisions (Y)	0,005	0,02	0,813	Not Significant

Source: Processed primary data, 2024

5. DISCUSSION

The Influence Of Risk Propensity On Sharia Investment Decisions

The results of this study indicate that risk propensity has a positive and significant effect on sharia investment decisions, which means that the higher the level of courage and resilience of individuals in facing risks, the greater their tendency to invest in sharia. This reflects that the purpose of sharia investment is not only to pursue financial gain, but also blessings and compliance with Islamic principles. Based on descriptive analysis, investors in this study showed a fairly strong psychological profile in facing uncertainty, although education and assistance are still needed to develop the ability to face challenges and make wise decisions. This finding is supported by Prospect Theory (Kahneman & Tversky, 1979) which explains that individuals can be more courageous in taking risks in situations of uncertainty, as well as by Sitkin and Pablo (1992) who state that risk propensity is influenced by personality, experience, and social environment. In the context of sharia, the courage to take risks remains framed by the principles of Maqashid Sharia, especially *hifz al-mal* and *hifz al-din*, so that investors continue to avoid the practices of usury, *gharar*, and *maysir*. In addition, Cordell (2001) stated that risk propensity is an important dimension in risk tolerance, and Nicholson et al. (2005) added that psychological factors such as low neuroticism and high extroversion increase risk tendencies. Previous studies by Alleyne & Tracey (2011), Abdin et al. (2022), and Lestari et al. (2021) also showed that risk propensity drives investment intentions and satisfaction, and is positively correlated with investment decision making. Therefore, a deep understanding of these psychological factors is important in designing more targeted sharia investment education and marketing strategies, so that it can increase the participation of Muslim investors sustainably and in accordance with sharia principles.

The Influence Of Risk Attitude On Investment Decisions

The results of the study indicate that risk attitude has a positive but insignificant effect on sharia investment decisions, which means that a neutral or open attitude to risk does not directly encourage individuals to invest in a sharia manner. This shows that although investors have an open attitude to risk, their investment decisions are more influenced by considerations of blessings and Islamic principles than simply psychological attitudes toward risk (Hillson & Murray-Webster, 2007). According to the Theory of Planned Behavior (Ajzen), attitude is only one component in the formation of behavioral intentions, where subjective norms and perceptions of control also play an important role. In the context of sharia investment, factors such as product knowledge, access to information, and perceptions of sharia compliance are more determinant of investors' actual behavior. From a risk psychology perspective, Slovic (1987) stated that attitudes toward risk are strongly influenced by affective and social factors, so that even though someone states that they are tolerant of risk, emotions or social

pressure can make them more careful in practice. This can be seen from the majority of respondents in this study who tend to be risk averse when faced with sharia investment instruments that are considered less familiar or risky. This finding is in line with Cordell (2001), who refers to risk attitude as a form of psychological attitude towards risk that influences an individual's investment style and preferences. Although several previous studies (Lestari et al., 2021; Dharma et al., 2024) have shown a significant influence of risk attitude on sharia investment decisions, the results of this study emphasize that attitudes towards risk are not strong enough to drive investment actions. Thus, it can be concluded that risk attitude remains a potential factor in influencing sharia investment decisions, but its effectiveness is highly dependent on the support of other factors such as investment literacy, understanding of risk, and trust in sharia financial institutions. Therefore, a more comprehensive educational approach is needed so that positive attitudes towards risk can be converted into real actions in the form of investment decisions that are in accordance with sharia principles.

The Influence Of Risk Capacity On Investment Decisions

The results of the study indicate that risk capacity has a positive and significant effect on sharia investment decisions, which means that the higher a person's financial ability to bear risk, the greater their tendency to invest in a sharia manner. Risk capacity refers to an individual's objective ability to face risks without disrupting long-term financial goals or overall economic well-being (Hillson & Murray-Webster, 2007; Hanna, Gutter, & Fan, 2001). In the context of sharia investment, this capacity includes indicators such as income stability, liquid assets, and financial liabilities owned. This finding is in line with the Portfolio theory by Markowitz (1952), which states that investors with high risk capacity are better able to compile optimal portfolios because their tolerance for volatility is greater. Furthermore, investors who have high risk capacity are generally not easily shaken by market fluctuations and have a long-term view in investing, including in sharia instruments such as sharia stocks and sukuk (Roszkowski & Davey, 2010). This is supported by descriptive findings showing that most respondents have quite good financial conditions, both in terms of assets and long-term financial plans. Within the framework of Maqashid Syariah, risk capacity not only supports worldly aspects, but also supports blessings and sustainability of assets ethically and halal (Iqbal & Mirakhor, 2011). However, as explained by Dusuki and Abdullah (2007), investment decisions are still influenced by spiritual and moral considerations, so that even though they have high capacity, investors still avoid instruments that are not in accordance with Islamic principles. According to Grable and Lytton (1999), risk capacity is one of the three pillars of risk tolerance, along with risk perception and risk preference. Research by Lestari et al. (2021) and Wibowo et al. (2023) strengthens this finding by showing that risk capacity has a significant effect on sharia investment decisions, especially when accompanied by financial literacy and a high level of religiosity. Thus, risk capacity is a key factor in forming rational and ethical sharia investment behavior, and needs to be strengthened through financial education and support from sharia institutions so that people are more confident in making investment decisions that are in accordance with Islamic principles.

