

# The Impact of Religiosity, Risk Tolerance, Financial Behavior, and Locus of Control on Sharia Investment Decisions: The Moderating Role of Financial Literacy

Febriana Hidayanti<sup>a,1</sup>, Naelati Tubastuvi<sup>a,2,\*</sup>, Sri Wahyuni<sup>a,3</sup>, Suryo Budi Santoso<sup>a,4</sup>

<sup>a</sup>Universitas Muhammadiyah Purwokerto, Banyumas, Indonesia

<sup>1</sup>[hidayantifebriana10@gmail.com](mailto:hidayantifebriana10@gmail.com); <sup>2</sup>[naelatitubastuvi@ump.ac.id](mailto:naelatitubastuvi@ump.ac.id); <sup>3</sup>[yuniku1070@gmail.com](mailto:yuniku1070@gmail.com); <sup>4</sup>[suryobs@gmail.com](mailto:suryobs@gmail.com)

\*Corresponding Author

## Abstract

This research aims to examine the influence of religiosity, risk tolerance, financial behavior, and locus of control on Sharia investment decisions with financial literacy as a moderating variable. The sample consisted of 200 Islamic capital market investors in Indonesia, selected using convenience sampling. Data analysis used Partial Least Squares Structural Equation Modeling (PLS-SEM). The results of this study state that religiosity, risk tolerance, financial behavior, locus of control, and financial literacy have positive and significant effects on the Sharia investment decision. Financial literacy can moderate the influence of religiosity, risk tolerance, and locus of control on investment decisions. Financial literacy is proven to moderate the relationship between independent variables and Sharia investment decisions, increasing the positive influence of religiosity and financial behavior on investment decisions. This finding indicates that increasing financial literacy can strengthen Sharia investment decisions that are more rational and in accordance with religious principles. The practical implications of this study are important for policymakers to design financial literacy education programs that can improve public understanding of Sharia investment. Financial practitioners can consider religiosity and financial literacy factors in designing investment products that follow Sharia values and can attract more diverse investors.



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## Introduction

Many people are currently engaging in investment as an alternative way to meet their life needs (Hakim et al., 2023). According to Hala et al. (2020), investment is the allocation of funds with the expectation of deriving benefits in the future. The growth of the Sharia economy in Indonesia shows an impressive increase (Lestari et al., 2021). According to the State of the Global Islamic Economy Report (SGIER) in 2023/2024, Indonesia managed to rank third after Malaysia and Saudi Arabia with a score of 80.1. The data shows the positive development of Indonesia's Sharia economy, especially since the previous year, Indonesia was ranked 4<sup>th</sup> after the United Arab Emirates (Goodstats, 2024). Meanwhile, the market capitalization figure of the Sharia capital market was recorded at more than IDR 6,759.54 trillion. Based on Financial Services Authority data, the 2024 market cap figure increased by 9.98 percent from the 2023 market capitalization figure of IDR 6,145.96 trillion (Sharia Republika, 2024).

In order to broaden its investor base, the Indonesian government has introduced several innovative products for managing state debt securities. Among them is the launch of a variety of Sukuk products. This initiative has accelerated the growth of Sharia investors in Indonesia, with their numbers increasing

dramatically over the last three years (as shown in Table 1). At the end of 2023, Indonesia had approximately 136,418 investors (Financial Services Authority, 2023).

**Table 1. Number of Sharia Stock Investors Growth in Indonesia**

Year	Number of Investors	Growth
2020	85,889	
2021	105,174	22.45%
2022	114,116	8.5%
2023	136,418	19.54%

Source: Financial Services Authority (2023)

The Sharia capital market follows Islamic ethical teachings (Lestari et al., 2021). In theory, a country's large Muslim population should drive the expansion of Sharia investment. We can refer to economic and social theories that link demographic characteristics to investment behavior. One relevant theory is the Behavioral Finance Theory, which suggests that individuals tend to make investment decisions based on their personal preferences and values. In this context, this theory explains that religious values, such as those held by Muslim individuals, can influence their preferences for investments that are by Sharia principles. In this case, these values can be a driver for Muslim individuals to prefer investment instruments that are in accordance with their religious teachings, which prohibit practices such as *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling).

Sharia investment in Indonesia has a very large potential, considering that Indonesia is a country with the largest Muslim population in the world. However, despite the large market potential, the level of participation in Sharia investment is still relatively low when compared to the existing population. However, in Indonesia, the growth of Sharia investment has not kept up with the rise in the Muslim population. Based on data from The Royal Islamic Strategic Studies Center (RISSC), the number of Muslims in Indonesia increased from 231.06 million in 2022 to 240.62 million in 2023. This increase shows that the number of Muslims in Indonesia increased by around 9.56 million or 4.14% compared to the previous year.

The principles of Sharia investment essentially use profit sharing and prohibit usury, gambling, and uncertainty (Baihaqqy et al., 2020). Individuals will choose to invest their wealth in various financial decisions, such as considering returns and risks. According to data from the Financial Services Authority and various previous studies, the factors that influence Sharia investment decisions are not only related to economic aspects alone but also psychological factors and individual behavior (Maharani et al., 2023). Therefore, it is important to identify and understand the various factors that can influence individual decisions in choosing Sharia investments.

One of the important factors that plays a role in Sharia investment decisions is religiosity. Religiosity is also a determining factor in Sharia investment behavior as it influences individual values, habits, and attitudes (Ogunlusi & Obademi, 2021). As a Muslim majority, Indonesian people generally tend to choose investment products that are in accordance with Islamic principles. This is reflected in the increasing number of investors who choose Sharia investment instruments, which not only prioritize financial gain but also consider the principles of *halal* (permissible in religion) and blessing (generating profits that are by Islamic morals and ethics) (Zain et al., 2021). Religiosity plays a significant role in Sharia investment decision-making (Lestari et al., 2021). This statement is supported by Maksar et al. (2022) and Syahrizal et al. (2020), who concluded in their studies that religiosity positively affects Sharia investment decisions. Conversely, Ariska et al. (2022), Astuti et al. (2022), and Besri et al. (2023) mentioned in their studies that religiosity does not influence Sharia investment decisions.

Risk tolerance is another element that influences Sharia financial decisions. According to Mubaraq et al. (2021), risk tolerance refers to an investor's capacity for accepting risk. Investors with low-risk

tolerance tend to be more cautious and choose more stable investments, including in the context of Sharia investment (Lusardi et al., 2021). This statement is strengthened by the research of Adielyani and Mawardi (2020), Fridana and Asandimitra (2020), Hikmah et al. (2020), Maulani et al. (2022), Mubaraq et al. (2021), and Zahida (2021), which found that risk tolerance positively affects Sharia investment decisions. In contrast, the study by Lestari and Wardani (2020) found that risk tolerance negatively affects Sharia investment decisions. Meanwhile, the studies by Faidah et al. (2020), Gunawan and Wiyanto (2022), and Salvatore and Esra (2020) concluded that risk tolerance does not affect Sharia investment decisions.

