

Islamic Values and Gen Z's Investment Behavior in the Sharia Stock Market: Beyond Rationality

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Submitted: 14-07-2025

Revised : 02-10-2025

Accepted: 11-11-2025

ABSTRACT. This study explores how financial literacy and risk perception impact Sharia stock investment decisions among Generation Z students, with Islamic values as a moderator variable. The urgency of this research arises from the relatively slow growth of Sharia investors in Indonesia, which only accounted for 2.6% of total stock market investors in November 2023, even though Generation Z represents the majority of new investors. The quantitative explanatory research design was applied by surveying 130 students from the Faculty of Economics and Business, Islamic University of Malang, active in the Sharia Investment Gallery. The data were analyzed using Partial Least Squares–Structural Equation Modeling with WarpPLS software. The findings revealed that financial literacy and Islamic values significantly influenced Sharia stock investment decisions, while risk perception did not show a significant effect. Moreover, moderation analysis shows that Islamic values do not strengthen the relationship between independent variables and investment decisions but serve as direct determinants. The novelty of this study shows that, in a context with high religious homogeneity, Islamic values operate as internalized standards that shape investment behavior. These insights advance Islamic Behavioral Finance and inform policies on Islamic financial literacy and sustainable capital market development.

Keywords: *Islamic values, Generation Z, behavioral finance, Sharia stock market, investment decision*

 <https://doi.org/10.31538/munaddhomah.v7i1.2298>

How to Cite Priyono, A. A., Saraswati, E., & Widarko, A. (2025). Islamic Values and Gen Z's Investment Behavior in the Sharia Stock Market: Beyond Rationality. *Munaddhomah: Jurnal Manajemen Pendidikan Islam*, 7(1), 15–27.

INTRODUCTION

Indonesia, home to the world's largest Muslim population, has experienced remarkable growth in its Islamic Capital Market (ICM) over the past two decades. This development is fueled by increasing demand for Sharia-compliant financial products, continuous regulatory reforms, and efforts to align economic activities with Islamic values (Fauzan & Suhendro, 2018; Hudzaifa et al., 2024; Indriani & Mulyany, 2020). Despite this progress, participation in the Islamic capital market remains relatively low compared to its potential. As of November 2023, the number of Sharia stock investors was only 136 thousand, approximately 2.6% of Indonesia's total 5 million stock market investors (Binekasri, 2024). This striking gap between market potential and actual participation demonstrates the urgency of examining the factors that shape Sharia investment behavior.

Students represent a particularly strategic segment in this context. They are potential investors and agents of change in advancing financial literacy within society (Bahri et al., 2022; Hibatullah et al., 2023). However, empirical evidence indicates that student participation in Sharia stock investment remains low (Amaroh et al., 2024; Islam, 2024; Patrisia et al., 2023). This suggests a disjunction between academic exposure to Islamic financial literacy and its application in real

investment behavior. The gap is concerning, given the role of higher education in shaping financially competent and ethically conscious future investors.

The Theory of Planned Behavior (TPB) (Ajzen, 2002; Priyono & Nurulloh, 2025) provides a valuable framework to explain this gap. According to TPB, behavior is influenced by attitudes, subjective norms, and perceived behavioral control. Students may express positive attitudes toward Sharia-compliant finance in the context of Sharia investment, yet this does not always translate into actual investment behavior. Previous studies point to several factors that could explain this gap, including low investment self-efficacy (perceived behavioral control), affective filters such as risk perception, and weak subjective norms (Almansour et al., 2023; Hadiyan et al., 2024; Holle et al., 2023; Jumiati & Kartiko, 2022). Risk perception in particular has been shown to affect Sharia investment decisions negatively, as high uncertainty may discourage participation even when financial literacy is adequate (Alamsyah et al., 2025; Rahayu et al., 2024; Rudiawarni et al., 2022).