The Influence Of Risk Knowledge On Investment Decisions

The results of the study indicate that risk knowledge has a positive and significant influence on sharia investment decisions, which means that the higher the level of individual knowledge of various forms of investment risk, the more likely they are to make investment decisions that are in accordance with sharia principles. Risk knowledge includes an understanding of market risk, liquidity risk, credit risk, and the ability to manage risk through diversification and portfolio management (Lusardi & Mitchell, 2011). In the context of sharia, this risk knowledge also includes an understanding of the prohibition of usury, gharar, and maysir, so that investors not only consider financial aspects, but also ethics and compliance with Islamic values (Iqbal & Mirakhor, 2011; Dusuki & Abdullah, 2007). Aven (2016) emphasized that risk knowledge includes an understanding of the context and long-term impact of investment decisions, not just statistical information. This study found that respondents already have a fairly good basic risk literacy, although there is still a need for improvement in terms of in-depth understanding of the types of instruments and specific risks faced. Individuals who understand risk are better able to make rational and wise investment decisions, and avoid detrimental speculation (Hilgert, Hogarth, & Beverly, 2003). In Islam, this kind of knowledge also reflects the principles of Maqashid Syariah such as *hifz al-aql* (protecting reason) and *hifz al-mal* (protecting wealth), which show the importance of rationality and knowledge in achieving blessings and financial security. This finding is also supported by Akhtar & Das (2019) and Baker et al. (2019) who stated that risk knowledge plays an important role in driving investment decisions. Increasing access to financial education from institutions such as OJK and BEI has helped the public understand that sharia investment can be managed with controlled and ethical risks. Thus, risk knowledge becomes an important bridge between the desire to invest in a halal manner and technical ability to deal with market dynamics. Therefore, increasing risk literacy needs to be a priority in building an inclusive, sustainable, and Islamic-value-aligned sharia investment ecosystem.

The Influence Of Financial Literacy On Investment Decisions

The results of the study indicate that financial literacy has a positive and significant effect on sharia investment decisions. The higher an individual's understanding of financial management, risk, and sharia principles such as the prohibition of usury, gharar, and maysir, the greater their tendency to invest in an Islamic manner (Lusardi & Mitchell, 2011; Hassan & Ali, 2019). Sharia financial literacy enables investors to make rational, responsible, and Islamic-compliant decisions by

understanding contract structures such as mudharabah and musyarakah and the objectives of maqashid sharia (At-Tamimi & Kalli, 2009). Based on descriptive analysis, the majority of respondents have a good understanding of personal financial management and sharia investment, although there are still shortcomings in understanding aspects of risk and portfolio diversification. In a theoretical context, the Theory of Planned Behavior (Ajzen, 1991) explains that financial literacy influences positive attitudes towards halal investment, strengthens social norms, and increases the perception of individual control in making financial decisions. Meanwhile, Behavioral Finance Theory (Thaler, 1999) emphasizes that literacy helps individuals avoid psychological biases such as overconfidence and herd behavior. Research by Fauzi & Rafik (2024) also shows that understanding the concept and products of Islamic finance increases the tendency to invest in accordance with Islamic law. Within the framework of Maqashid Syariah, financial literacy supports *hifz al-mal* (protecting wealth) and *hifz al-'aql* (protecting reason), where knowledgeable individuals are able to make halal, safe, and rational financial decisions. Therefore, financial literacy is not only an economic instrument, but also a spiritual one, which forms awareness of Islamic ethics and finance. To expand public participation in the Islamic financial market, financial education is needed that is not only technical, but also contextual and value-based. Thus, financial literacy has proven to be a crucial factor in encouraging wise and sustainable Islamic investment decisions.