Financial behavior is another factor influencing Sharia investment decisions. Behavioral finance is a study of cognitive and emotional effects on the process of making financial decisions, which can lead to errors in the decision to invest (Rozak, 2023). Bebasari and Istikomah (2020) stated that financial behavior involves the nature, emotions, habits, and psychology of a person acting as a social and intelligent being, which forms the basis for decision-making in actions. The better an individual's financial behavior, the better their investment decisions are following Sharia principles. Research by Adil et al. (2022), Fatimah and Trihudiatmanto (2021), Gumilang et al. (2023), Landang et al. (2021), Upadana and Herawati (2020), and Widyatamaka and Anwar (2023) found that financial behavior positively affects Sharia investment decisions. However, according to Atmaningrum et al. (2021) and Maulida and Sari (2023), financial behavior does not influence Sharia investment decisions.

Locus of control refers to an individual's beliefs about the causes of events in their lives (Nalurita et al., 2020). Sanjaya (2023) considers whether this is due to internal factors (effort and ability) or external factors (luck or destiny). Individuals with an internal locus of control tend to believe that they can influence outcomes through their efforts and decisions. In the context of Islamic investment, individuals with an internal locus of control may be more proactive in seeking information and making investment decisions that follow Islamic principles. Fadila et al. (2022), Mahwan and Herawati (2021), and Ridiananda and Lasmanah (2022) concluded in their studies that locus of control positively affects Sharia investment decisions. On the other hand, Agustin and Lysion (2021), Ahzar et al. (2023), and Putri and Simanjuntak (2020) stated the opposite, indicating that locus of control does not influence Sharia investment decisions.

According to Financial Services Authority Regulation Number 76/POJK.07/2016, financial literacy includes attitudes and behaviors, as well as knowledge, abilities, and beliefs, that aim to improve the quality of individual decision-making and financial management. Amaroh et al. (2024) define financial literacy as the knowledge or ability to make financial decisions based on sound short- and long-term perspectives and concepts. According to Adil et al. (2022), financial literacy aids in the successful management of financial resources. Individuals with higher financial knowledge not only have good decision-making skills but also excel in budgeting, saving, controlling spending, retirement planning, and wealth accumulation (Rahies et al., 2022). These findings show that good financial literacy will have a positive impact on investment planning and decision-making. This statement is supported by previous research (Fridana & Asandimitra, 2020; Gunawan & Wiyanto, 2022; Tubastuvi et al., 2022; Upadana & Herawati, 2020; Zahida, 2021), which states that Sharia investment decisions are positively and significantly influenced by financial literacy, whereas other studies (Senda et al., 2020; Yundari & Artati, 2021) claim that financial literacy does not affect Sharia investment decisions.

Although there is a lot of research on religiosity, risk tolerance, financial behavior, locus of control, and investment decisions, there is still an empirical gap that needs to be explored in understanding how these behavioral factors play a role in Sharia investment decisions, namely by using financial literacy as a moderating variable. The importance of this research is to understand what factors can influence individuals in making Sharia investment decisions, so that it is expected to bring benefits in the future. Building on earlier studies, this study intends to investigate how religiosity, risk tolerance, financial behavior, and locus of control influence Sharia investment decisions with financial literacy as the

moderating variable. The results of this study it is expected to provide practical contributions to the government and financial institutions so that they can use the findings of this study to design targeted financial literacy education and training programs to improve public understanding of Sharia investment and the factors that influence it.

## **Literature Review**

### ***Behavioral Finance Theory***

Behavioral Finance, as articulated by Lee et al. (1991), explores how psychological phenomena motivate financial behavior. Behavioral Finance plays a vital role in Islamic investment decision-making by explaining how psychological and emotional factors influence investor behavior (Rahman & Gan, 2020). This approach highlights that investors do not always make decisions rationally; instead, they are often influenced by cognitive and emotional biases that can affect their investment choices (Hassan et al., 2023).

To mitigate the negative impacts of psychological biases, it is important to improve Islamic financial literacy. A good education on Islamic principles and an understanding of how biases can affect investment decisions can help investors make more rational choices that are in line with their religious values. Thus, the application of behavioral finance concepts in the context of Islamic investment can help investors recognize and overcome biases that may influence their decisions involving not only financial considerations but also ethical and religious principles, thus achieving a balance between financial goals and compliance with Islamic principles.

### ***Sharia Investment Decisions***

Investment decisions may be defined as actions taken with particular considerations to spend money now in hopes of reaping gains later on, hence improving the welfare of the investor (Ramadani et al., 2023). The process of choosing between two or more investment options, resolving many issues, and completing the input-to-output transition is known as investment decision-making (Yuliani & Nurwulandari, 2023). Investment decisions refer to the process of selecting investment instruments that not only provide financial benefits but also follow Sharia principles (Wati et al., 2024). In the context of Sharia investment in Indonesia, this decision involves considering instruments such as Sharia stocks, Sharia mutual funds, and Sharia bonds that have met Sharia criteria (Kharisma et al., 2024). The application of Sharia principles in investment provides a strong foundation in Islamic teachings and promotes fairness, transparency, and social responsibility in investment activities. The principles prohibiting *riba*, *gharar*, *maysir*, and others ensure that Sharia-compliant investments follow Islamic moral and ethical principles, creating a healthy and fair economic environment for all parties involved (Hardana et al., 2024).

### ***Financial Literacy***

Financial literacy can be interpreted as a combination of knowledge, skills, attitudes, behaviors, and awareness applied in financial decision-making to improve individual well-being (Pratamasari et al., 2024). The Organization for Economic Cooperation and Development (OECD) defines financial literacy as the knowledge and understanding of financial concepts and risks, as well as the capacity to apply them to make educated financial decisions in all areas. The application of financial literacy includes effectively managing money, evaluating various financial products, and planning for long-term achievements (Ansari et al., 2023).

### ***Religiosity***

According to Essoo and Dibb (2004), religion is one of the most significant social elements since it has an emotional connection with the lives of its members and can impact individual intentions and behavior. Religiosity is a system of symbols, beliefs, values, and behaviors that are institutionalized, all of which center around issues perceived as the most meaningful (Xin & Zhia, 2023). Religiosity is no longer manifested only during religious rituals (worship) but has also been applied in worldly and social activities,

including investment (Al-Hawamdeh et al., 2023). In the context of Sharia investment, religiosity plays an important role in encouraging individuals to choose investment instruments that are in accordance with their religious values. Investors with high levels of religiosity tend to choose investments that are in accordance with their religious values. In the context of Indonesia, where the majority of the population is Muslim, there is an increasing interest in Sharia investments that are free from usury and in line with Sharia principles. This is different from conventional investments that may not consider these aspects.

### **Risk Tolerance**

Risk is often associated with uncertainty. Knight (2016) and Petrova et al. (2020) concluded that only measurable uncertainty is defined as risk. Investment is an activity that carries risk, and each person reacts to risk differently depending on their comfort and readiness to face it (Zahwa & Soekarno, 2023). From an investor's perspective, the level of risk tolerance can be divided into three types: risk-averse, neutral to risk, and risk-seeker (Harahap et al., 2022). A risk seeker is an investor who tends to like risk, a risk-neutral investor is very cautious when investing and tends to avoid risk, and a risk averter is an investor who dislikes and avoids risk (Chan et al., 2020). In Sharia investment, risk tolerance can be influenced by religious beliefs that encourage caution and ethical considerations in investing. Sharia investors, who are subject to the principles of Islamic finance, are required to avoid investing in instruments that contain prohibited elements, such as *riba*, *gharar*, and *maysir*. This limits their investment choices to instruments that are compliant with Sharia and are considered more conservative. As a result, Sharia investors tend to have a lower risk tolerance compared to conventional investors, as they must avoid investments that have the potential to provide high returns but contain prohibited elements.

