

THE INFLUENCE OF FINANCIAL LITERACY AND MULTIDIMENSIONAL RISK ON INVESTMENT DECISIONS OF SHARIA INVESTORS IN THE CAPITAL MARKET

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ABSTRACT

The development of the Islamic capital market in Indonesia shows great potential, but investor participation is still relatively low. This study aims to analyze the influence of financial literacy and multidimensional risk on investment decisions in the Islamic capital market. Multidimensional risk in this study includes risk propensity, risk attitude, risk capacity, and risk knowledge. The research was conducted at the Ulive Education Center Islamic Investment Gallery, which has been actively providing Islamic-based investment education. The method used was quantitative with a Partial Least Squares Structural Equation Modeling (PLS-SEM) approach, based on data from 140 respondents who had invested at least once. The results showed that financial literacy, risk attitude, risk capacity, and risk knowledge had a positive and significant effect on investment decisions. Meanwhile, risk propensity showed a positive but insignificant effect. These findings emphasize the importance of improving financial literacy and risk understanding to encourage wise investment decisions in the Islamic capital market.

Keywords: Investment Decisions, Financial Literacy, Islamic Capital Market, Multidimensional Risk

INTRODUCTION

The Islamic capital market in Indonesia has continued to experience encouraging growth in recent years. Based on data from the Indonesia Stock Exchange (IDX) as of January 2025, Islamic stocks contributed around 55% of the total market capitalization and daily transaction volume (IDX, 2025a). According to the Financial Services Authority (OJK), the number of sharia stocks has also increased significantly, from 436 stocks in 2020 to 681 stocks in 2024, or an increase of 56.2% (OJK, 2025b). This trend shows the strengthening of the position of sharia stocks in the national financial system, although it has not been matched by investor participation. Figure 1 illustrates the increase in the number of sharia stocks on the IDX over the past five years.

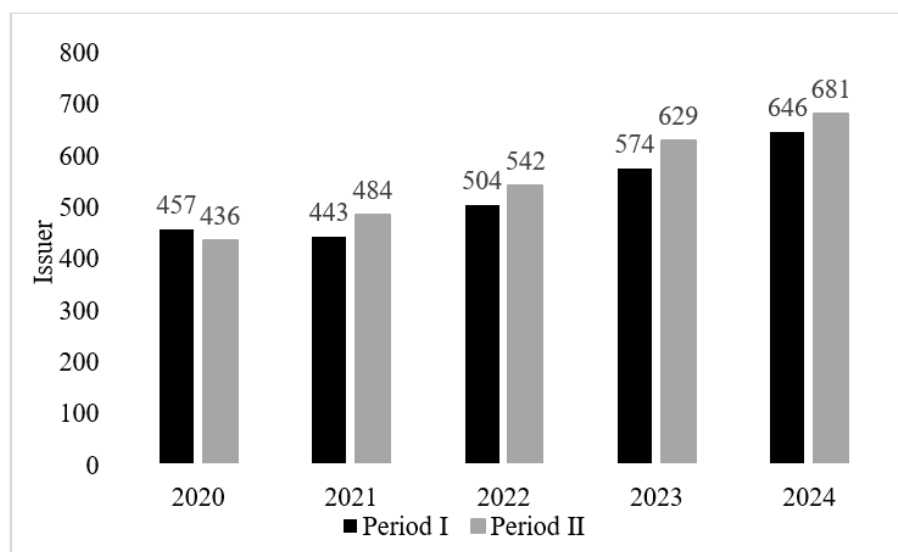


Figure 1. Trend of increase in the number of sharia stocks
Source: OJK (2025)

The increase in the number of sharia stocks in Indonesia is driven by strong regulations. The OJK issued POJK No. 15 and No. 17 of 2015, which regulate sharia principles and the issuance of sharia shares (BEI, 2025b). In addition, Fatwa DSN-MUI No. 40/2003 and No. 80/2011 are the main references for ensuring sharia compliance in capital market transactions. On the other hand, the number of capital market investors in Indonesia continues to show an upward trend. Data from the Indonesian Central Securities Depository (KSEI, 2024) recorded 14.8 million registered investors in 2024, but this figure only represents about 7.65% of the total productive-age population. Over the past five years, the number of conventional investors has increased by an average of 42.7% per year, while Islamic investors have grown by 18.6% per year, although their contribution remains around 1.2% of the total number of investors. According to the Royal Islamic Strategic Studies Centre (RISSC), the Muslim population in Indonesia reached 246.63 million people (RISSC, 2025) or 87% of Indonesia's total population, indicating that the Islamic capital market has great potential. The low level of participation reflects the importance of improving literacy and education to optimize this potential. The growth of capital market investors can be seen in Table 1.

