

Individual Investor Behavior in Sharia-Compliant Stock Investment Decisions on the Indonesia Stock Exchange

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ABSTRACT

Sharia-compliant stock investment is increasingly popular, particularly among Generation Z and millennial investors. However, investment decisions are influenced not only by rational considerations, such as fundamental and technical analysis, but also by psychological factors and investor behavior. This study aims to analyze the effects of overconfidence, financial attitude, and risk tolerance on Sharia stock investment decisions on the Indonesia Stock Exchange, with Islamic financial literacy as a moderating variable. This study employs a quantitative approach using a survey method, in which data were collected through questionnaires distributed to Sharia stock investors. The data were analyzed using Structural Equation Modeling (SEM) to examine the relationships among variables. The results indicate that overconfidence, financial attitude, and risk tolerance have a positive and significant effect on investment decisions. Islamic financial literacy is found to moderate the relationships between financial attitude and investment decisions, as well as between risk tolerance and investment decisions, but does not moderate the relationship between overconfidence and investment decisions. These findings suggest that a strong understanding of Islamic financial literacy can help mitigate overconfidence bias in investment decision-making, enabling investors to behave more rationally when selecting Sharia-compliant stocks. Therefore, enhancing Islamic financial literacy through education and training is essential to support more prudent decision-making and to help investors avoid high-risk investments.

Keywords: behavioral finance, overconfidence, financial attitude, risk tolerance.

INTRODUCTION

Sharia-compliant stock investment is growing in Indonesia, particularly among Generation Z and millennial investors.¹ Based on data from the Indonesian Central Securities Depository, the number of capital market investors in Indonesia reached 13.07 million in the first half of 2025, with 55% of investors aged under 30. This indicates a strong interest among younger investors in participating in the capital market, including Sharia-compliant stocks.² The increasing interest in Sharia stock investment is also driven by several factors, such as the *Yuk Nabung Saham* (YNS) campaign initiated by the Indonesia Stock Exchange (IDX) and the growing public awareness of Islamic economic principles.

Table 1 Financial Literacy & Inclusion Index

Information		Survey Results
Literacy	Conventional	66,45%
	Sharia	43,42%
Inclusion	Conventional	79,71%
	Sharia	13,41%

Source: OJK SNLIK Press Release August 2025

However, despite the growing trend of Sharia-compliant stock investment, the financial literacy of the Indonesian population remains relatively low. The 2024 National Survey on Financial Literacy and Inclusion (SNLIK), conducted by the Financial Services Authority (OJK), reports that the Islamic financial literacy index stands at only 39.11%, significantly lower than the conventional financial literacy rate of 65.08%. This low level of financial literacy may lead investors to make irrational decisions, thereby increasing their vulnerability to various behavioral biases in investment decision-making.³

In the context of behavioral finance, investment decisions are often influenced by cognitive and emotional biases, which may lead investors to behave

¹ Septiani Juniarti et al., "Oikonomia : Jurnal Manajemen Minat Investasi Saham Generasi Z : Financial Literacy dan risk Tolerance," *Oikonomia: Jurnal Manajemen*, 20.2 (2024) <<https://doi.org/10.47313/oikonomia.v20i2.2680>>; Muhammad Rais, Himmatul Khairi, dan Faisal Hidayat, "Influence Of Digital Technology , Religiosity , And Social Media On The Decision Of Generation Z To Invest In Sharia Stocks," *Maro: Jurnal Ekonomi Syariah dan Bisnis*, 6.November (2023), 342-55 <<https://doi.org/10.31949/maro.v6i2.7178>>.

² Dini Selasi, Siska Nurpitasari, dan Meli Saputri, "Pengaruh Literasi Keuangan Syariah terhadap Minat Investasi pada Pasar Modal Syariah," *SANTRI: Jurnal Ekonomi Dan Keuangan Islam*, 2.6 (2024) <<https://doi.org/10.61132/santri.v2i6.1141>>.

³ Kartika Dewi, "Pengaruh Financial Literacy, Risk Tolerance Dan Overconfidence Terhadap Pengambilan Keputusan Investasi Pada Usia Produktif Di Kota Bandung," *Jurnal Mitra Manajemen*, 4.2 (2020), 236-50 <<https://doi.org/10.52160/ejmm.v4i2.344>>; Ojk, "Siaran Pers Survei Nasional Literasi Dan Inklusi Keuangan Tahun 2024," *Otoritas Jasa Keuangan*, Agustus, 2024, 10-12 <<https://www.ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/OJK-dan-BPS-Umumkan-Hasil-Survei-Nasional-Literasi-dan-Inklusi-Kuangan-Tahun-2024.aspx>>.

irrationally.⁴ Empirical study by Dea Adielyani et al.⁵ the findings indicate that overconfidence has a positive and significant effect on stock investment decisions. Investors with an excessive level of confidence tend to take higher risks, as they believe they possess sufficient information to predict market movements, although this is not always the case.

In addition to overconfidence, financial attitude is also an important factor in making investment decisions. Studies conducted Linh T M Nguyen et al.⁶ found that a person's financial attitude has a positive relationship with investment decisions. Investors with a better financial attitude tend to make more mature and responsible investment decisions.

On the other hand, risk tolerance also plays a role in determining investment decisions. Ali sahin in his research Ali Coşkun et al.⁷ found that investors with a high risk tolerance are more likely to take aggressive investment decisions, while research by Bashar Yaser et al.⁸ It shows that risk tolerance. does not always have a significant influence on investment decisions, depending on psychological factors and investor experience.

From an Islamic perspective, Islamic financial literacy is a key factor in making Islamic investment decisions. Study by pendo et al.⁹ it found that Islamic financial literacy can moderate the relationship between financial attitudes and

⁴ Annamaria Lusardi Leora Klapper, "Financial literacy and financial resilience: Evidence from around the world," 2019 <<https://onlinelibrary.wiley.com/doi/epdf/10.1111/fima.12283>>.