### **Financial Behavior**

Ansari et al. (2022) describe financial behavior as a person's psychological and habitual approach to managing and controlling their resources. Financial behavior is a field that requires the interaction of various disciplines and is constantly integrated. Thus, it cannot be discussed separately (Bunyamin & Wahab, 2022). Financial behavior can also be characterized as a person's financial and psychological abilities to regulate and manage finances, as well as balance expenses and income to influence future financial planning decisions (Ramadani et al., 2023). Islamic financial behavior refers to an individual's attitude and actions in managing finances in accordance with Sharia principles. This includes avoiding financial instruments that contain haram elements and choosing investment products that are in accordance with Islamic values. For example, Sharia investors tend to choose Sharia stocks issued by companies whose business activities do not conflict with Sharia principles, such as not being involved in gambling or producing alcoholic beverages.

### **Locus of Control**

Rotter (1966) defines locus of control as the extent to which a person believes that outcomes in their life are the result of their efforts rather than luck, chance, fate, or the intervention and influence of others. Locus of control is a psychological concept best described as a general attitude, belief, or expectation regarding the nature of the causal relationship between a person's behavior and its consequences (Caliendo et al., 2022). Locus of control is a perspective on what can and cannot be controlled. It consists of two parts: internal and external (Arifin & Widjaya, 2022). In the context of Islamic investment, locus of control may influence the extent to which individuals feel responsible for ensuring that their investments are in accordance with Islamic principles. Those with an internal locus of control may be more proactive in seeking information and ensuring Islamic compliance in their investment portfolios. In contrast, individuals with an external locus of control may rely more on external authorities or financial institutions to ensure Islamic compliance.

The framework that is expected to become a hypothesis in this study is presented in Figure 1.

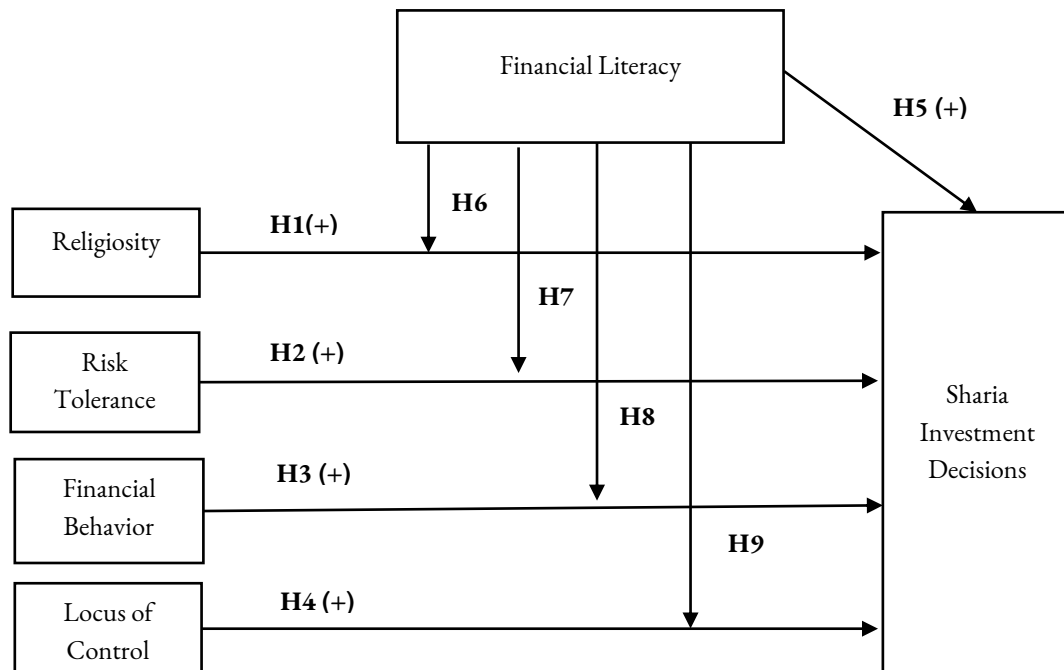


Figure 1. Research Model

## Hypothesis Development

### *The Influence of Religiosity on Sharia Investment Decisions*

Research by Sabir et al. (2021) indicates that religious individuals are characterized by their activities, obedience, and devotion to their faith. According to Septyanto et al. (2021), the more religious a person is, the better they are at making Sharia investment decisions. Maksar et al. (2022) and Syahrizal et al. (2020) found that religiosity positively influences Sharia investment decisions, meaning that the more religious the respondents are, the more likely they are to choose Sharia-compliant stocks. This can also be explained based on the Behavioral Finance Theory, which states that investors act based on their cognitive psychological abilities, meaning human decisions are subject to their cognitive psychology. Therefore, the first hypothesis of this research is stated as follows:

H1. Religiosity positively influences Sharia investment decisions.

### *The Influence of Risk Tolerance on Sharia Investment Decisions*

The degree to which a person can tolerate the risk involved in an investment is reflected in their risk tolerance (Hermansson & Jonsson, 2021). The likelihood that a person would make financial asset investments may be positively predicted by their level of risk tolerance (Rahies et al., 2022). Ideally, a person's risk tolerance will influence their investing choices. People who have a low threshold for danger typically steer clear of it (Aren & Hamamci, 2020). On the other hand, investors who value greater degrees of risk in their investments tend to select those with higher total risk. According to Adilyani and Mawardi (2020), Fridana and Asandimitra (2020), Hikmah et al. (2020), Maulani et al. (2022), Mubaraq et al. (2021), and Zahida (2021), risk tolerance has a beneficial impact on Sharia investment decisions, which is consistent with this conclusion. This can also be explained based on the Behavioral Finance Theory, which states that a person's actions are not always based on rational attitudes but also irrational ones. Therefore, the second hypothesis of this research is formulated as follows:

H2. Risk tolerance positively influences Sharia investment decisions.

### *The Influence of Financial Behavior on Sharia Investment Decisions*

Financial knowledge is considered to influence various aspects, including financial management. According to Ljungqvist et al. (2020), individuals with good financial behavior will be wiser and more

intelligent in controlling spending, recording expenses, and making more effective Sharia investment decisions. When individuals have adequate financial knowledge, they are more likely to make responsible Sharia investment decisions and achieve maximum results (Sari, 2021). Tubastuvi et al. (2022) found that when making Sharia investment decisions, an investor with good financial behavior will make Sharia investment decisions according to their financial planning. This finding is supported by research from Fatimah and Trihudiyatmanto (2021), Gumilang et al. (2023), Landang et al. (2021), Sari (2021), Upadana and Herawati (2020), Widyatamaka and Anwar (2023), and Yundari and Artati (2021), who state that financial behavior positively influences Sharia investment decisions. This can also be explained based on the Behavioral Finance Theory, which states that financial behavior is an approach suggesting that Sharia financial or Sharia investment activities are based on or influenced by psychological factors. Therefore, the third hypothesis of this research is formulated as follows:

H3. Financial behavior positively influences Sharia investment decisions.