Beyond cognitive and affective factors, spiritual dimensions also play an essential role. Prior research demonstrates that religiosity can reduce risk sensitivity and increase confidence in financial decision-making (Gondal et al., 2022; Md Husin et al., 2021). The concept of *maqāṣid al-sharī'ah*, which encompasses the preservation of religion (*ḥifẓ al-dīn*), intellect (*ḥifẓ al-'aql*), life (*ḥifẓ al-nafs*), lineage (*ḥifẓ al-nasl*), and wealth (*ḥifẓ al-māl*), has been proposed as a framework that harmonizes rationality, ethics, and spiritual benefit in investment behavior (Jalari et al., 2023; Lestari et al., 2021). However, empirical findings remain inconsistent. While most prior studies conceptualize Islamic values as moderating factors or external subjective norms influencing investment intentions (Dharma et al., 2024; Naqvi et al., 2025) this study reveals a different mechanism: in a highly homogeneous Muslim student context, Islamic values emerge as internalized determinants of behavior rather than external pressures (Srinio, Muslihun, et al., 2025; Srinio, Sholihah, et al., 2025). This reconceptualization shifts the theoretical positioning of religiosity in the Theory of Planned Behavior and advances the broader field of Islamic Behavioral Finance. Unlike earlier works focusing on general populations, this study specifically targets Gen Z students in an Islamic university with a Sharia Investment Gallery, making it unique in examining the intersection of financial literacy, risk perception, and deeply embedded Islamic norms.

This issue also reflects a clear theoretical gap. Within the Theory of Planned Behavior (TPB) (Ajzen, 2002), religiosity has typically been conceptualized as a subjective norm, an external social expectation that shapes intentions but does not directly determine behavior. However, emerging evidence from homogeneous Muslim contexts suggests that Islamic values may function not as external pressures but as internalized determinants that independently regulate financial behavior (Jalari et al., 2023; Md Husin et al., 2021). This divergence indicates that while robust in explaining behavior in pluralistic societies, TPB may not fully capture decision-making processes in settings where religious values are deeply embedded. Consequently, testing whether Islamic values operate as subjective norms or internalized determinants in Sharia investment decisions becomes critical for extending the theoretical reach of TPB and enriching the broader discourse of Islamic Behavioral Finance.

Taken together, the literature reveals a clear research gap. Most previous studies have positioned Islamic values as mediating variables or external subjective norms that influence intentions. However, few have comprehensively examined their role as moderators in the relationship between financial literacy, risk perception, and Sharia stock investment decisions. Moreover, much of the existing research has been conducted in general populations, with limited focus on students in Islamic universities who share substantial religious homogeneity. Thus, little is known about whether Islamic values act as external norms or internalized behavior determinants in such environments. This research gap becomes even more significant when viewed through the lens of Generation Z, who represent the largest cohort of future investors. Born in the digital era, Gen Z enjoys broad access to financial information and online trading platforms, but is also highly vulnerable to behavioral biases such as herding, overconfidence, and impulsive decision-making (Kaban & Linata, 2024; Syarofi et al., 2025) While they are technologically literate, their

participation in Sharia-compliant investments remains limited. This paradox raises important questions about the interplay of cognitive (financial literacy), affective (risk perception), and spiritual (Islamic values) dimensions in shaping their financial behavior (Hidayah et al., 2025; Idris et al., 2024).

From a comparative perspective, this issue is relevant in Indonesia and broader international contexts. In Muslim-majority societies characterized by high religious homogeneity, such as Indonesia, Malaysia, and Pakistan, Islamic values may be more deeply internalized and serve as direct determinants of behavior. In contrast, in religiously diverse or Muslim-minority contexts, such as Europe and the United States, Islamic values may function more as subjective norms that interact with other social and institutional factors (Almansour et al., 2023; Naqvi et al., 2025). Understanding these dynamics is crucial for building a more comprehensive Islamic Behavioral Finance framework sensitive to different cultural and religious contexts.