⁵ Dea Adielyani dan Wisnu Mawardi, "The Influence of Overconfidence, Herding Behavior, and Risk Tolerance on Stock Investment Decisions: The Empirical Study of Millennial Investors in Semarang City," *Jurnal Maksipreneur: Manajemen, Koperasi, dan Entrepreneurship*, 10.1 (2020), 89 <<https://doi.org/10.30588/jmp.v10i1.691>>; M M Pompian, "Behavioral finance and the coronavirus bear market," *Journal of Wealth Management*, 23.2 (2020), 70–74 <<https://doi.org/10.3905/JWM.2020.23.2.070>>.

⁶ Linh T M Nguyen, Gerry Gallery, dan Cameron Newton, "The Influence of Financial Risk Tolerance on Investment Decision-Making in a Financial Advice Context," *Australasian Accounting, Business and Finance Journal*, 2016, 3–22 <<https://doi.org/10.14453/aabfj.v10i3.2>>; Iram Rehmat et al., "An Examination of Behavioral Factors Affecting the Investment Decisions: The Moderating Role of Financial Literacy and Mediating Role of Risk Perception," *Journal of Innovative Research in Management Sciences*, 4.2 (2023), 1–16 <<https://doi.org/10.62270/jirms.v4i2.52>>.

⁷ Ali Coşkun, M. Abdullah Şahin, dan Sinem Ateş, "Impact of Financial Literacy on the Behavioral Biases of Individual Stock Investors: Evidence from Borsa Istanbul," *Business and Economics Research Journal*, 7.3 (2016), 1–1 <<https://doi.org/10.20409/berj.2016321805>>; C A Reshma dan Rachel Kuruvilla, "A Study on the Relationship between Financial Literacy and Financing Preferences among Entrepreneurs," *International Journal of Management Studies*, 5.4 (2018), 14–19 <[https://doi.org/10.18843/ijms/v5i4\(9\)/03](https://doi.org/10.18843/ijms/v5i4(9)/03)>.

⁸ Bashar Yaser Almansour, Sabri Elkrghli, dan Ammar Yaser Almansour, "Behavioral finance factors and investment decisions: A mediating role of risk perception," *Cogent Economics and Finance*, 11.2 (2023) <<https://doi.org/10.1080/23322039.2023.2239032>>; Ahmed Bouteska dan Boutheina Regaieg, "Loss aversion, overconfidence of investors and their impact on market performance evidence from the US stock markets," *Journal of Economics, Finance and Administrative Science*, 25.50 (2020), 451–78 <<https://doi.org/10.1108/JEFAS-07-2017-0081>>.

⁹ Zaheer Ahmed et al., "What explains the investment decision-making behaviour? The role of financial literacy and financial risk tolerance," *Afro-Asian Journal of Finance and Accounting*, 11.1 (2021), 1–19 <<https://doi.org/10.1504/AJFA.2021.111814>>; Pendo Shukrani Kasoga, "Heuristic biases and investment decisions: multiple mediation mechanisms of risk tolerance and financial literacy—a survey at the Tanzania stock market," *Journal of Money and Business*, 1.2 (2021), 102–16 <<https://doi.org/10.1108/jmb-10-2021-0037>>; Citra Putri Ramadani, "Proceeding Book of The 2 International Conference on Business and Banking Innovations (ICOBBI) 2020 'Nurturing Business and Banking Sustainability' Proceeding Book of The 2 International Conference on Business and Banking Innovations Steering Committee," *ICOBBI (International Conference on Business and Banking Innovation) 'Nurturing Business and Banking Sustainability'*, 2 (2020), 145–52.

investment decisions. Investors who have a good understanding of Islamic finance are more likely to choose investment instruments that are in accordance with sharia principles, such as avoiding *riba*, *gharar*, and *maysir*.

In addition, the phenomenon of rampant fraudulent investment in Indonesia is also an important concern in financial literacy.¹⁰ Cases such as E-Dinar Coin Cash (EDCCash) which ensnared more than 57 thousand customers with a ponzi scheme show that many investors are still tempted by high returns without understanding the real risks. This emphasizes the importance of financial literacy in avoiding the trap of illegal investment.

Based on these phenomena and empirical studies, this study aims to analyze the influence of overconfidence, financial attitude, and risk tolerance on sharia stock investment decisions, with Islamic financial literacy as a moderation variable. This study is expected to provide insight for investors, academics, and regulators on how psychological factors and Islamic financial literacy affect investment behavior in the Islamic capital market.

METHODS

Based on the results of the research and previous theoretical studies, the conceptual framework of this research is as follows:

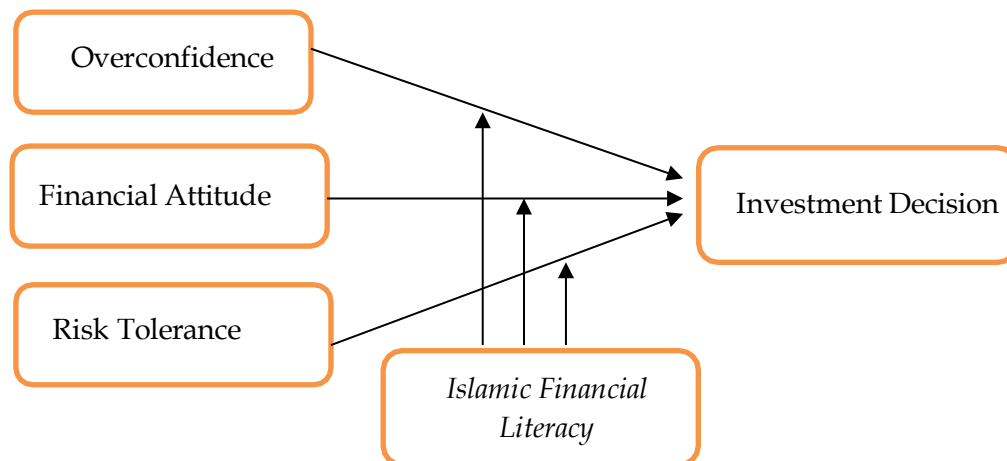


Figure 1 Research Model Framework
Source: Processed data by the authors

¹⁰ Ayu Ariska, "INVESTASI BODONG DI PASAR MODAL SYARIAH INDONESIA : STUDI KASUS," *Jurnal Ekonomi dan Bisnis (EK dan BI)*, 7.2 (2024), 29–37 <<https://doi.org/10.37600/ekbi.v7i2.1531>>; Arif Fadhillah, "Pengaruh Literasi Keuangan Syariah Terhadap Minatberinvestasi (Studi Pada Mahasiswa Uin Ar-Raniry Banda Aceh)" (UIN Ar-Raniry Banda Aceh, 2022) <[https://repository.ar-raniry.ac.id/id/eprint/26125/1/Arif Fadhillah, 180603008, FEBI, PS, 082320813771.pdf](https://repository.ar-raniry.ac.id/id/eprint/26125/1/Arif%20Fadhillah,%20180603008,%20FEBI,%20PS,%20082320813771.pdf)>.