#### ***The Influence of Locus of Control on Sharia Investment Decisions***

According to Marbun et al. (2023), the decision to invest is based on the assumption that individuals have the power to control events and have greater control over these events, as well as the willingness to accept risks. Salman et al. (2021) state that individuals with an internal locus of control tend to believe that they have control over their destiny and can make choices that affect their lives. Research by Fadila et al. (2022), Mahwan and Herawati (2021), and Ridiananda and Lasmanah (2022) found that individuals with an internal locus of control positively influence Sharia investment decisions. This can also be explained based on the Behavioral Finance Theory, which states that a person's actions are not always based on rational attitudes but also irrational ones. Therefore, the fourth hypothesis of this research is formulated as follows:

H4. Locus of control positively influences Sharia investment decisions.

#### ***The Influence of Financial Literacy on Sharia Investment Decisions***

According to Yusnita et al. (2022), financial literacy is the capacity of an individual to evaluate and oversee their financial situation. Higher financial literacy enables people to plan and save for retirement and make other smarter financial decisions. Conversely, those who lack financial literacy tend to make bad investment choices that worsen their financial circumstances (Aisa, 2021; Aisa et al., 2023; Seraj et al., 2022). People who possess a high degree of financial literacy can make wise Sharia investment choices. The results of prior research, including Hidayah (2023), Rohani and Pamungkas (2023), Tubastuvi et al. (2022), and Valentina and Pamungkas (2022), indicate that financial literacy favorably influences Sharia investing decisions. This can also be explained based on the Behavioral Finance Theory, which states that a person's actions are not always based on rational attitudes but also irrational ones. Therefore, the fifth hypothesis of this research is formulated as follows:

H5. Financial literacy positively influences Sharia investment decisions.

#### ***The Influence of Financial Literacy in Moderating the Relationship Between Religiosity and Sharia Investment Decisions***

Religiosity refers to the practice of beliefs and laws that apply to religious life (Mulyadi et al., 2023). Therefore, an individual's religiosity can be a basis for Sharia making decisions, including the interest in investing in products that adhere to religious principles (Mumtaz et al., 2022). An individual with a good understanding of religion should also have a good understanding of financial literacy to make sound decisions (Prasad et al., 2021). Research by Fitriyani and Anwar (2022) concluded that religiosity has a positive and significant influence on Sharia investment decisions, and financial literacy can act as a moderating variable. Therefore, the sixth hypothesis of this research is formulated as follows:

H6. Financial literacy moderates the relationship between religiosity and Sharia investment decisions.

### ***The Influence of Financial Literacy in Moderating the Relationship Between Risk Tolerance and Sharia Investment Decisions***

In making investment decisions, investors are closely related to various factors, including their level of financial literacy. An investor's financial literacy is crucial in minimizing investment risks, which in turn helps in making more mature Sharia investment decisions (Baihaqqi & Prajawati, 2023). Investors make rational Sharia investment decisions based on reason and supported by clear and accurate data (Masruroh & Sari, 2021). When an individual's risk tolerance increases, they become more daring in making Sharia investment decisions. However, financial literacy makes individuals more cautious and wise in their investment decisions (Sani & Paramita, 2024). Research by Sani and Paramita (2024) concluded that financial literacy as a moderating variable strengthens the influence of risk tolerance on Sharia investment decisions. Therefore, the seventh hypothesis of this research is formulated as follows:

H7. Financial literacy moderates the relationship between risk tolerance and Sharia investment decisions.

### ***The Influence of Financial Literacy in Moderating the Relationship Between Financial Behavior and Sharia Investment Decisions***

Financial literacy is critical to improving the relationship between financial behavior and Sharia investment decisions (Dinarjito, 2023). Individuals with higher degrees of financial literacy have a better understanding of financial concepts, investment tools, and financial management techniques. This allows them to better assess investment opportunities and dangers (Panjaitan & Listiadi, 2021). Individuals who are well-versed in finance can make more informed investing judgments. Shaik et al. (2022) found that financial literacy moderation can strengthen the beneficial association between financial behavior and investment decisions. Therefore, the eighth hypothesis of this research is formulated as follows:

H8. Financial literacy moderates the relationship between financial behavior and Sharia investment decisions.

### ***The Influence of Financial Literacy in Moderating the Relationship Between Locus of Control and Sharia Investment Decisions***

Individuals with an internal locus of control tend to believe they have control over their Sharia investment decisions (Akbar et al., 2024). Supported by financial literacy knowledge, individuals can make careful decisions or actions, ensuring that their behavior is beneficial and not harmful. This enables them to actively use their control to make better Sharia investment decisions based on their knowledge. Research by Putrie and Usman (2022) indicates that financial literacy moderation can strengthen the positive relationship between locus of control and Sharia investment decisions. Therefore, the ninth hypothesis of this research is formulated as follows:

H9. Financial literacy moderates the relationship between locus of control and Sharia investment decisions.

## **Research Method**

The type of research used is the quantitative method. This study uses primary data collected through structured questionnaires distributed via online channels. This study uses primary data collected through structured questionnaires distributed via online channels with a Likert Scale ranging from 1 to 5. The sampling technique is non-probability sampling using the convenience sampling method.

The population of this research is all Sharia investors in Indonesia. The sample set by the researcher is 200 respondents. The sample size in this study is determined using the Roscoe formula due to an infinite population. According to the Roscoe formula, a sample size of 180 individuals (the calculation results from the minimum number of samples multiplied by the number of variables =  $30 \times 6$ ) was acquired and rounded to 200.

Smart PLS version 3 and the SEM-PLS (Partial Least Squares Structural Equation Modeling) approach were used to evaluate the study's data. The reason for employing SEM PLS is that the research model under consideration is highly complex due to the presence of mediating variables. Furthermore,

SEM-PLS requires no minimum or maximum sample size, making it suitable for both small and large samples (Purwanto et al., 2021). Furthermore, SEM-PLS with Smart PLS is resistant to data abnormalities, reducing biases in analysis outcomes (Purwanto et al., 2021). The variables used in this study are 6: religiosity, risk tolerance, financial behavior, locus of control (X), investment decision (Y), and financial literacy (Z). The research variables are explained in Table 2.

**Table 2. Operational Definitions Variable**

Variable	Operational Definition of Variable	Indicators
Sharia Investment Decision	Investment decision refers to the activity of investing capital in a specific area or asset with the aim of affecting the value.	<ol style="list-style-type: none"> <li>1. Investment goals</li> <li>2. Understanding of investment growth</li> <li>3. Expected return on investment</li> <li>4. Adequacy of investment funds (Rosdiana, 2020)</li> </ol>
Financial Literacy	Financial literacy can be defined as the financial knowledge needed to achieve welfare. Financial literacy refers to the knowledge, skills, attitudes, and behaviors that help people make better decisions and manage their money to achieve their goals.	<ol style="list-style-type: none"> <li>1. Basic financial knowledge</li> <li>2. Savings and loans</li> <li>3. Investments</li> <li>4. Insurance (Senda et al., 2020)</li> </ol>
Religiosity	Religiosity refers to the extent to which a person believes in and venerates a deity, practices relevant teachings, and participates in relevant activities.	<ol style="list-style-type: none"> <li>1. Belief in the Almighty God</li> <li>2. Respect for religious leaders</li> <li>3. Practice of teachings from religious leaders</li> <li>4. Worship at places of worship</li> <li>5. Study of sacred texts</li> <li>6. Participation in religious activities (Lestari et al., 2021)</li> </ol>
Risk Tolerance	Risk tolerance is how much a person chooses to experience less favorable risks to have the chance of obtaining more favorable outcomes.	<ol style="list-style-type: none"> <li>1. Choosing high-risk investments for returns</li> <li>2. Profit is more important than security</li> <li>3. The belief that risk does not always lead to loss</li> <li>4. Investing without consideration</li> <li>5. Willingness to accept investment failures (Adiputra, 2021)</li> </ol>
Financial Behavior	Financial behavior refers to an attitude related to financial management. Financial behavior is the capability to manage daily financial resources (planning, budgeting, checking, managing, controlling, withdrawing, and saving).	<ol style="list-style-type: none"> <li>1. Paying bills on time</li> <li>2. Creating expenditure and shopping budgets</li> <li>3. Recording expenditures and shopping</li> <li>4. Setting aside funds for unexpected expenses</li> <li>5. Saving (Alfani et al., 2023)</li> </ol>
Locus of Control	Locus of control is an individual's perspective on what is possible or not possible to control.	<ol style="list-style-type: none"> <li>1. Potential behaviors</li> <li>2. Expectations</li> <li>3. Abilities</li> <li>4. Interests</li> <li>5. Abilities controlled by the environment (Fadila et al., 2022)</li> </ol>