Table 1. Trends in capital market investor growth (SID)

	2020	2021	2022	2023	2024
Conventional	3,880,753	7,489,337	10,311,152	12,168,061	14,871,639
Sharia	85,891	105,174	117,942	138,418	169,397

Source: compiled from KSEI and IDX Islamic (2024)

One of the main factors causing low participation is the lack of financial literacy among the public. The results of the National Survey of Financial Literacy and Inclusion by the Financial Services Authority (OJK, 2024) show that Indonesia's financial inclusion index reached 75.02%, while the level of financial literacy was only 65.43%. This means that some people have used financial services and products, but do not fully understand the principles, benefits, and risks behind them. This disparity creates vulnerability to fraud, misuse of information, and involvement in illegal investment practices. Research by Triana & Yudiantoro (2022) also reinforces this finding by showing that the level of financial literacy has a significant effect on investment decision-making in the Islamic capital market.

Low financial literacy and legal understanding make people vulnerable to illegal investments (Astawa et al., 2024). OJK (2025a) notes that from 2019 to 2024, the PASTI Task Force shut down 1,343 illegal investment entities out of a total of 10,800 illegal financial entities. The number fluctuates, with a surge in 2024 of 310 entities, an increase of 675 percent from the previous year. OJK also received 1,069 complaints of illegal investment in the same year. Many people are tempted by quick profits without understanding the risks (Sonu, 2023), due to a lack of understanding of basic investment principles such as "high risk, high return" (Nicolini & Leonelli, 2021).

Improvements in financial literacy need to be balanced with an understanding of investment risk so that individuals can make wise decisions that suit their characteristics. The lack of interest among Muslims in sharia-compliant investments, which tend to avoid high-risk assets (León & Pfeifer, 2017), highlights the importance of education about economic risk in sharia-compliant stocks. Risk tolerance is key in assessing investment opportunities (Mandagie et al., 2020). This tolerance shapes risk perception (Nguyen et al., 2017) and has been proven to have a significant effect on investment decisions (Lathief et al., 2024). Each instrument has a different level of risk, so investors need to adjust their investment choices to their risk tolerance (Ahmad et al., 2020). Cordell (2001) mentions four main indicators, namely risk propensity, risk attitude, risk capacity, and risk knowledge, which were later refined by Wahl & Kirchler (2020).

Understanding risk tolerance requires education to shape attitudes toward uncertainty. Low financial literacy in Indonesia makes it difficult for many individuals to assess risk accurately and tends to lead them to make investment decisions that are not in line with

their profiles. In response to this, the IDX initiated the Investment Gallery (GI) program to expand capital market education to various regions, not only in campuses, but also targeting the general public as part of the national financial inclusion strategy. By 2025, there will be 947 GIs spread across Indonesia, with East Java Province having the highest number at 96 GIs, and Surabaya City having the most GIs at 25 GIs (IDX, 2025c).

One of the strategic developments of this program is the Sharia Investment Gallery (GIS), which focuses on reaching Muslim communities with the principles of sharia financial education (Harahap et al., 2021). The IDX Investment Gallery (GI BEI) and the IDX Sharia Investment Gallery (GIS BEI) play a significant role in supporting the development of the Indonesian capital market. The transaction value recorded through GI and GIS BEI reached IDR 3.553 trillion. In addition, both have organized 7,436 educational activities and successfully attracted 14,106 new investors (IDX, 2024). GIS has also contributed to a 97% growth in Islamic investors and a 56% increase in Islamic stocks over the past five years. Among the leading GIS, GIS Ulive Education Center stands out by targeting professionals and the general public through digital and face-to-face approaches. In addition to generating high transactions, GIS Ulive has also won various national awards, including the categories of most securities transactions, most capital market school participants, and best GIS in the IDX Islamic Challenge 2024 (Ulive, 2025), proving the effectiveness of its educational approach in increasing literacy, risk understanding, and active participation in the Islamic capital market.

Given the strategic role and significant achievements of the Ulive GIS, this study focuses on exploring how members' level of understanding of financial literacy and risk tolerance can influence their investment decisions. There are three main objectives to be achieved in this study. First, to identify the level of understanding of GIS Ulive Education Center members regarding financial literacy and multidimensional risk. Second, to analyze the influence of financial literacy on sharia capital market investment decisions. Third, to examine the influence of each dimension of multidimensional risk, namely risk propensity, risk attitude, risk capacity, and risk knowledge on investment decisions at the GIS Ulive Education Center.