Research hypothesis:

H1: The effect of overconfidence on investment decisions in Islamic stock investors

H2: The influence of financial attitude on investment decisions in Islamic stock investors

H3: The effect of risk tolerance on investment decisions in Islamic stock investors H4:

Islamic financial literacy moderates overconfidence affecting investment decisions in Islamic stock investors

H5: Islamic financial literacy moderates financial attitudes affecting investment decisions in Islamic stock investors

H6: Islamic financial literacy moderates risk tolerance affecting investment decisions in Islamic stock investors

This type of research is quantitative descriptive using a causal associative approach, in this study it is carried out by the method of collecting primary data sources and secondary data sources. The population targeted in this study consists of generation z and millennial investors throughout Indonesia.

The sampling techniques used in this study are non probability sampling i.e. (sample without chance), is a sampling technique that does not provide the same opportunity or opportunity for each element or member of the population to be selected as a sample,¹¹ by using the Purposive Sampling namely a sample determination technique with certain considerations,¹² these considerations include:

1. Investors with the age of 20-39 years.
2. Already have a securities account (sharia shares).
3. Have traded or purchased a securities account.
4. Have made an investment for at least 6 months or more.

The data was collected through questionnaires through google forms and distributed online. Data analysis was carried out using the Structural Equation Modeling Partial Least Squares (SEM-PLS) method with Smart PLS 4.0 software, the measurement models used in this study include the outer model (for validity and reliability tests), the inner model (for R-square and Q-square tests), and hypothesis testing (using t-tests).

RESULT AND DISCUSSION

Respondent Profile

Respondents in this study were selected based on the specific characteristics outlined in the respondent profiles. A total of 210 respondents were selected to ensure adequate representation across the various categories measured in this study. These categories include gender, age, education level, occupation, length of investment, and domicile. Among the respondents 52.6% (118) were male, and 54.3% (114) were between the ages of 20 and 25. Regarding

¹¹ Imam Ghozali, *Structural equation modeling: metode alternatif dengan partial least square (PLS)*, Edisi 4 (Semarang: Badan Penerbit Universitas Diponegoro, 2014); Nanang Martono, *Metode Penelitian Kuantitatif: analisis isi dan analisis data sekunder* (Jakarta: Rajawali Pers, 2016).

¹² Sugiyono, *Metode penelitian kuantitatif, kualitatif, dan R&D*, Cet Ke-3 (Bandung: Alfabeta, 2021).

education, 57.2% (120) have a S1/D4 degree. The majority of 38.1% (80) are students or students. Regarding the duration of investing, 54.2% have invested for more than 2 years, and 31% are domiciled on the island of Sumatra.

Convergent Validity

The test results are based on the value of the latent variable coefficient with reflective indicators, where the measurement can be seen using the loading factor. The value of the loading factor is said to be valid if >0.7 .¹³

Table 2 Outer Loading

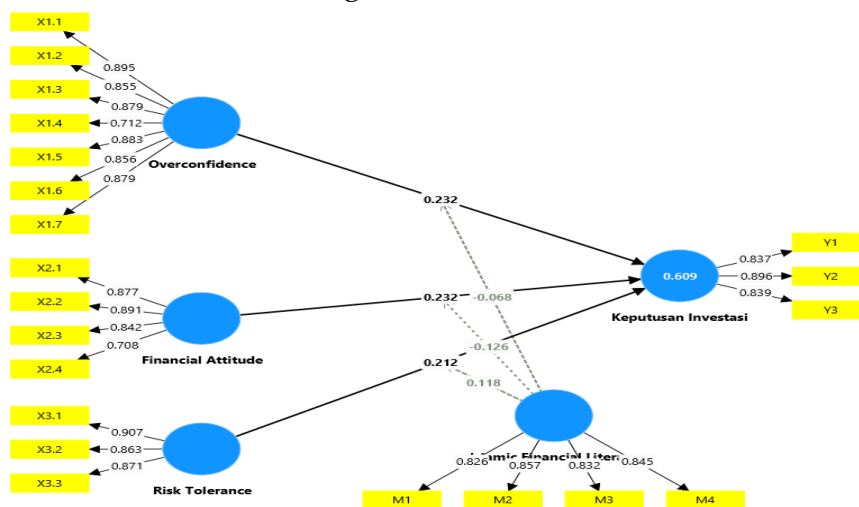
	Financial Attitude	Islamic Financial Literacy	Investment Decision	Over confidence	Risk Tolerance
M1		0,826			
M2		0,857			
M3		0,832			
M4		0,845			
X1.1				0,895	
X1.2				0,855	
X1.3				0,879	
X1.4				0,712	
X1.5				0,883	
X1.6				0,856	
X1.7				0,879	
X2.1	0,877				
X2.2	0,891				
X2.3	0,842				
X2.4	0,708				
X3.1					0,907
X3.2					0,863
X3.3					0,871
Y1			0,837		
Y2			0,896		
Y3			0,839		

Source: Processed data by the authors

¹³ Joseph F. Hair et al., "When to use and how to report the results of PLS-SEM," *European Business Review*, 31.1 (2019), 2-24 <<https://doi.org/10.1108/EBR-11-2018-0203>>.