## Results and Discussion

Respondent characteristics by gender aim to describe or illustrate the identity of respondents based on the gender of the respondents. This can be grouped into two groups, namely male and female. The characteristics of respondents by gender can be seen in Table 3.

**Table 3. Respondent's Characteristics by Gender**

Characteristics	Frequency (n)	Percentage (%)
<b>Gender</b>	146	73
Male		
Female	54	27
<b>Age Group</b>		
20-30	31	16
31-40	51	25
41 and above	118	59
<b>Education Level</b>		
High School or Equivalent	23	12
Diploma	68	34
Bachelor's Degree	83	41
Master's Degree or Higher	26	13
<b>Occupation</b>		
Government Employee	43	22
Private Sector Employee	82	40
Teacher and Lecture	13	7
Entrepreneur	40	20
Others	20	10

Source: Primary data processed (2024)

The exposure of Table 3 can be explained by the characteristics of respondents based on gender, where male respondents accounted for as many as 146 people, or 73 percent, while female respondents accounted for 54 people, or 27 percent. The majority of respondents have an age range above 41 years, with a frequency of 118 people, or around 59% of the total population or sample. Meanwhile, respondents with an age range of 31-40 years only consist of 51 people, or around 25% of the total population or sample. While respondents with an age range of 20-30 years only consist of 31 people, or around 16% of the total population or sample.

The data show that the majority of respondents held a Bachelor's degree, accounting for 41% of the total sample (n = 83). This indicates that nearly half of the participants have completed undergraduate education, which may reflect a higher level of awareness and understanding of the topic being studied. Respondents with a Diploma (Associate Degree) made up 34% (n = 68), followed by those with High School or equivalent at 12% (n = 23), and those holding a Master's degree or higher also at 13% (n = 26). Such an educational background may influence how respondents perceive and respond to the constructs being measured in the study, particularly if the research topic involves complex decision-making or financial literacy.

Respondent characteristics according to occupation aim to know the type of occupation of respondents, which helps understand their socio-economic status, which can influence their mindset, habits, or decisions, especially in studies related to finance and investment. The largest proportion of respondents were private sector employees, comprising 40% of the sample (n = 82). This suggests that a significant portion of the participants are engaged in formal employment within business or corporate environments. Respondents who identified as students made up 1% (n = 2), indicating the involvement of younger individuals who may still be in the process of developing financial habits or investment

behaviors. Meanwhile, government employees accounted for 22% ( $n = 43$ ), entrepreneurs for 20% ( $n = 40$ ), teachers and lecturers for 7% ( $n = 13$ ), and those categorized as others (e.g., freelancers, retirees) also for 10% ( $n = 20$ ). This distribution provides a diverse representation of occupational backgrounds, which is important when examining topics such as investment decision-making or financial behavior. The variety in work experiences may contribute to different levels of income, risk tolerance, and exposure to financial information.

### Outer Model Testing

Convergent validity testing was conducted to assess the validity of each relationship between indicators and their latent constructs. AVE (Average Variance Extracted), CR (Composite Reliability), and CA (Cronbach's Alpha) each indicate that the constructs in this model are valid and reliable, with AVE values above 0.5, CR and CA each greater than 0.7, which indicates that the indicators used can measure the constructs consistently and accurately.

The religiosity variable in this model is proven to be valid and reliable, with an AVE value of 0.744, CR of 0.7, and CA of 0.931. Risk Tolerance with an AVE value of 0.805, CR of 0.7, and CA of 0.940. Financial Behavior with an AVE value of 0.791, CR of 0.7, and CA of 0.934. Locus of Control with an AVE value of 0.703, CR of 0.7, and CA of 0.894. Financial Literacy with an AVE value of 0.912, CR of 0.7, and CA of 0.968. Sharia Investment Decisions with an AVE value of 0.752, CR of 0.7, and CA of 0.890. Based on this explanation, the results of the measurement model evaluation (outer model) are shown in Table 4, which displays the research findings.

**Table 4. Evaluation of the Measurement Model (Outer Model)**

Variable		Loading Factors	Items
Religiosity	RS.1	0.888	I believe in what is taught by God through the holy scriptures
	RS.2	0.814	I respect religion and religious figures (Prophets, religious leaders)
	RS.3	0.878	I practice what is taught by God
	RS.4	0.883	I regularly go to places of worship to pray
	RS.5	0.895	I prioritize practicing what is commanded in the holy scriptures sincerity
	RS.6	0.811	I participate in religiously meaningful social activities
Risk Tolerance	RT.1	0.895	I choose to invest in the higher-risk Sharia capital market for higher returns.
	RT.2	0.901	I believe that profit is more important than security.
	RT.3	0.895	I am confident that risk does not always lead to loss.
	RT.4	0.899	I invest in the Sharia capital market with careful consideration.
	RT.5	0.897	I am willing to accept failure if the investment does not succeed.
Financial Behavior	FB.1	0.902	I pay my debts and bills on time.
	FB.2	0.909	I always budget my expenses.
	FB.3	0.859	I track my income and expenses.
	FB.4	0.879	I set aside funds for unexpected expenses.
	FB.5	0.897	I save money for emergencies.
Locus of Control	LC.1	0.761	I believe a well-planned Sharia capital market investment will succeed.
	LC.2	0.852	In the long run, I will achieve satisfying results.
	LC.3	0.880	I have the ability to make profitable investment decisions in the Sharia capital market.
	LC.4	0.868	When I achieve my goals, it's usually due to my hard work.
	LC.5	0.827	I can protect my Sharia capital market investment interests.
Financial Literacy	FL.1	0.953	I have basic knowledge of Islamic finance.
	FL.2	0.953	I know the procedures for deposits and loans in Islamic financial institutions.
	FL.3	0.957	I invest to increase my real/financial assets.
	FL.4	0.956	I find Islamic insurance products beneficial.
Sharia Investment Decisions	ID.1	0.856	Sharia investment is for returns.
	ID.2	0.907	I understand how to reduce risk in Sharia capital market investments.
	ID.3	0.817	I seek important information to understand the returns from my Sharia capital market investments.
	ID.4	0.887	I set aside funds specifically for Sharia capital market investments.