LITERATURE REVIEW

Financial Technology

Financial technology (Fintech) is the adoption of information technology in the financial services sector that brings innovation to products, services, and business models. Fintech is known as financial technology that plays a role in maintaining the stability of the financial and monetary systems, while also improving the security, smoothness, and reliability of payment systems in Indonesia (Rahmayani, 2018). Fintech also includes digital products in the capital market, such as applications for online stock trading. Through this system, transactions can be carried out online without the need to visit or contact a securities company directly. Investors can invest and monitor price information anytime and anywhere, as long as an internet connection is available.

The development of fintech in Indonesia began in 2006 and experienced rapid growth in the 2015–2016 period. This growth not only opened up great opportunities in the financial sector but also presented various new challenges. One of the main opportunities offered is the expansion of access to financial services, especially for groups that were previously difficult to reach, thereby contributing to increased financial inclusion in Indonesia (Sriyono et al., 2023). However, behind this progress, there are significant obstacles, particularly the low level of financial literacy among the public, which hinders the optimal use of fintech (Putri & Wibisono, 2022). The public's limited understanding of technology and financial aspects makes them vulnerable to fraud and illegal financial practices. Kharisma (2021) emphasizes that fintech regulation in Indonesia plays a very essential role, as the right policies can provide legal security to all stakeholders, including the government, regulatory agencies, and the wider community.

Financial Literacy

Financial literacy is defined as a combination of an individual's knowledge, skills, and attitudes in dealing with financial issues. According to Parsai & Chandok (2025), financial literacy refers to an individual's capacity to understand and apply financial knowledge and skills in managing their financial assets efficiently. Financial literacy is an important aspect of life, especially in facing various economic challenges, such as inflation, investment, and debt management. The main skills needed in this context include budgeting, monitoring expenses, understanding how to pay off debt, and efficient retirement planning (Ragunandan et al., 2024).

Based on a combination of OJK (2024) and OECD (2019), financial literacy is measured by five main parameters, namely financial knowledge, financial skills, and confidence, which influence financial attitudes and financial behavior. 1) Financial knowledge measures an individual's understanding of financial services, including institutions, products, characteristics, and distribution channels. Individuals are considered to have financial knowledge if they are familiar with or understand these aspects through experience or information received; 2) Financial skills reflect an individual's ability in basic arithmetic calculations and understanding, as seen in their statements and ability to solve simple mathematical problems; 3) Confidence reflects an individual's trust in financial service institutions and their ability to manage finances. This can be seen from their willingness to transact at financial institutions and their self-assessment; 4) Financial attitudes reflect an individual's orientation in managing finances through clear goals, such as saving, investing, or managing expenses in a planned manner; 5) Financial behavior reflects patterns of behavior in personal financial management to achieve specific goals, such as investing, saving, and managing expenses wisely.

According to national survey on financial literacy and inclusion (SNLIK) data from 2024, the percentage of financially literate Indonesians is 65.43%. In other words, out of every 100 individuals aged 15 to 79, 65 are classified as well literate. The well literate category is given to individuals who have fulfilled the five aspects that are used as parameters in measuring the financial literacy index (OJK, 2024). The level of financial literacy in Indonesia is classified into the following categories: 1) Well literate refers to individuals who have a deep understanding of financial services and products, including knowledge of the characteristics, benefits, possible risks, and rights and responsibilities attached to these products; 3) Sufficiently literate refers to individuals who have adequate knowledge and are able to utilize basic financial products and services, although in practice they still require guidance or support from others; 4) Less literate, having limited understanding and only able to use practical financial instruments and services; 5) Not literate refers to individuals who do not understand or have the ability to effectively utilize financial products and services.

Multidimensional Risk

Cordell (2001) was the first to introduce the concept of risk as a multidimensional construct, dividing risk tolerance into four main aspects, namely risk propensity, risk attitude, risk capacity, and risk knowledge. Over time, this concept has been further developed by various researchers in an effort to assess risk tolerance more comprehensively (Wahl & Kirchler, 2020). According to Budiarto & Susanti (2017), risk tolerance refers to an individual's ability to accept risk when making investment decisions. Each dimension that forms this construct must be measured separately to obtain a comprehensive understanding of investor risk tolerance (Cordell, 2001).