Table 2 explains all the statements submitted and declared valid because they have an outer loading value above 0.5. The statement with the highest outer loading value on the overconfidence variable is X1.1 reaching 0.895 while the lowest value is X1.4 with a value of 0.712. In the financial attitude variable, the statement with the highest outer loading value is X2.2 reaching 0.891 and the lowest is X2.4 with a value of 0.708. For the risk tolerance variable, the highest outer loading value is X3.1 of 0.907 while the lowest is X3.2 with a value of 0.863. The outer loading statement on the Islamic financial literacy variable with the highest value was M2 of 0.857 and the lowest was M1 of 0.826. For the investment decision variable, the highest outer loading value is Y2 at 0.896 while the lowest is Y1 with a value of 0.837. Adjustments to the model are made as follows.

Figure 2 Outer Model



Source: Processed data by the authors

Discriminant Validity

The validity test of discrimination was obtained from the results of the AVE value on the research variable. The provisions in this test state that if the test score is < 0.5 , it can be said that the validity value of the test is not good.¹⁴

¹⁴ Joseph F. Hair, *Overview of Multivariate Methods* (Amerika: Pearson, 2014).

Table 3 Average Variance Extracted

Variable	AVE
Overconfidence	0,728
Financial Attitude	0,694
Risk Tolerance	0,776
Islamic Financial Literacy	0,706
Investment Decision	0,736

Source: Processed data by the authors

The data listed in the table explain that the independent variable and the dependent variable have an AVE value that exceeds 0.5. The risk tolerance variable achieved the highest AVE value of 0.776 while the financial attitude variable had the lowest AVE value of 0.694. These findings confirm the conformity with the existing outer loading explanation, imply that all variables meet the validity criteria, and show that all indicators can be considered valid.

Reliability Test

The reliability test has a limit value of ≥ 0.7 . If the value obtained = 0.7, it is still declared reliable.¹⁵

Table 4 Reliability Test

	Cronbach's Alpha	Composite reliability
Financial Attitude	0,851	0,868
Islamic Financial Literacy	0,861	0,863
Investment Decision	0,820	0,825
Overconfidence	0,937	0,940
Risk Tolerance	0,855	0,859

Source: Processed data by the authors

The data in the table above shows that each variable has a composite reliability value exceeding 0.7. The overconfidence variable reached the highest value, 0.940 while the investment decision variable had the lowest value, 0.825. These results show that the reliability test can be considered reliable. Based on Cronbach's Alpha value, it can be said that the overconfidence variable has a value of 0.937 which puts it in the category of very high reliability levels. The variable of Islamic financial literacy is 0.861 which means very high reliability. The risk tolerance variable has a value of 0.855 which corresponds to a very high level of reliability. The reliability value of the financial attitude variable is 0.851 which states that the variable has an extraordinary level of reliability. The investment decision variable has a value of 0.820 which means a good level of reliability. So, the conclusion is that the reliability test in this study is very reliable.

¹⁵ Ghozali, *Structural equation modeling...*

Inner Model Evaluation

Inner model (innerrelation, structural model and substantive theory) describes the influence between latent variables based on substantive theory. The structural model was evaluated using *R-Square* for the dependent latent variable. In assessing the model with PLS, it starts by looking at *R-Square* for each dependent latent variable. The interpretation is the same as the interpretation on regression. Changes in the value of *R-Square* It can be used to assess the influence of certain independent latent variables on dependent latent variables whether they have a substantive influence.¹⁶

Table 5 R-square Test

	R-square	R-square adjusted
Investment Decision	0,609	0,596

Source: Processed data by the authors

The R-Square value obtained at 0.609 can be categorized as a medium model, which indicates a medium relationship. This statement explains that independent variables, overconfidence, financial attitude, risk tolerance, and Islamic financial literacy as moderation variables affect investment decisions by 60.9%, the remaining 39.1% are influenced by other factors outside the research model.

Hypothesis Test

The basis for hypothesis testing in this study is to use the values contained *output path coefficients*. According to Imam Ghozali¹⁷ statistical value with hypothesis testing, with a significant level of 5% of the statistical value used, which is 1.96. So the criteria for acceptance/rejection of the hypothesis is that if the t-statistic used is >1.96, it means that H_a is accepted and H_0 is rejected. Reject/accept hypothesis with probability, H_a is accepted if the value is $p < 0.05$. Meanwhile, the value of P-value >0.05 and the statistical T value of <1.96 with a significance level of 5% indicates that it is not significant or the hypothesis used is rejected for each relationship of each variable.

¹⁶ Ghozali, *Structural equation modeling...*

¹⁷ Ghozali, *Structural equation modeling...*

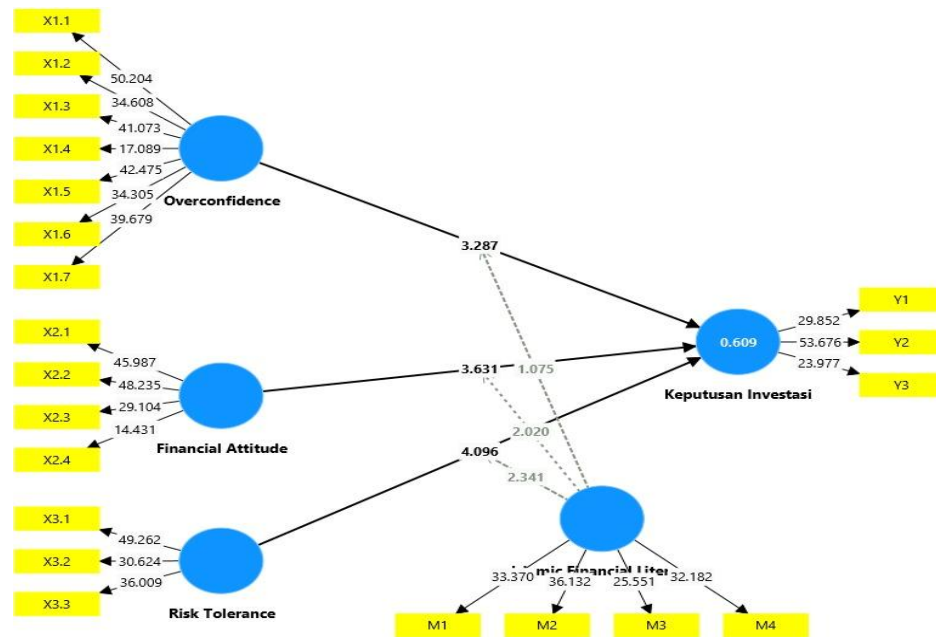


Figure 3 Hypothesis Test

Source: Processed data by the authors

Figure 3 explains the strength of the assessment of each latent variable. For structural model analysis, it will be used to see the results of Path Coefficient carried out using bootstrapping. The estimated output table for the structural model testing in this study is as follows.