Therefore, this study aims to fill this gap by examining the influence of financial literacy and risk perception on Sharia stock investment decisions, with Islamic values tested as a moderating variable among Generation Z students at the Faculty of Economics and Business, Universitas Islam Malang. By focusing on a religiously homogeneous environment, this study clarifies whether Islamic values function primarily as external pressures or as internalized norms embedded within decision-making processes. The findings are expected to enrich the literature on Islamic Behavioral Finance, extend the theoretical application of the Theory of Planned Behavior, and provide practical recommendations for Islamic economic education and financial inclusion policies in Indonesia.

METHOD

This research employs a quantitative methodology with an explanatory research framework to recognize and examine causal connections among variables through statistical hypothesis testing (Sugiyono, 2022). The selection of this design is based on the characteristics of the data, which are numerical, allowing for an objective analysis and minimal bias, and enabling the involvement of a relatively large number of respondents (Creswell & Creswell, 2018). The study was conducted at the Faculty of Economics and Business, Universitas Islam Malang, focusing on the Sharia Investment Gallery, which serves as a center for learning and practice related to Sharia-based investments within the academic community. The site was chosen because of its institutional focus on integrating economics with Islamic principles in the curriculum (Anam, 2019; Mardani & Akademik, 2023) along with the active presence of a Sharia Investment Gallery that facilitates the practical application of financial knowledge. This setting provides empirical significance for investigating the interplay of financial literacy, risk perception, and Islamic values in students' Sharia stock investment decisions.

The population of this study comprised all students of the Faculty of Economics and Business, Universitas Islam Malang, who participated in activities within the Sharia Investment Gallery. These students were chosen because they had obtained exposure to financial literacy through formal coursework such as Financial Management, Portfolio Theory, and Capital Markets, while simultaneously internalizing Islamic values through Islamic Religious Education and Islamic Economics courses. A purposive sampling technique was employed with the following criteria: (1) active participation in Sharia Investment Gallery activities and (2) basic knowledge of Sharia stock investment. Following (J. Hair et al., 2017; Hair Jr. et al., 2017), the minimum sample size should be at least ten times the number of indicators used. With 13 operational indicators, the minimum sample size required was 130 respondents, which was deemed sufficient for model estimation with moderating variables (Ahmed, 2024).

The research instrument was a closed-ended questionnaire using a five-point Likert scale, designed to capture respondents' perceptions of the constructs in a standardized and quantitative manner. Before full deployment, three scholars specializing in Islamic economics and financial management subjected the questionnaire to expert judgment to ensure content validity, followed

by a pilot test involving 30 students. The results indicated that all items met acceptable validity thresholds. Reliability was also examined at this stage, with Cronbach's Alpha values for all constructs exceeding 0.70, indicating satisfactory internal consistency.

The dependent variable in this study is Sharia stock investment decisions, measured through three leading indicators: evaluation of potential returns, awareness of risks, and understanding of risk–return relationships (Afroh & Hafidzi, 2024). Independent variables consist of financial literacy and risk perception. Financial literacy is operationalized across four dimensions: financial knowledge, attitudes, practical skills, and daily financial behavior (Lusardi & Mitchell, 2014a; Sharmila & Mittal, 2023). Risk perception is measured using three dimensions: concerns about investment returns, personal financial risks, and the security risks of investment instruments (Afroh & Hafidzi, 2024; Brigham & Houston, 2014). The moderating variable is Islamic values, measured through indicators of commitment to Sharia principles in financial and daily activities, including adherence to Islamic teachings, intensity of religious belief, and participation in religious practices (Febriadi et al., 2020).