Religiosity Plays A Moderating Role In The Influence Of Risk Propensity On Investment Decisions

The results of the study indicate that religiosity does not play a significant role in moderating the relationship between risk propensity and sharia investment decisions, so that the level of individual religiosity does not affect the strength or weakness of the influence of the tendency to take risks on sharia investment decisions. Although descriptive analysis shows that the level of religiosity of respondents, such as ideological beliefs and religious practices, is relatively high, this does not necessarily strengthen the relationship between psychological factors and investment decisions (Ajzen, 1991; Weber, Blais, & Betz, 2002). In this context, risk propensity is more of an individual's psychological characteristics, while religiosity is more related to spiritual values and beliefs that do not always have a direct impact on the risk-taking aspect (Siddiqi, 2006). This finding is in line with the research of Rahman et al. (2019) and Hamid, Ibrahim, & Othman (2017) which states that religiosity tends to act as an independent variable in shaping investment preferences, not as a moderator in the relationship between risk and investment decisions. Therefore, the rationality and capability aspects in risk management remain the main factors influencing sharia investment decisions. Within the framework of Maqashid Syariah, protection of wealth (*hifz al-mal*) and reason (*hifz al-'aql*) emphasizes the importance of risk literacy and wise decisions, not merely religious values (Al-Ghazali, 2000). Therefore, increasing the capacity of risk management and financial education is a strategic priority in forming rational, responsible, and Islamic-based sharia investors.

Religiosity Plays A Moderating Role In The Influence Of Risk Attitude On Investment Decisions

The results of the study indicate that religiosity does not play a significant role in moderating the relationship between risk attitude and sharia investment decisions, which means that the level of individual religiosity does not strengthen or weaken the influence of attitudes towards risk in choosing sharia investment instruments. Although theoretically religiosity should encourage preferences for halal financial products (Worthington et al., 2003), this finding suggests that investment decisions are still more influenced by psychological and cognitive aspects such as risk perception and personal experience (Weber, Blais, & Betz, 2002). Within the framework of the Theory of Planned Behavior (Ajzen, 1991), religiosity can be considered a subjective norm, but it is not strong enough to significantly change attitudes towards risk. These results are consistent with the studies of Hamid et al. (2017) and Ismail & Zali (2019) which state that religiosity is not always effective as a moderating variable in the relationship between psychological factors and financial decisions. In the context of Maqashid Syariah, although investment ideally reflects the values of *hifz al-mal* and *hifz al-'aql*, the lack of integration between religious values and risk management indicates the need for more comprehensive and applicable Islamic financial education. Therefore, increasing Islamic investment literacy must include a balanced rational and spiritual approach to produce investment decisions that are not only halal in substance, but also fair and wise in the process.

Religiosity Plays A Moderating Role In The Influence Of Risk Capacity On Investment Decisions

The results of the study indicate that religiosity acts as a significant moderating variable in the relationship between risk capacity and sharia investment decisions, meaning that the higher an individual's risk capacity, the greater the tendency to choose sharia investment if supported by a high level of religiosity. Risk capacity itself refers to an individual's objective ability to bear financial risks based on economic conditions such as income and assets (Grable & Lytton, 1999). However, this capacity is not enough to drive sharia investment decisions without a strong religious foundation. Religiosity provides a moral and spiritual framework that encourages individuals to consider not only benefits and risks, but also compliance with sharia principles and investment ethics (Ajzen, 1991; Nienhaus, 2011). From the perspective of the Theory of Planned Behavior, religiosity strengthens subjective norms and behavioral control that drive financial decisions that are in line with religious teachings. This finding is also in line with the maqashid sharia, especially *hifz al-mal* and *hifz al-din*, which emphasize the protection of property and religion in financial practices. Farooq & de Bruijn's (2019) research supports that religious individuals with high risk capacity still prioritize clarity of contracts, product halalness, and spiritual responsibility in investing. Therefore, the success of developing a sharia investment ecosystem requires synergy between financial and

religious education so that community participation in sharia investment is not only driven by economic capacity, but also by moral integrity and spiritual awareness.