Table 6 T-Stats Measurement

	Original sample (O)	T statistics (O/STDEV)	P values
Overconfidence -> Investment Decision	0,232	3,287	0,001
Financial Attitude ->Investment Decision	0,232	3,631	0,000
Risk Tolerance ->Investment Decision	0,212	4,096	0,000
Islamic Financial Literacy x Overconfidence ->Investment Decisions	-0,068	1,075	0,283
Islamic Financial Literacy x Financial Attitude ->Investment Decision	-0,126	2,020	0,043
Islamic Financial Literacy x Risk Tolerance ->Investment Decision	0,118	2,341	0,019

Source: Processed data by the authors

In Smart PLS, statistical tests of each hypothesized relationship are carried out using simulations calculated through bootstrapping of samples. This test was carried out to minimize the problem of abnormal research data. The results of *the bootstrapping* test of PLS analysis are as follows:

1. Hypothesis (H1) is the result of testing that *overconfidence* has a positive effect on sharia stock investment decisions. It can be seen that the value of the path coefficient of 0.232 has a positive effect with a t-statistical value ($3 > 2871.96$) and a p-value ($0.001 < 0.05$) as significant evidence. The hypothesis is accepted, so it can be concluded that *overconfidence* has a positive and significant effect on sharia stock investment decisions.
2. Hypothesis (H2) is the result of testing that *financial attitude* has a positive and significant effect on sharia stock investment decisions. It can be seen that the value of the path coefficient of 0.232 has a positive effect with a t-statistical value ($3 < 631 > 1.96$), and a p-value value ($0.0000.05$) as significant evidence. The hypothesis is accepted, so it can be concluded that *financial attitude* has a positive and significant effect on sharia stock investment decisions.
3. Hypothesis (H3) of the test results that risk *tolerance* has a positive and significant effect on sharia stock investment decisions. It can be seen that the value of the path coefficient of 0.212 has a positive effect with a t-statistical value ($4.096 > 1.96$), and a p-value value ($0.000 < 0.05$) as significant evidence. The hypothesis is accepted, so it can be concluded that *risk tolerance* has a positive and significant effect on sharia stock investment decisions.
4. Hypothesis (H4) test results that *overconfidence* has a negative and insignificant effect on sharia stock investment decisions with *Islamic financial literacy* as a moderation variable. It can be seen that the value of the path coefficient -0.068 has a negative effect with a t-statistical value ($1.075 < 1.96$), and a p-value ($0.283 > 0.05$) as insignificant evidence. The moderation hypothesis was rejected, so it can be concluded that Islamic Financial Literacy is not able to moderate the influence of overconfidence on sharia stock investment decisions.
5. Hypothesis (H5) test results that *financial attitude* has a negative and significant effect on sharia stock investment decisions with *Islamic financial literacy* as a moderation variable. It can be seen that the value of the path coefficient -0.126 has a negative effect with a t-statistical value of ($2 > 0201.96$), and a p-value ($0.043 < 0.05$) as significant evidence. The moderation hypothesis is accepted so that it can be concluded that *Islamic financial literacy* strengthens the influence of *financial attitude* on sharia stock investment decisions.
6. Hypothesis (H6) The results of *the risk tolerance* test have a positive and significant effect on the decision to invest in sharia stocks with *Islamic financial literacy* as a moderation variable. It can be seen that the value of the path coefficient of 0.118 has a positive effect with a t-statistical value ($2 > 3411.96$), and a p-value ($0.019 < 0.05$) as significant evidence. The

moderation hypothesis is accepted so that it can be concluded that *Islamic financial literacy* strengthens the influence of *risk tolerance* on sharia stock investment decisions.

The effect of overconfidence on investment decision-making in Islamic stock investors on the Indonesia Stock Exchange

Overconfidence refers to a person's tendency to judge himself as more capable than reality, which indicates an excessive level of self-confidence.¹⁸ Nianty defines *overconfidence* as a belief in the intuition, judgment, and cognitive abilities of the individual.¹⁹ This attitude has an impact on investors, for example by overvaluing the company's potential as an investment option, conducting excessive transactions, and underestimating the existing risks. Investors with *overconfidence* tend to be bolder in making investment decisions, while those who have *overconfidence* low tend to be more cautious in every investment step taken.²⁰

Overconfidence can be a powerful source of motivation when a person is very confident in their abilities, they tend to be more motivated to put in the effort and achieve their goals. High confidence can help them cope with challenges and failures better, people who are *overconfidence* tend to be more proactive and dare to take risks.²¹ They more often come up with new ideas and embark on ambitious projects. This attitude can encourage innovation and growth.²² High self-confidence is often associated with strong leadership. A confident leader can inspire his team and encourage them to achieve a common goal. In negotiations, *overconfidence* can provide profits. A person who is very confident tends to be more assertive in demanding what they want and is better able to convince others.²³ The higher the level *overconfidence* the greater the likelihood that a person will make an investment decision, in other words, the relationship between *overconfidence* Investment decision-making is not just a coincidence.

¹⁸ Selim Aren dan Sibel Dinç Aydemir, "The Moderation of Financial Literacy on the Relationship Between Individual Factors and Risky Investment Intention," *International Business Research*, 8.6 (2015) <<https://doi.org/10.5539/ibr.v8n6p17>>; D Guo, "The impact of different sentiment in investment decisions: evidence from China's stock markets IPOs," *Economic Research-Ekonomika Istrazivanja*, 36.1 (2023) <<https://doi.org/10.1080/1331677X.2022.2113739>>.