Data analysis was conducted using Structural Equation Modeling with Partial Least Squares (PLS-SEM). The software WarpPLS was specifically chosen because it is highly effective for estimating complex models with moderating variables, can handle small to medium sample sizes, and is robust against data that do not fully meet the assumptions of normality (J. F. Hair et al., 2017). Moreover, WarpPLS allows for nonlinear relationship modeling, particularly relevant for behavioral finance research where interactions among variables may not always follow linear patterns. The analysis was performed in two stages. First, the measurement model (outer model) was tested to evaluate convergent validity, discriminant validity, and construct reliability. Second, the structural (inner) model was assessed to determine the strength and significance of relationships among variables through path coefficients, R^2 , and Q^2 values. Hypothesis testing was conducted using the bootstrapping procedure, evaluating the significance of path coefficients based on t-statistics and p-values.

RESULT AND DISCUSSION

Result

Statistics Descriptive

The descriptive statistics in Table 1 show an overview of respondents' perceptions of the research variables. All indicators are measured on a Likert scale of 1–5. The average financial literacy score ($M = 3.84$; $SD = 0.67$) and Islamic scores ($M = 4.32$; $SD = 0.54$) are relatively high, indicating that students have a good enough financial understanding and a strong religious orientation. Meanwhile, the perception of risk was relatively moderate ($M = 3.21$; $SD = 0.71$), which indicates prudence in making investment decisions. Investment decisions are also in the high category ($M = 3.95$; $SD = 0.62$). These results imply that respondents tend to have a positive inclination towards Sharia investments, although they still consider risks carefully.

Table 1. Descriptive Statistics of Research Variables

Variables	Mean	SD	Min	Maks
Financial Literacy (X1)	3,84	0,67	2	5
Risk Perception (X2)	3,21	0,71	1	5
Islamic Values (M)	4,32	0,54	3	5
Investment Decision (Y)	3,95	0,62	2	5

Source: Author's data processing (2025)

Measurement Model (Outer Model)

Testing the validity and reliability of the construct (Table 2) shows that the entire construct meets the criteria. The AVE value is above 0.50, the Composite Reliability (CR) and Cronbach's

Alpha exceed 0.70, and the discriminant validity (HTMT ratio) is < 0.85. These results confirm that the research instrument is consistent and valid for measuring the established constructs.

Table 2. Construct Validity and Reliability

Construct	AVE	CR	Cronbach's α	Status
Financial Literacy (X1)	0.578	0.845	0.755	Valid & Reliabel
Risk Perception (X2)	0.660	0.853	0.740	Valid & Reliabel
Islamic Values (M)	0.619	0.830	0.692	Valid & Reliabel
Investment Decision (Y)	0.567	0.797	0.617	Valid & Reliabel

Source: Author's data processing (2025)

Model Struktural (Inner Model)

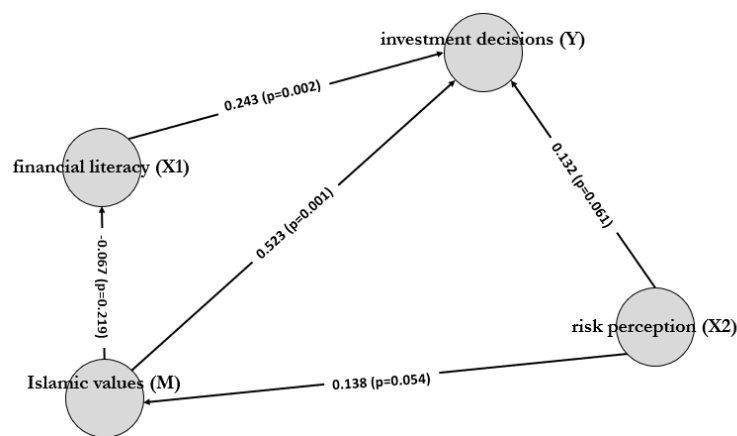
The feasibility evaluation of the structural model showed adequate results (Table 3). The Average Path Coefficient (APC) index = 0.167 is significant at $p = 0.013$, while the Goodness of Fit (GoF) value of 0.279 indicates feasibility at a moderate level. The values of AVIF (2,307) and AFVIF (3,170) are still within the tolerance limit of ≤ 3.3 . Meanwhile, the R^2 value shows that the model can explain the 10.6% variance in Islamic investment decisions, which is moderate given the complexity of financial behavioral factors. With $Q^2 = 0.104$, which confirms the predictive relevance. The SRMR index of 0.072 (< 0.08) also confirms the good fit of the model.