Source: Primary data processed (2024)

### ***Discriminant Validity***

Discriminant validity is used to guarantee that each notion in the latent variable model is unique from the other variables. In this test, an indicator passes the discriminant validity criterion if the HTMT (Heterotrait-Monotrait Ratio) between constructs is less than 0.9, as presented in Table 5. The findings presented show that all the indicators satisfy the criteria for discriminant validity.

**Table 5. Evaluation of the Discriminant Validity**

	ID	LC*FL	FL	LC	FB*FL	FB	RT*FL	RS	TR*LK
LC*FL	0.389								
FL	0.566	0.562							
LC	0.842	0.252	0.365						
FB*FL	0.533	0.885	0.604	0.344					
FB	0.816	0.447	0.493	0.798	0.502				
RS*FL	0.395	0.879	0.551	0.282	0.898	0.457			
RS	0.806	0.303	0.379	0.842	0.376	0.855	0.333		
RT*FL	0.352	0.730	0.516	0.294	0.749	0.421	0.825	0.361	
RT	0.673	0.325	0.383	0.614	0.358	0.657	0.373	0.713	0.397

Source: Primary data processed (2024)

### ***Composite Reliability and Cronbach's Alpha***

Cronbach's alpha indicates the variable's lowest (lower limit) reliability value, whereas composite reliability reflects its true reliability value. To determine construct reliability, Cronbach's alpha value and composite reliability value must both be more than 0.7, as presented in Table 6.

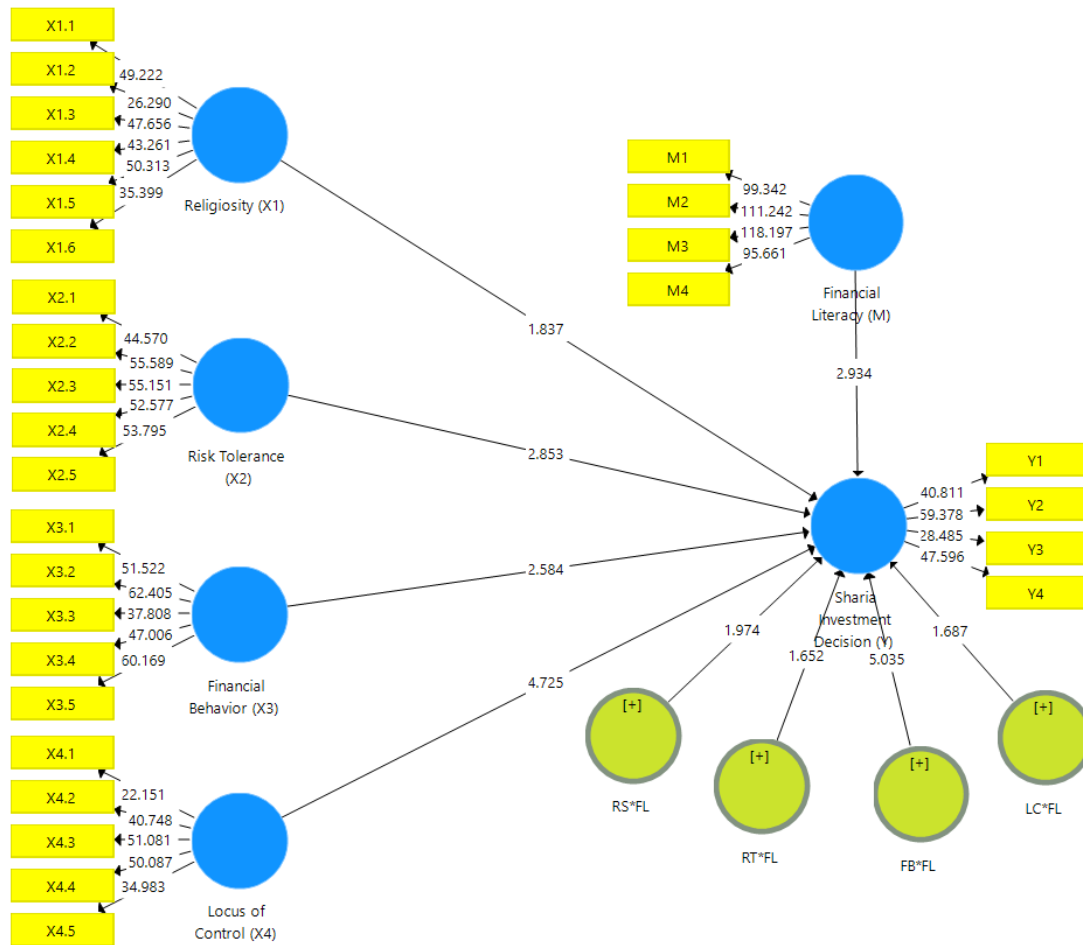
**Table 6. Evaluation of the Composite and Cronbach's Alpha**

Construct	Cronbach's Alpha	rho A	Composite Reliability	Average Variance Extracted
ID	0.890	0.897	0.924	0.752
RS*FL	1.000	1.000	1.000	1.000
RS	0.931	0.933	0.946	0.744
RT*FL	1.000	1.000	1.000	1.000
RT	0.940	0.942	0.954	0.805
FB*FL	1.000	1.000	1.000	1.000
FB	0.934	0.935	0.950	0.791
LC*FL	1.000	1.000	1.000	1.000
FL	0.968	0.969	0.976	0.912
LC	0.894	0.898	0.922	0.703

Source: Primary data processed (2024)

### ***Inner Model Testing***

The process of inner model testing comprises calculating the coefficient of determination, assessing path coefficients, assessing the significance of partial effects of exogenous factors on endogenous variables, and measuring the goodness of fit of the structural model. Research hypotheses can be tested using the results from this phase.



**Figure 2. Inner Model Test Result**

Source: Primary data processed (2024)

### Goodness of Fit PLS Model

To evaluate the goodness of fit of the SEM PLS model, one can utilize the R Square, Q Square, and SRMR values. How effectively the model predicts endogenous variables is indicated by the R Square value. R Square values are classified as strong, moderate, or weak and range from 0 to 1. According to Chin (1998), an R Square value of more than 0.67 indicates a strong PLS model, a value between 0.33 and 0.67 indicates a moderate PLS model, and a value between 0.19 and 0.33 indicates a poor PLS model. The sample's capacity to explain the population is gauged by the SRMR value. There are two categories for the SRMR value: if the SRMR is less than 0.08, the model fits; if the SRMR is between 0.08 and 0.10, the model fits; and if the SRMR is greater than 0.10, the model does not fit.

**Table 7. Adjusted R-Square Value**

	R-Square	Adjusted R-Squared
Investment Decisions (Y)	0.764	0.752

Source: Primary data processed (2024)

The analysis results in Table 7 show an adjusted R-squared value of 0.752, meaning that the level of religiosity, risk tolerance, financial behavior, locus of control, and financial literacy influences 75.2% of investment decisions. Factors outside the study influence the remaining 24.8% of investment decisions.

### Direct Effect

In SEM PLS analysis, the p-value and T-statistic indicate the direct effect between variables. At a 5% significance level, an exogenous variable is considered to have a significant effect on an endogenous variable if the p-value < 0.05 or T statistic > 1.65 (one-tailed), and T statistic > 1.96 (two-tailed). The direction of the effect (positive/negative effect) is assessed from the sign accompanying the path coefficient. The results of direct effect, indirect effect, and hypothesis testing are presented in Tables 8, 9, and 10.