¹⁹ D A Nianty, "THE EFFECT OF INVESTMENT DECISIONS, CAPITAL STRUCTURE, AND DIVIDEND POLICY ON FINANCIAL PERFORMANCE AND COMPANY VALUE IN BANKING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2019-2021 PERIOD," *Revista de Gestao Social e Ambiental*, 17.6 (2023) <<https://doi.org/10.24857/rgsa.v17n6-005>>.

²⁰ S Parveen, "Exploring market overreaction, investors' sentiments and investment decisions in an emerging stock market," *Borsa Istanbul Review*, 20.3 (2020), 224-35 <<https://doi.org/10.1016/j.bir.2020.02.002>>; Hussain dan Rasheed.

²¹ Thach; Tyvodar.

²² Z Hao, "Analysing Tweets Sentiments for Investment Decisions in the Stock Market," *Smart Innovation, Systems and Technologies*, 2021, 129-41 <https://doi.org/10.1007/978-981-16-2994-5_11>; Wiryaningtyas.

²³ K A Oweis, "The transparency of accounting information and its role in making investment decision (Companies listed on the Saudi stock exchange)," *International Journal of Advanced and Applied Sciences*, 6.8 (2019), 16-22 <<https://doi.org/10.21833/ijaas.2019.08.003>>; Ahmad Zikri Dwiatmaja, "Human Needs Are Unlimited In The Perspective Of Sharia Economics (Homo Economicus Vs Homo Islamicus)," *LIKUID: Jurnal Ekonomi Industri Halal*, 5.1 (2025), 99-117 <<https://doi.org/10.15575/likuid.v5i1.41871>>.

The influence of financial attitude on investment decision-making in Islamic stock investors on the Indonesia Stock Exchange

The results of the study show that *financial attitude* have a positive and significant effect on investment decisions for Islamic stock investors. *Financial attitude* as a state of mind, opinion, and judgment that refers to how a person responds to personal financial matters, which is measured by responses to statements or opinions. According to Banthia²⁴ states that *financial attitude* It is a psychological tendency that is expressed when evaluating recommended financial management practices with some degree of agreement and disagreement. Means *financial attitude* plays an important role in determining a person's financial behavior. *Financial attitude* will help one to understand the importance of managing personal money.²⁵

The effect of risk tolerance on investment decision-making in Islamic stock investors on the Indonesia Stock Exchange

The results of the study show that *Risk tolerance* on investment decisions in Islamic stock investors has a positive and significant influence. *Risk tolerance* is the level of ability that investors can accept in taking an investment risk, each investor has a different level of *Risk tolerance*.²⁶ This is because in assessing the risk in a risky situation depends on the condition and circumstances of a person.²⁷ When a person has a level *Risk tolerance* high, then a person tends to be more courageous in making investment decisions because they like risky conditions such as investing in stocks.²⁸

Risk tolerance influencing how investors deal with profits and losses in investments. There are related things such as: First, *Loss Aversion & Risk-Averse Behavior* i.e. Investors with *Risk tolerance* low (*risk-averse*) will be more likely to experience *loss aversion*, so they prefer safe investments even though the returns are smaller. They also tend to sell stocks that are already profitable too quickly to void the risk of further losses.²⁹ Second *Framing Effect & Decision Bias* i.e. Investors with *Risk tolerance* low is more susceptible to *framing effect*. If an investment is presented as "high risk" rather than "potential return high", they will tend to avoid such investments. Meanwhile, investors with high risk tolerance focus more on potential profits than risks.

²⁴ Dhananjay Banthia dan Sanjeeb Kumar Dey, "Impact of Financial Knowledge, Financial Attitude and Financial Behaviour on Financial Literacy: Structural Equation Modeling Approach," *Universal Journal of Accounting and Finance*, 10.1 (2022), 327-37 <<https://doi.org/10.13189/UJAF.2022.100133>>.

²⁵ Fakoya.

²⁶ Rehmat et al.

²⁷ P Chaiwuttisak, "Multi-Criteria Decision-Making for Investment Portfolio Selection in Thailand's Stock Market," *Frontiers in Artificial Intelligence and Applications*, 2023, 188-96 <<https://doi.org/10.3233/FAIA230184>>.

²⁸ Timothy Salvatore dan Martha Ayerza Esra, "Pengaruh Overconfidence, Herding, Regret Aversion, Dan Risk Tolerance Terhadap Pengambilan Keputusan Investasi Investor," *Jurnal Manajemen*, 10.1 (2020), 48-56 <<https://doi.org/10.46806/jm.v10i1.699>>.

²⁹ K Rashid, "Behavioural errors and stock market investment decisions: recent evidence from Pakistan," *Asian Journal of Accounting Research*, 7.2 (2022), 129-45 <<https://doi.org/10.1108/AJAR-07-2020-0065>>; C Mayori, "Factors that Influence Stock Investment Decisions in IPOT," *ACM International Conference Proceeding Series*, 2022, hal. 118-25 <<https://doi.org/10.1145/3549843.3549861>>.

Then the third Risk-seeking in losses & high-risk investment behavior i.e. investors with Risk tolerance High is more susceptible to risk-seeking behavior in loss-making conditions.³⁰ If they experience losses, they may still hold on to the loss-making investment or even increase their investment (*average down*), Although rationally this decision is high-risk. Fourth *diminishing sensitivity & portfolio allocation* i.e. investors with Risk tolerance High may be less sensitive to large changes in values and more comfortable with high volatility. On the other hand, investors *risk-averse* are more likely to avoid assets with large fluctuations and opt for more stable instruments.