Table 3. Model Feasibility Index

Indeks	Value	Threshold	Status
APC	0.167 ($p = 0.013$)	$p < 0.05$	Signifikan
GoF	0.279	≥ 0.25 (sedang)	Proper
AVIF	2.307	≤ 3.3	Proper
AFVIF	3.170	≤ 3.3	Proper
R^2 (Y)	0.106	≥ 0.10	Moderate
Q^2 (Y)	0.104	> 0	Predictive Relevance
SRMR	0.072	< 0.08	Good Fit

Source: Author's data processing (2025)

A visualization of the PLS-SEM structural model can be seen in Figure 1, which shows the direct relationship and interaction between latent variables.



Source: Author's data processing (2025)

Figure 1. Results of PLS-SEM Structural Model

Analysis of Effects, Paths, and Sizes

The findings from the pathway test indicated that financial literacy ($\beta = 0.243$; $p = 0.002$) and Islamic values ($\beta = 0.253$; $p = 0.001$) significantly influenced sharia investment choices. In contrast, the perception of risk was insignificant ($\beta = 0.132$; $p = 0.061$), although the direction of the relationship remained positive. Analysis of effect size showed that Islamic values ($f^2 = 0.059$) had a greater influence than financial literacy ($f^2 = 0.036$), while risk perception had only a small effect ($f^2 = 0.029$). The moderation analysis revealed that Islamic values did not enhance the connection between financial literacy and risk perception regarding investment decisions ($p > 0.05$). These results are noteworthy as they indicate that Islamic values serve more effectively as a direct factor rather than as a moderating influence.

Table 4. Hypothesis Test Results and Effect Size

Hipotesis	Path	β	P-value	f^2	Result
H1	Financial Literacy \rightarrow Investment Decisions	0.243	0.002	0.036	Supported
H2	Risk Perception \rightarrow Investment Decisions	0.132	0.061	0.029	Not Supported
H3	Islamic Values \rightarrow Investment Decisions	0.253	0.001	0.059	Supported
H4	Moderation ($X1 \times M$) \rightarrow Investment Decisions	-	0.219	0.011	Not Supported
H5	Moderation ($X2 \times M$) \rightarrow Investment Decisions	0.138	0.054	0.029	Not Supported

Source: Author's data processing (2025)

Based on Table 4, the hypothesis testing results indicate that financial literacy ($\beta = 0.243$; $p = 0.002$) and Islamic values ($\beta = 0.253$; $p = 0.001$) significantly influence Sharia investment decisions, with Islamic values emerging as the most dominant factor. In contrast, risk perception ($\beta = 0.132$; $p = 0.061$) shows no significant effect, although the relationship remains positive. The moderation analysis further reveals that Islamic values do not strengthen the influence of either financial literacy or risk perception on investment decisions ($p > 0.05$), suggesting that their role is better understood as a direct determinant rather than a moderator. These findings highlight that in a context of high religious homogeneity among Muslim students, investment decisions are primarily shaped by the combination of financial literacy and internalized Islamic values, while risk considerations play a relatively minor role.