Religiosity Plays A Moderating Role In The Influence Of Risk Knowledge On Investment Decisions

The results of the study indicate that religiosity does not play a significant role in moderating the influence of risk knowledge on sharia investment decisions, which means that an individual's understanding of investment risk is not automatically strengthened by their level of religiosity in influencing investment decisions in sharia instruments. Risk knowledge refers to a person's understanding of forms of risk such as market risk, liquidity, and inflation (Kahneman & Tversky, 1979; Grable, 2000), and even though individuals have good knowledge and high levels of religiosity, this does not necessarily have a direct impact on sharia investment preferences. This finding indicates that religiosity and risk knowledge may work independently, or that Islamic values have not been fully integrated into the way individuals view and respond to risk. This differs from the assumption of the Theory of Planned Behavior (Ajzen, 1991), which states that subjective norms—including religious values—should contribute to shaping behavior. In the framework of maqashid sharia, especially *hifz al-mal* and *hifz al-'aql*, understanding risk is important for responsible wealth management, but in reality it has not been explicitly connected to religious awareness. Previous studies have also shown that the influence of risk knowledge is highly dependent on the cultural context and financial experience (Nguyen et al., 2016; Roszkowski & Grable, 2005). Therefore, a financial education approach is needed that integrates technical aspects and spiritual values, so that understanding risk can encourage investment decisions that are not only rational, but also ethical and in accordance with Islamic principles.

Religiosity Plays A Moderating Role In The Influence Of Financial Literacy On Investment Decisions

The results of the study indicate that religiosity does not play a significant role in moderating the influence of financial literacy on sharia investment decisions, as indicated by the interaction coefficient value of -0.044 and p-value of 0.063 which exceeds the 5% significance limit. This indicates that even though individuals have high financial literacy, the religiosity they have does not necessarily strengthen their preference for sharia-based investment instruments. Financial literacy, which includes understanding, skills, and beliefs in managing finances (Lusardi & Mitchell, 2011; OJK, 2022), can ideally synergize with Islamic values to encourage ethical and sharia-compliant investment decisions. However, in this context, religiosity and financial literacy appear to function independently, or there may be other factors such as culture, experience, or exposure to sharia information that more dominantly influence decisions. This finding does not fully support the Theory of Planned Behavior (Ajzen, 1991) which emphasizes the importance of subjective norms in shaping behavior. Although theoretically, maqashid sharia places financial literacy as an effort to maintain wealth and religion (*hifz al-maal* and *hifz al-din*), the results of this study indicate that technical understanding has not been fully linked to religious considerations in practice. Previous studies have also emphasized that the influence of financial literacy on investment behavior is very contextual (Al-Tamimi & Kalli, 2009; Husaini et al., 2019). Therefore, financial education is needed that is integrated with Islamic values, so that investment decision making is not only financially rational, but also consistent with sharia principles.

6. CONCLUSION

Based on the results of the study and discussion on the influence of multidimensional risk and financial literacy on sharia investment decisions moderated by religiosity, several main points can be concluded as follows: Risk propensity has a positive and significant effect on sharia investment decisions. This shows that the higher the tolerance for failure and the attitude of not giving up easily even though you fail, the more it will increase sharia investment decisions because it aims to get blessings, not just profit. Risk attitude has a positive and insignificant effect on sharia investment decisions. This shows that the higher a person's neutral attitude in investing, the less it will increase sharia investment decisions significantly because investors have other alternatives in investing. Risk capacity has a positive and significant effect on sharia investment decisions. This shows that the higher the level of suitability of the portfolio and investment goals, which shows that the investment portfolio helps achieve financial goals without sacrificing stability, the more it will increase sharia investment decisions because the respondent's investment decisions are in line with Islamic teachings and the purpose of life as a Muslim. Risk knowledge has a positive and significant effect on sharia investment decisions. This shows that the higher a person's attitude in comparing relative risks, the more it will increase sharia investment decisions. Financial literacy has a positive and significant effect on sharia investment decisions. This shows that the higher the level of understanding, skills, and attitudes of a person in managing finances, the greater the tendency to make investments based on sharia principles. Religiosity does not play a role in moderating the influence of risk attitude on sharia investment decisions. This means that a person's level of religiosity does not affect the strength of the relationship between attitude towards risk and sharia investment decisions. Religiosity does not play a significant role in moderating the influence of risk attitude on sharia investment decisions. This means that the interaction between attitude towards risk and the level of individual religiosity does not significantly affect their decisions in choosing investments based on sharia principles. Religiosity plays a significant moderating variable in the relationship between risk capacity and sharia investment decisions. This shows that when an individual has a high risk capacity, the influence on the decision to invest in sharia instruments becomes stronger if the individual also has a high level of religiosity. Religiosity does not play a significant role in moderating the influence of risk knowledge on sharia investment decisions. Thus, statistically, the effect of the interaction between risk knowledge and

religiosity on sharia investment decisions is not strong enough to be declared significant. Religiosity does not play a significant role in moderating the influence of financial literacy on sharia investment decisions. For further researchers, it is recommended to expand the research object to other regions or add other psychological and social variables, such as the level of trust or social norms, in order to obtain more comprehensive results.

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