**Table 8. Direct Effect Test Results**

	Original Sample (O)	Sample s Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P-Values
RS -> ID	0.136	0.139	0.075	1.812	0.035
RT -> ID	0.160	0.159	0.050	3.199	0.001
FB -> ID	0.175	0.177	0.069	2.533	0.006
LC -> ID	0.331	0.335	0.070	4.733	0.000
FL -> ID	0.183	0.174	0.065	2.835	0.002

Source: Primary data processed (2024)

**Table 9. Indirect Effect Test Results**

	Original Sample (O)	Samples Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P-Values
RS*FL -> ID	0.169	0.166	0.087	1.938	0.027
RT*FL -> ID	0.093	0.097	0.054	1.708	0.044
FB*FL -> ID	-0.335	-0.330	0.067	5.001	0.000
LC*FL -> ID	0.134	0.129	0.080	1.677	0.047

Source: Primary data processed (2024)

**Table 10. Hypothesis Testing Results**

No	Hypothesis	Results	Conclusion
1	Religiosity has a positive effect on investment decisions	Path coefficient = 0.136; t = 1.812; p = 0.035	Supported
2	Risk tolerance has a positive effect on investment decisions	Path coefficient = 0.160; t = 3.199; p = 0.001	Supported
3	Financial behavior has a positive effect on investment decisions	Path coefficient = 0.175; t = 2.533; p = 0.006	Supported
4	Locus of control has a positive effect on investment decisions	Path coefficient = 0.331; t = 4.733; p = 0.000	Supported
5	Financial literacy affects investment decisions	Path coefficient = 0.183; t = 2.835; p = 0.002	Supported
6	Financial literacy moderates the relationship between religiosity and investment decisions	Path coefficient = 0.169; t = 1.938; p = 0.027	Supported
7	Financial literacy moderates the relationship between risk tolerance and investment decisions	Path coefficient = 0.093; t = 1.708; p = 0.044	Supported
8	Financial literacy moderates the relationship between financial behavior and investment decisions	Path coefficient = -0.335; t = 5.001; p = 0.000	Not Supported
9	Financial literacy moderates the relationship between locus of control and investment decisions	Path coefficient = 0.134; t = 1.677; p = 0.047	Supported

Source: Primary data processed (2024)

### ***The Influence of Religiosity on Sharia Investment Decisions***

Based on hypothesis testing, H1 is supported, indicating that religiosity has a significant positive effect on Sharia investment decisions. Religiosity relates to an individual's understanding of certain religious beliefs that impact every life decision, including Sharia investment decisions. The influence of an investor's religiosity on making Sharia investment decisions is very strong. The higher a person's level of religiosity the better their Sharia investment decisions, The higher a person's level of religiosity, the better their Sharia investment decisions, and vice versa. Belief and awareness of religion in an investor are then practiced in attitudes and behaviors in accordance with their level of adherence to religious teachings. Knowledge and understanding of religion are needed in making Sharia investment decisions to be able to consider what is halal and haram. This aligns with Maharani et al. (2023), who stated that in Islamic economics, investments are not merely aimed at short-term material gains but also long-term spiritual benefits. Before making decisions related to buying, selling, and maintaining stock ownership, investors first analyze internal and external factors, such as the fulfillment of Sharia investment criteria. The results of this study support the Behavioral Finance Theory. When linked to Behavioral Financial Theory, it can be said that investors have balanced their irrational and rational traits to make wise Sharia investment decisions based on aspects of religiosity. This study's results are in line with Nabilah and Tutik (2020), Maksar (2022), and Syahrizal et al. (2020), who concluded that religiosity positively influences Sharia investment decisions.

### ***The Influence of Risk Tolerance on Sharia Investment Decisions***

Based on hypothesis testing, H2 is supported, indicating that risk tolerance has a significant positive effect on Sharia investment decisions. This means that the higher an investor's risk tolerance, the bolder their Sharia investment decisions. With high-risk tolerance, a person tends to make bolder decisions compared to someone with low-risk tolerance. Conversely, if investors are more cautious when choosing types of investments to avoid risks, they may also receive a lower return if they have a low-risk tolerance. The results of this study support the Behavioral Finance Theory. It can be said that an investor considers their risk tolerance ability in the process of making Sharia investment decisions regarding the level of risk. In other words, investors think rationally in decision-making related to risk levels. This study's results are consistent with the research by Lathifatunnisa and Wahyuni (2021), Hikmah et al. (2020), and Pinaring et al. (2023), who concluded that risk tolerance positively affects Sharia investment decisions. However, these results contradict the research of Mahardhika et al. (2023), Baihaqqi and Prajawati (2023), and Khotim and Misidawati (2024), which state that risk tolerance does not affect Sharia investment decisions.

### ***The Influence of Financial Behavior on Sharia Investment Decisions***

Based on hypothesis testing, H3 is supported, showing that the financial behavior variable positively influences Sharia investment decisions. The better a person's financial behavior, the more adept they are at identifying suitable assets that will offer the promised returns in the future. Individuals' financial behavior influences their Sharia investment selections. Individuals with good financial conduct are more sensible and intelligent when it comes to regulating spending, recording expenses, and investing. This demonstrates that the better an investor's financial conduct in managing their resources, the more likely they are to see worthwhile returns. When making Sharia investment decisions, an investor with good financial behavior will make decisions that are aligned with their financial planning and will make rational decisions, which will positively correlate with the returns they will obtain in the future. The results of this study support the Behavioral Finance Theory. This research aligns with Behavioral Finance Theory, which explains that when making Sharia investment decisions, investors are more influenced by their psychological factors. This study's results align with the research by Fatimah and Trihudiatmanto (2021), Gumilang et al. (2023), Landang et al. (2021), Sari (2021), Upadana and Herawati (2020), Widyatamaka and Anwar (2023), and Yundari and Artati (2021), which concluded that financial behavior positively affects Sharia investment decisions.

### ***The Influence of Locus of Control on Sharia Investment Decisions***

Based on hypothesis testing, H4 is supported, indicating that the locus of control variable has a positive effect on Sharia investment decisions. The higher a person's locus of control, the wiser they will be in making Sharia investment decisions. Factors within perceived behavioral control influence a person's actions and stem from the belief in the presence or absence of something that supports or hinders forming a particular behavior. These supporting and hindering factors come from within oneself or from external sources, so the information received or obtained will significantly strengthen and influence the actions taken. Investors need to consider their locus of control, both internal and external, because they must believe that their financial practices will determine their financial well-being, aside from relying on luck. The results of this study support the Behavioral Finance Theory. This research aligns with Behavioral Finance Theory, which explains that when making Sharia investment decisions, investors are more influenced by their psychological factors. This research also aligns with the Theory of Planned Behavior, where the locus of control falls under behavioral control factors. This study's results are consistent with the research by Fadila et al. (2022), Mahwan and Herawati (2021), and Ridiananda and Lasmanah (2022), which concluded that locus of control positively affects Sharia investment decisions.