Islamic financial literacy is unable to moderate the influence of overconfidence on investment decisions in Islamic stock investors on the Indonesia Stock Exchange

The results of the study show that *overconfidence* have a negative and insignificant effect on investment decisions in Islamic stock investors by *Islamic Financial Literacy* as a moderation variable. The results of this study were reviewed from *Behavioral Finance Theory* explains that human behavior in investing is not always rational, but is influenced by various cognitive and emotional biases.³¹ One of the main biases is *overconfidence*, where investors feel too confident in their knowledge and ability to make investment decisions. As a result, they tend to: Ignore important information that contradicts their beliefs. Underestimating risks and doing *Overtrading*. Have unrealistic expectations of returns.³²

In some cases *Islamic Financial Literacy* can act as moderation which is ineffective in reducing the effects of *overconfidence* on investment decisions. This causes a negative and insignificant impact on the relationship between *overconfidence* and investment decisions.³³ It can be concluded that an investor in making an investment decision is not enough just an increase *Islamic Financial Literacy* high in overcoming behavior *Overconfidence bias* who can behave irrationally in making an investment decision.³⁴ These results show that the behavior *overconfidence* can have an impact on negative behavior because it is not accompanied by quality *Islamic Financial Literacy* high in making investment

³⁰ Hossain.

³¹ E Hernández-Nieves, "Distributed Decision Blockchain-Secured Support System to Enhance Stock Market Investment Process," *Lecture Notes in Networks and Systems*, 2022, 48-60 <https://doi.org/10.1007/978-3-030-78901-5_5>.

³² Z Moeini Najafabadi, "Making investment decisions in stock markets using a forecasting-Markowitz based decision-making approaches," *Journal of Modelling in Management*, 15.2 (2020), 647-59 <<https://doi.org/10.1108/JM2-12-2018-0217>>.

³³ Hussain dan Rasheed.

³⁴ C H Lee, "Design and Implement an Intelligent System for Stock Investment Decision Making," *Journal of Information Science and Engineering*, 39.5 (2023), 1101-16 <[https://doi.org/10.6688/JISE.202309_39\(5\).0006](https://doi.org/10.6688/JISE.202309_39(5).0006)>; Q Zhu, "High return and low risk: Shaping composite financial investment decision in the new energy stock market," *Energy Economics*, 122 (2023) <<https://doi.org/10.1016/j.eneco.2023.106683>>.

decisions. This can imply policies that highlight a more holistic approach to learning financial literacy.³⁵

In context *Behavioral Finance Theory Overconfidence* is a psychological bias that is difficult to control, even by Islamic financial literacy. Objective,³⁶ if *Islamic Financial Literacy* is only theoretical, poorly applied in practice, or not strong enough in changing investment behavior, then the effect of moderation on *overconfidence* become negative and insignificant. As a result, investment decisions remain influenced by excessive confidence, and the principle of prudence in Islamic investment is not applied optimally.³⁷

Islamic financial literacy weakens the moderation of the influence of financial attitudes on investment decisions in Islamic stock investors on the Indonesia Stock Exchange

The results of the study show that *financial attitude* have a negative and significant effect on investment decisions in Islamic stock investors by *Islamic Financial Literacy* as a moderation variable. *Financial attitude* refers to how important it is to be involved in financial activities. Consequently *financial attitude* A person will affect the way they manage their money, if a person's financial attitude or financial judgment is good then his personal financial management behavior is also good, but if a person's financial attitude or financial judgment is bad, then his personal financial management behavior is also bad.³⁸

Some of the reasons that explain why *Islamic Financial Literacy* weakening influence *financial attitude* for investment decisions are as follows: *Islamic Financial Literacy* Increasing Mindfulness (*Prudence*) in Investment Investors who have *Islamic Financial Literacy* high will be more cautious in investing because they understand that investment in Islam must be free from *riba*,³⁹ *gharar* (excessive uncertainty), and *maysir* (speculation). This causes them to be more selective and tend to avoid high-risk investments, even if their previous financial attitudes have tended to be positive towards investments.⁴⁰ As a result, even if a

³⁵ K C Cheng, "Establishing a multiple-criteria decision-making model for stock investment decisions using data mining techniques," *Sustainability (Switzerland)*, 13.6 (2021) <<https://doi.org/10.3390/su13063100>>; E L Maretha Sitingjak, "Investor Style in Stock Investment Decisions," *Proceedings - International Conference on Computer and Information Sciences: Sustaining Tomorrow with Digital Innovation, ICCOINS 2021, 2021*, hal. 252-57 <<https://doi.org/10.1109/ICCOINS49721.2021.9497231>>.

³⁶ Luh Ayu et al., "the Effect of Financial Attitude, Financial Behavior, Financial Knowledge, and Sociodemographic Factors on Individual Investment Decision Behavior," *American Journal of Humanities and Social Sciences Research*, 5, 2021, 519-27 <www.ajhssr.com>; P. Veni.

³⁷ J Bai, "Capital market frictions and human capital investment: Evidence from workplace safety around regulation SHO," *Financial Review*, 55.2 (2020), 339-60 <<https://doi.org/10.1111/fire.12227>>; M Bai, "Stock Investment Strategy Based on Decision Tree," *Proceedings of IEEE 7th International Conference on Computer Science and Network Technology, ICCSNT 2019, 2019*, hal. 151-55 <<https://doi.org/10.1109/ICCSNT47585.2019.8962477>>.

³⁸ Zikri Dwiatmaja, Muhammad Daniaul Tompson, dan Saiful Muchlis, "Sharia Enterprise Theory : Integration of The Concept of Trust in The Amil Zakat Institution," *Al-Amwal: Journal of Islamic Economic Law*, 9.2 (2025), 143-58; Ranaweera dan Kawshala.

³⁹ Kashif; Kasoga.

⁴⁰ N Khababa, "Investors Behaviour and Psychological Factors Impact on Saudi Arabia Stock Market Sustainability through Investment Decisions," *Cuadernos de Economia*, 46.132 (2023), 202-12 <<https://doi.org/10.32826/cude.v46i132.1218>>.

person has *financial attitude* positive investment, the investment decision can be more conservative, so that the relationship between *financial attitude* and investment decisions become negative and significant.