Discussion

This study offers new insights into the dynamics of Sharia stock investment decisions among Generation Z Muslim students in a context of religious homogeneity. The empirical results reveal that financial literacy and Islamic values significantly influence investment behavior, whereas risk perception does not demonstrate a notable effect. This pattern challenges the assumptions of conventional behavioral finance, which generally considers risk perception a central determinant of decision-making. Instead, the findings suggest that in religiously homogeneous contexts, ethical and spiritual values may act as internalized standards that reshape decision-making priorities, diminishing the role of affective considerations such as risk aversion. These insights underscore the necessity of extending behavioral finance beyond purely cognitive and emotional frameworks by integrating religious and ethical dimensions, thereby strengthening the emerging field of Islamic Behavioral Finance. Moreover, the study highlights the need to reconsider the universality of established behavioral finance models, as their explanatory power may vary across cultural and religious settings. By demonstrating that Islamic values can function as direct determinants of

investment decisions, this research not only contributes to theoretical advancements but also offers practical implications for the design of Sharia-compliant financial education and policy initiatives aimed at fostering sustainable investor behavior among younger generations.

The significant role of financial literacy is consistent with prior global evidence showing that financial knowledge is a strong determinant of rational investment behavior (Lusardi & Mitchell, 2014b; Malkan et al., 2022; Stolper & Walter, 2017). For young investors, financial literacy reduces uncertainty, builds confidence, and fosters informed decision-making in increasingly complex financial environments. Within the Sharia context, however, literacy encompasses not only technical competencies such as portfolio diversification and risk-return analysis, but also a deep understanding of religious principles, including the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and the necessity of adhering to fatwas and Sharia-compliant guidelines (Husin et al., 2021). This dual nature of Islamic financial literacy combining cognitive and spiritual dimensions positions it as more than just a set of financial skills; it represents a holistic ethical framework guiding investors' choices. As a result, Islamic financial literacy functions not only to improve rational decision-making but also to align financial behavior with spiritual accountability and social responsibility. Such integration strengthens investor resilience against behavioral biases such as herding and overconfidence, which are particularly prevalent among Generation Z. Moreover, it distinguishes Islamic financial literacy from its conventional counterpart by embedding moral and ethical considerations directly into the investment process, reinforcing its central role in fostering sustainable and principled investment practices in Sharia capital markets.

Interestingly, risk perception does not significantly influence Sharia stock investment decisions in this study. Conventional finance research identifies risk perception as a central predictor of investment behavior (Kahneman & Tversky, 1979; Weber & Milliman, 1997), and some recent works confirm its relevance (Almansour et al., 2023; Holle et al., 2023). However, our findings align with studies by Md Husin et al. (2021) and Gondal et al. (2022), which argue that religiosity can reduce sensitivity to financial risks. In this case, Islamic values appear to act as a substitute for risk perception, offering moral assurance through Sharia compliance and shifting the decision-making focus from material concerns toward spiritual accountability (Usman et al., 2017).

The most novel contribution of this study lies in the role of Islamic values as direct determinants rather than moderating variables. According to the Theory of Planned Behavior (Ajzen, 2002), religiosity has often been conceptualized as a subjective norm that shapes intentions through social expectations. In contrast, the evidence here suggests that Islamic values among Muslim students at Universitas Islam Malang have become deeply internalized norms that independently regulate financial behavior. This resonates with Çavuşoğlu et al. (2023; Dogan & Karaosmanoglu, 2025), who argue that religiosity, when internalized, transforms external expectations into embedded moral standards.

The interaction between the three dimensions further enriches the analysis by revealing how cognitive, affective, and spiritual factors intertwine in shaping Sharia investment behavior. The insignificance of risk perception underscores the capacity of Islamic values to provide psychological and moral assurance, thereby reducing anxiety over financial uncertainty that is typically central in conventional decision-making models. This finding suggests that when religious norms are internalized, they can serve as a substitute for risk-based considerations, redirecting investment decisions from material calculations toward ethical accountability. At the same time, financial literacy becomes more influential when embedded within these spiritual commitments, forming a dual rational spiritual foundation that empowers investors to act with confidence even in volatile market conditions.