### ***The Influence of Financial Literacy on Sharia Investment Decisions***

H5, which demonstrates that the financial literacy variable has a positive influence on Sharia investment decisions, is supported based on hypothesis testing. This implies that an individual's investment judgments will be better the more financially literate they are or the less valuable financial illiteracy they possess. Making wise Sharia investment decisions requires financial knowledge on the part of the individual. Those who possess a strong foundation in finance are better equipped to choose wise Sharia investments. The findings of this study are consistent with Behavioral Finance Theory because, in potentially risky situations such as making Sharia investment decisions, knowledge and understanding are required to manage finances. Investors realize that in thinking, one cannot only think rationally but also irrationally. Therefore, investors should better understand the conditions and cognitive errors that may occur because an individual can act irrationally when making decisions. The results of this investigation are in line with those of Hidayah (2023), Tubastuvi et al. (2022), Rohani and Pamungkas (2023), and Valentina and Pamungkas (2022), who discovered that financial literacy positively influenced Sharia investment choices.

### ***The Influence of Financial Literacy in Moderating the Relationship Between Religiosity and Sharia Investment Decisions***

Based on hypothesis testing, H6 is supported, indicating that the financial literacy variable can moderate the relationship between religiosity and Sharia investment decisions. This agrees with the research by Fitriyani & Anwar (2022), which found that financial literacy can moderate the effect of religiosity on Sharia investment decisions. Religiosity is related to an individual's understanding of a certain religious belief. An investor's Sharia investment decisions influenced by religiosity are strengthened by their high financial literacy. This means that the higher the financial literacy of a religious investor, the more it encourages investment decisions in Sharia stocks. This is because an investor with high religiosity and high financial literacy will apply their knowledge by making decisions that do not conflict with Sharia, resulting in wise investment decisions. The findings of this study are consistent with Behavioral Finance Theory, it can be said that investors have balanced their irrational and rational traits to make wise Sharia investment decisions based on aspects of religiosity. This study's results align with the research by Fitriyani and Anwar (2022) and Bihaqqi and Prajawati (2023), which concluded that financial literacy as a moderating variable strengthens the influence of religiosity on Sharia investment decisions.

### ***The Influence of Financial Literacy in Moderating the Relationship Between Risk Tolerance and Sharia Investment Decisions***

H7, which suggests that the financial literacy variable can change the relationship between risk tolerance and Sharia investment decisions, is deemed acceptable based on hypothesis testing. High

financial literacy investors believe that it helps them make wise and prudent judgments. The findings of this study are consistent with Behavioral Finance Theory. Behavioral Finance Theory asserts that, depending on their understanding of finance and psychology, investors make both logical and irrational judgments. A person's risk tolerance level is influenced by their psychological conditions and other factors that can increase their risk tolerance. The results of this research align with the findings of Sani and Paramita (2024), Masruroh and Sari (2021), and Rahies Khan et al. (2022), who demonstrated that the impact of risk tolerance on Sharia investment decisions is strengthened by financial literacy as a moderating variable.

### ***The Influence of Financial Literacy in Moderating the Relationship Between Financial Behavior and Sharia Investment Decisions***

Based on hypothesis testing, H8 is not supported, showing that the financial literacy variable can weaken the relationship between financial behavior and Sharia investment decisions. The association between financial conduct and Sharia investment decisions weakens as an individual's financial literacy degree increases. The findings of this study are inconsistent with Behavioral Finance Theory, which explains that when making Sharia investment decisions, investors are more influenced by their psychological factors. However, the results of this study support the Theory of Planned Behavior, which is used to explain the internal factors that influence the interest in investing. The decrease in the relationship between financial behavior and Sharia investment decisions observed in this study may reflect a shift from more emotionally based decision-making or more impulsive financial behavior to more rational and knowledge-based decisions. This suggests that higher financial literacy does not necessarily reinforce better investment behavior, but may instead reduce the influence of more spontaneous psychological and behavioral factors in Sharia investment decision-making. The result of this study contradicts Saputri and Erdi (2023), Shaik et al. (2022), and Panjaitan and Listiadi (2021), which conclude that financial literacy can moderate the relationship between financial behavior and Sharia investment decisions. Investors should be aware of the importance of financial behavior in making Sharia investment decisions, accompanied by good financial literacy. Financial literacy, which is also related to knowledge about factors such as interest rates, inflation, and risk, can help individuals make the right Sharia investment decisions.

### ***The Influence of Financial Literacy in Moderating the Relationship Between Locus of Control and Sharia Investment Decisions***

H9, which suggests that the financial literacy variable can modify the link between locus of control and Sharia investment decisions, is supported based on hypothesis testing. The ability to make prudent and effective Sharia investment decisions may be encouraged and fostered in investors by the existence of financial literacy as a moderating component. People who employ a locus of control are better able to think through and manage their finances more sensibly. A strong locus of control is also a result of having a high level of financial understanding. Therefore, the locus of control, such as choosing which Sharia equities to invest in, increases with increasing financial literacy. The findings of this study are consistent with Behavioral Finance Theory. Behavioral Finance Theory explains that when it comes to financial decisions, emotions are usually involved in the decision-making process. This study's results align with the research by Putrie and Usman (2022), which concluded that financial literacy as a moderating variable strengthens the influence of locus of control on Sharia investment decisions.

## **Conclusion**

Based on the explanation of the research results, this study states that religiosity, risk tolerance, financial behavior, locus of control, and financial literacy have positive effects on Sharia investment decisions. Financial literacy is able to moderate the influence of religiosity, risk tolerance, and locus of control on Sharia investment decisions. Financial literacy can weaken the relationship between the

influence of financial behavior on Sharia investment decisions. With these results, it is hoped that investors will increase their financial literacy index so that they make the right Sharia investment decisions and maximize the possibility of making a profit. Investors are advised to improve their financial literacy through various educational programs, such as courses or seminars that cover the basics of Sharia investment, risk management, and wise decision-making. In addition, working with a financial advisor who is competent in Sharia investment can help to better understand the risks and opportunities and manage portfolios according to Sharia principles. To support continuous learning, investors also need to utilize resources such as financial blogs, financial literacy applications, and educational videos to stay informed about developments in the investment world.

The findings suggest that practitioners such as investors, financial advisors, and policymakers should work together to improve financial literacy among the public. For investors, a deeper understanding of financial aspects will strengthen more rational decision-making that is in line with their personal goals. Financial advisors need to provide clear and easy-to-understand information and help clients understand the importance of investment decisions that are in accordance with Sharia principles and their financial capabilities. For policymakers, there is a need for policies that support financial education to expand access to relevant financial literacy by integrating financial literacy materials into formal education curricula and training for the general public. With collaborative efforts between all these parties, financial literacy can be an effective tool to improve the quality of Sharia investment decisions and drive more inclusive and sustainable economic growth.

This study is not without limitations. First, the population used in this research consists solely of investors in Indonesia who invest in Sharia-based investment products, specifically focusing on Sharia stocks. In reality, the Sharia investment landscape also includes other instruments such as Sharia bonds, sukuk, and Sharia mutual funds, which were not explored in this study. Second, the data were collected using a convenience sampling technique with a relatively small sample size of 200 respondents, which may not fully represent the broader investor population. Moreover, the geographical scope was limited to the Central Java Province, potentially reducing the generalizability of the findings across different regions of Indonesia.

In light of these limitations, future research is encouraged to expand the scope by including a broader range of Sharia-compliant investment instruments to capture a more comprehensive view of investor behavior. Researchers are also advised to use probability sampling methods and increase the sample size to enhance the representativeness and robustness of the results. Furthermore, focusing on specific demographic groups such as Gen-Z and millennial investors may provide deeper insights into generational differences in Sharia investment decision-making. Expanding the geographic coverage beyond a single province could also help in identifying regional patterns and preferences among Sharia investors.

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