Risk propensity refers to the extent to which a person is willing to accept the trade-off between risk and return (Cordell, 2001). Each individual has a varying level of risk tolerance, also known as risk tolerance or risk preference (Jung, 2024). Bucciol & Miniaci (2018) revealed that investor risk propensity tends to increase when there is economic growth and the stock market shows positive results. Risk attitude is an individual's willingness to take financial risks and is often referred to as risk-taking behavior (Cordell,

2001). This attitude is influenced by investor perceptions and is psychological in nature, thereby affecting their investment style (Pak & Mahmood, 2015). When making investment decisions, this attitude plays an important role, especially when individuals choose based on personal preferences, not just on expected utility (Gustafsson, 2015). Risk capacity is an individual's financial ability to bear risk (Cordell, 2001). According to Lahiri (2023), risk capacity refers to an individual's ability to take risks based on financial goals, personal circumstances, and investment time horizon. Individuals with similar characteristics tend to have the same risk capacity. Although it can change over time, risk capacity is generally stable in the short term (Nobre et al., 2018). Risk knowledge is an individual's understanding of risk and the relationship between risk and return (Cordell 2001). The information received by investors influences their financial decisions (Njuguna et al., 2016), and individuals who have a high level of confidence in their financial knowledge are generally more daring in making investment choices than those who are more cautious and careful in considering risk (Manan et al., 2023). A lack of understanding, especially of technical concepts such as standard deviation and beta, can lead to misguided investment decisions (Cordell, 2001).

Investment Decisions

With the aim of obtaining profits or increasing value in the future, investing is the activity of placing capital or current assets. Investing is one of the most profitable methods of channeling money or income because it can generate profits in the future (Upadana & Herawati, 2020). According to Hala et al. (2020), investments are divided into several types, namely: 1) Investments in real assets include ownership of physical objects such as land, buildings, and structures; 2) Investment in financial assets includes placing funds in instruments such as deposits, stocks, and bonds.

Stocks are a popular form of financial investment. As an equity instrument traded on the public market, stocks represent an individual's ownership stake in a company (Michael, 2016). The stock price is an amount or value in rupiah that is formed through a mechanism of buying and selling transactions on the stock exchange between exchange members. When investing in stocks, investors need to consider various factors before making a decision. These factors include demographics, financial literacy, behavioral biases, and understanding of risk and tolerance (Hunguru et al., 2020).

The decision to invest in stocks is a step taken by investors in allocating funds to obtain profits within a certain period, while considering the possibility of risk of loss (Rahman & Gan, 2020). According to Tandellin (2017), there are three things to consider when investing, namely: 1) The rate of return is the return on funds invested by investors. The anticipated rate of return often does not match the actual results obtained by investors. The difference between the two reflects the risk that must be taken into account in every investment decision; 2) Risk is the possibility that the investment return received will be below the minimum expected rate of return. This risk is relative, depending on specific situations and conditions. In general, investments with higher levels of risk usually offer greater potential returns; 3) The relationship between return and risk is linear and unidirectional, where in general, the greater the risk attached to an asset or investment, the higher the expected return. Conversely, if the expected potential return is smaller, the associated risk is usually lower.

HYPOTHESIS

Figure 2 illustrates the conceptual framework that depicts the relationships among the variables examined in this study and serves as the foundation for hypothesis development. The framework indicates how the independent variables are presumed to influence the dependent variable, as formulated by the author. Accordingly, this conceptual model guides the formulation of the hypotheses that will be empirically tested in the following section. H1: Financial literacy has a positive and significant effect on investment decisions. H2: Risk propensity has a positive and significant effect on investment decisions. H3: Risk attitude has a

positive and significant effect on investment decisions. H4: Risk capacity has a positive and significant effect on investment decisions. H5: Risk knowledge has a positive and significant effect on investment decisions

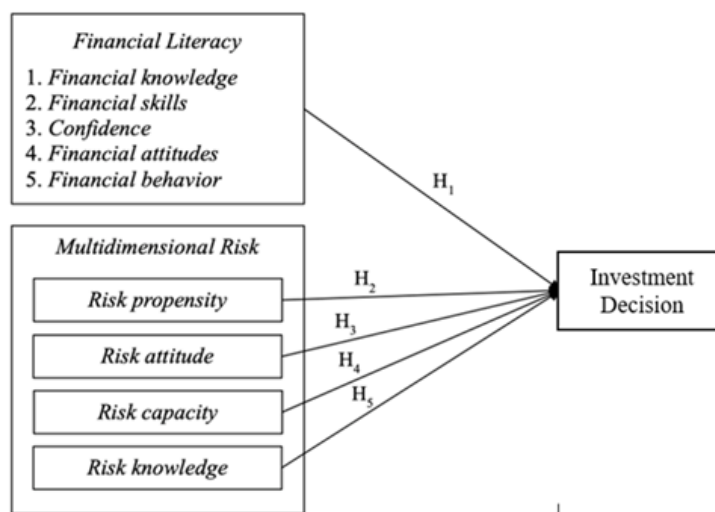


Figure 2. Research Hypotheses
 Source: Author (2025)