Islamic financial literacy strengthens the moderation of the influence of risk tolerance on investment decisions in Islamic stock investors on the Indonesia Stock Exchange

The results of the study show that *Risk tolerance* has a positive and significant effect on investment decisions in Islamic stock investors moderated by *Islamic Financial Literacy*. Investment decision as a decision called *capital budgeting*, i.e. the entire planning and decision-making process regarding expenses with a long-term refund period or more than one year.⁴¹ With the right investment decisions, it is hoped that someone can minimize investment risks and maximize the expected rate of return. One of the aspects emphasized in the *Islamic Financial Literacy* It is important to avoid unnatural losses, which can occur if investors are not careful in choosing investment instruments. With *Islamic Financial Literacy* an investor with *Risk tolerance* even high ones will be more cautious and not take too big or unbalanced risks.⁴²

In context *risk tolerance*, Investors with a high risk tolerance will be more willing to face market uncertainty and volatility to get higher returns.⁴³ *Risk tolerance* It usually has a positive relationship with investment decisions: the higher the risk tolerance, the more likely a person is to make an investment decision. However, this relationship can be strengthened by *Islamic Financial Literacy*, so that the impact becomes more positive and significant on investment decisions.

In Islamic finance, risk is considered a natural part of investing, but it must be managed fairly and transparently. Investors who have *Islamic Financial Literacy* better understands that risk in Islamic investment is not wild speculation, but part of a fair profit-and-loss sharing system.⁴⁴ This makes investors more confident in making investment decisions, especially in instruments such as *sukuk*, *sharia stocks*, or *sharia mutual funds*. *Islamic financial literacy* reduce the effect of loss aversion that investors tend to be more afraid of losses than pursuing profits. However, with a good understanding of Islamic finance,

⁴¹ Kharis Fadlullah Hana, "Efektifitas Literasi Melalui Game Nabung Saham Go Terhadap Keputusan Membeli Saham Syariah," *Equilibrium: Jurnal Ekonomi Syariah*, 7.2 (2019), 367 <<https://doi.org/10.21043/equilibrium.v7i2.5816>>; Ahmad Zikri Dwiatmaja, "Entrepreneurship Dan Strategi Bisnis Dalam Islam (Overview QS. Quraisy: 1-4)," *Bisma*, 2.2 (2024) <<https://doi.org/10.59966/bisma.v2i2.920>>.

⁴² ES Alghifari, "Investment Decisions of Energy Sector Companies on the Indonesia Stock Exchange: Theory and Evidence," *International Journal of Energy Economics and Policy*, 12.6 (2022), 73-79 <<https://doi.org/10.32479/ijee.v13i6.13642>>.

⁴³ R Renu Isidore, "Drivers of stock investment decision: An orthogonal linear transformation approach," *Journal of Private Equity*, 22.2 (2019), 55-65 <<https://doi.org/10.3905/jpe.2019.22.2.055>>; R Zhang, "Capital market opening and corporate environmental performance: Empirical evidence from China," *Finance Research Letters*, 53 (2023) <<https://doi.org/10.1016/j.frl.2022.103587>>.

⁴⁴ S Zhang, "Behavioral finance between the spot and futures markets based on multilayer network," *Journal of China Universities of Posts and Telecommunications*, 30.6 (2023), 82-88 <<https://doi.org/10.19682/j.cnki.1005-8885.2023.1013>>; Alghifari.

investors focus more on the principles of fairness and sustainability of investment, rather than just avoiding losses.⁴⁵ As a result, investors with *Islamic Financial Literacy* Colleges are more willing to continue investing despite risks, because they understand that sharia investment is based on real value and not speculation alone.

CONCLUSION

Referring to the results of the research and discussion that have been presented previously, the conclusions in this study can be drawn as follows:

1. Based on the results of the analysis, it is shown that *overconfidence* has a positive and significant effect on investment decision-making in Islamic stock investors. This shows that the higher an investor has confidence, the higher the investment decision-making.
2. Based on the results of the analysis, it shows that *financial attitude* has a positive and significant effect on investment decision-making in Islamic stock investors. This shows that the better an investor's financial attitude will be the better investment decision-making.
3. Based on the results of the analysis, it shows that *risk tolerance* has a positive and significant effect on investment decision-making in Islamic stock investors. This shows that an investor has good *risk tolerance* behavior, the better investment decision-making will be.
4. Based on the results of the analysis, it shows that *Islamic financial literacy* is not able to moderate the influence of *overconfidence* on investment decisions in Islamic stock investors. This shows that *Islamic financial literacy* owned by Islamic stock investors already has a fairly good *Islamic financial literacy*, so that in this study it is able to overcome the negative impact of overconfidence.
5. Based on the results of the analysis, it is shown that *Islamic financial literacy* weakens the influence of *financial attitude* on investment decisions in Islamic stock investors. This proves that even though a person has a good financial attitude towards investment, a high level of Islamic financial literacy actually reduces their tendency to invest in sharia stocks. Why does *Islamic financial literacy* weaken the influence of *financial attitudes* on sharia stock investment decisions? Because investors with high *Islamic financial literacy* avoid stocks that are considered to have high volatility or potentially contain elements of *gharar* (uncertainty), even though they have a *financial attitude* that supports investment. So they tend not to invest immediately even though they have a *good* financial attitude.
6. Based on the results of the analysis, it shows that *Islamic financial literacy* strengthens the influence of *risk tolerance* on investment decisions in Islamic stock investors. This proves that when an investor's *risk tolerance* increases, it shows that investors are more courageous in making investment decisions. However, the impact of this courage can be minimized by the presence of

⁴⁵ H Zhang, "An Integrated Decision Support System For Stock Investment Based on Spherical Fuzzy PT-EDAS Method and Merce," *Technological and Economic Development of Economy*, 29.4 (2023), 1353-81 <<https://doi.org/10.3846/tede.2023.19123>>; Rahies et al.

Islamic financial literacy, which makes investors more cautious and wise in making investment decisions.

Author's Contribution

Ahmad Zikri Dwiatmaja: Contribute to formulating research ideas, collecting data, processing data, and interpreting data

Rika Dwi Ayu Parmitasari: Contributing to writing systematics and research methods, analyzing interpretation results

Nasrullah Bin Sapa: Contributing to collecting data, compiling a literature review and to the language proofread.

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Declaration of Competing Interest

The author declares that there is no conflict of interest.

Ethical Approval

Ethical approval No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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