This synergy highlights that technical expertise in Sharia-compliant instruments does not operate in isolation but gains legitimacy and motivational force through moral conviction. As a result, the behavioral mechanisms of Sharia investing differ from conventional models, demonstrating that rational knowledge and ethical-religious values co-produce a distinctive decision-making framework. Such dynamics not only advance the theoretical discourse of Islamic

Behavioral Finance but also illustrate how ethical imperatives can reinforce resilience, consistency, and long-term orientation in financial behavior.

The homogeneity of the research context can also explain the predominance of Islamic values. Within Universitas Islam Malang, Sharia compliance is regarded not as an external imposition but as a shared moral consensus. This strengthens the internalization of religious teachings, which override conventional risk considerations. Such dynamics are consistent with cross-cultural studies indicating that values predict behavior more reliably in societies with strong collective religious norms (Naqvi et al., 2025). Conversely, in more religiously diverse settings, such as Europe or the United States, Islamic values may act more as subjective norms that interact with financial literacy and institutional trust (Almansour et al., 2023). This suggests that the non-significance of risk perception may not generalize beyond homogeneous Muslim contexts, underscoring the need for comparative research.

Theoretically, these findings enrich Islamic Behavioral Finance by showing that in homogeneous contexts, cognitive (financial literacy) and spiritual (Islamic values) dimensions dominate, while the affective dimension (risk perception) diminishes. This reconceptualization reframes Islamic values as internalized determinants rather than external moderators, contributing to Islamic economics and behavioral finance theory. Practically, the results call for more integrative literacy programs by regulators such as OJK and KNEKS, focusing not only on financial products but also on *maqāṣid al-sharī'ah* and ethical responsibility. For Sharia issuers, transparent and principle-based information accompanied by ethical narratives can build long-term loyalty among Generation Z investors. For universities, curriculum innovation that integrates Sharia investment case studies and ethics-based simulations is critical for producing future ethical investors.

Theoretically, these findings enrich the discourse of Islamic Behavioral Finance by demonstrating that in contexts characterized by religious homogeneity, cognitive (financial literacy) and spiritual (Islamic values) dimensions exert a dominant influence on investment decisions, while the affective dimension (risk perception) becomes less salient. This shift suggests that conventional models, which often emphasize the centrality of risk assessment, may have limited explanatory power in culturally and religiously cohesive environments. By reframing Islamic values as internalized determinants rather than external moderators, this study advances the theoretical landscape of both Islamic economics and behavioral finance. Such a reconceptualization highlights the importance of incorporating religiosity not merely as a subjective norm within the Theory of Planned Behavior but as a fundamental, self-regulating standard that independently shapes financial behavior.

From a practical perspective, the findings underscore the need for more integrative literacy programs by regulators such as OJK and KNEKS that go beyond technical training on financial products to include the principles of *maqāṣid al-sharī'ah* and ethical responsibility. Embedding these values ensures that financial competence is intrinsically tied to moral accountability, thereby cultivating more resilient and principled investors. For Sharia issuers, providing transparent, principle-based information supported by ethical narratives can foster stronger emotional and moral engagement, ultimately building long-term trust and loyalty among Generation Z investors. For universities, the challenge lies in innovating curricula that move beyond theory to applied learning, such as Sharia investment case studies, ethics-driven simulations, and experiential modules. Such approaches not only strengthen technical skills but also embed ethical consciousness, ensuring the emergence of a new generation of investors who are simultaneously knowledgeable, responsible, and value driven.

On a global scale, this study aligns with and contributes to the Sustainable Development Goals (SDGs), particularly SDG 4 (Quality Education) and SDG 8 (Decent Work and Economic Growth). By highlighting the integration of financial literacy with Islamic values, the research underscores the potential to cultivate a new generation of investors who prioritize not only profitability but also fairness, sustainability, and Sharia compliance in their financial decisions. This dual emphasis reflects a shift from purely materialist approaches toward ethical and value-driven

investment frameworks that resonate with global calls for responsible and inclusive finance (Falah et al., 2025; Nasrudin et al., 2025).

The novelty of this study lies in its demonstration that, within religiously homogeneous contexts, Islamic values are not peripheral moderators but instead serve as direct determinants of financial behavior. This finding challenges the dominant assumptions of conventional behavioral finance, which often situates religiosity as an external social norm, and instead positions it as an internalized ethical compass guiding decision-making. Such reconceptualization contributes to the theoretical expansion of Islamic Behavioral Finance by offering a culturally embedded model that integrates rationality, spirituality, and sustainability.

Practically, this insight provides actionable guidance for stakeholders. Regulators can design literacy initiatives that explicitly integrate *maqāṣid al-sharī'ah* principles, ensuring that financial education fosters both competence and ethical responsibility. Sharia issuers can leverage value-based narratives to strengthen investor trust and loyalty, while educators can reframe curricula to embed case studies, simulations, and experiential learning that emphasize the balance between technical proficiency and moral accountability. Collectively, these strategies not only strengthen Islamic capital markets but also contribute to the broader global agenda of promoting sustainable, equitable, and ethically grounded economic growth.

CONCLUSION

This study confirms that financial literacy and Islamic values significantly influence students' investment decisions in Sharia-compliant instruments, while risk perception does not exert a notable effect. In contexts of religious homogeneity, Islamic values function not as moderating variables but as direct determinants of financial behavior, operating as internalized norms that consistently guide Muslim students' decisions. Theoretically, these findings enrich the framework of Islamic Behavioral Finance by extending the Theory of Planned Behavior, reframing Islamic values from external subjective norms into embedded internal standards that independently regulate behavior. Practically, they underscore the importance of integrating rational and spiritual dimensions into financial literacy to foster ethical and confident investment practices among Generation Z. From a policy and educational perspective, the results provide actionable guidance: regulators such as OJK and KNEKS should design literacy programs that merge technical competence with *maqāṣid al-sharī'ah* principles, Sharia issuers must deliver transparent and value-based information to build trust and loyalty, and universities need to innovate curricula through case studies, ethics-based simulations, and experiential learning to prepare graduates who are both financially skilled and ethically grounded.

The findings of this study yield significant implications for multiple stakeholders. For Sharia issuers, transparent and Sharia-compliant communication accompanied by ethical narratives is essential to cultivate long-term trust among young investors. For regulators such as OJK and KNEKS, the integration of financial literacy initiatives with the principles of *maqāṣid al-sharī'ah* is necessary to ensure that financial competence is intrinsically linked with ethical awareness and social responsibility, thereby promoting sustainable investor behavior. For higher education institutions, curriculum innovation through applied learning such as Sharia investment case studies, ethics-based simulations, and problem-solving approaches remains pivotal in embedding Islamic values within financial education. Collectively, these implications position Islamic values as direct determinants of financial behavior, extend the applicability of Islamic Behavioral Finance beyond the Indonesian context, and reaffirm the central role of education in producing competent and ethically grounded human capital for the digital era.

This study is subject to several limitations that warrant acknowledgment. First, the sample was restricted to a single Islamic university, which constrains the generalizability of the findings due to the respondents' relatively homogeneous social and religious backgrounds. Second, the exclusive use of a quantitative approach may not adequately capture the reflective and subjective

processes through which Islamic values are internalized in financial decision-making. Future research should address these limitations by incorporating participants from multiple universities with more diverse demographic, social, and religious characteristics to enhance the robustness and external validity of the results. Employing a mixed-methods design that integrates quantitative analysis with qualitative inquiry would also provide richer insights into the reflective and spiritual dimensions of Sharia-based investment behavior. Furthermore, extending the research context to international settings, particularly in societies with higher religious diversity, would strengthen the generalizability of the findings and offer comparative perspectives on the role of Islamic values in shaping financial behavior across different cultural and institutional environments.

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