METHODS

This research was conducted by distributing online questionnaires to active members of the Olive Education Center's Sharia Investment Gallery (GIS) during May-June 2025. The sampling technique used non-probability sampling with a convenience sampling approach, based on ease of access to respondents who had at least one investment experience. The research instrument consisted of 27 indicators measuring six latent variables, namely financial literacy, risk propensity, risk attitude, risk capacity, risk knowledge, and investment decisions. Each indicator was measured using a 1–5 Likert scale. The sample size was determined based on Hair et al.'s formula (2019), which is a minimum of five times the number of indicators, resulting in a minimum of 135 respondents. This study involved 140 valid respondents who met the analysis requirements.

The data analysis methods in this study included validity and reliability tests, descriptive analysis, and analysis of the relationship between variables using the Partial Least Square–Structural Equation Modelling (PLS-SEM) approach. Validity and reliability tests were conducted using SPSS v27 software with instrument validity criteria determined based on a correlation value ≥ 0.361 and instrument reliability was declared fulfilled if the Cronbach's Alpha value was ≥ 0.60 . Furthermore, descriptive analysis was used to describe the characteristics of the respondents and their understanding of each research variable. The assessment level used a 1-5 Likert scale, then the average score results were classified into five interpretation categories, namely very low (1.00–1.80), low (1.81–2.60), moderate (2.61–3.40), high (3.41–4.20), and very high (4.21–5.00). Specifically, for the financial literacy variable, it was classified based on the standard (OJK, 2024) into four levels, namely well literate (76%-100%), sufficiently literate (51%- 75%), less literate (26%-50%), and not literate (0%-25%). The data was processed using Microsoft Excel software. Meanwhile, to analyze the relationship between variables, the Structural Equation Modeling Partial Least Square (SEM-PLS) method was used with SmartPLS version 4.0 software (Hair et al., 2022).

RESULTS

There were 140 respondents in this study, all of whom were active investors at the Olive Education Center Sharia Investment Gallery. The respondents were predominantly aged 46–50 years (25%), which, according to Fong et al. (2021), is an important factor in financial behavior because older individuals tend to be more cautious and disciplined in investing. A total of 61% of respondents were male, who, according to Feng (2025), are more likely to be overconfident and willing to take risks, which can influence aggressive investment tendencies. The majority of respondents had a bachelor's degree/diploma IV (53%), supporting the findings of Baihaqqy et al. (2020) that a higher level of education contributes to better financial literacy. The majority of respondents work as private employees (32%), with a monthly income of IDR 5–10 million (36%) and an investment fund allocation of IDR 500,000–IDR 1 million per month (34%).

Descriptive analysis results

Based on the descriptive analysis results, the financial literacy variable measurement results show that most respondents, namely 72.9%, are in the well-literate category, followed by 22.9% in the sufficiently literate category, and only 4.3% are classified as less literate. These findings reflect that the majority of GIS Olive Education Center members already have a good understanding of the aspects of knowledge, skills, attitudes, and confidence in managing finances. This high level of literacy provides an important foundation for smart financial decision-making, including long-term planning and investment.

The risk propensity variable has an average of 3.42 (high category), indicating that members of the Olive Education Center GIS tend to be willing to take financial risks as long as the potential returns are considered commensurate. Risk attitude is also classified as high (mean 3.57), reflecting a willingness to face investment value fluctuations for the sake of potential long-term profits. Risk capacity has an average of 3.41, indicating resilience in facing losses without acting impulsively. Meanwhile, risk knowledge recorded the highest score with an average of 3.85, indicating good knowledge in understanding and managing investment risks. Finally, the investment decision variable had an average of 3.89, indicating that the decisions made were generally rational and based on risk and return considerations. A summary of these results is presented in Table 2.

Table 2. Descriptive analysis of multidimensional risk and investment decision variables

Variable	Variable Average	Criteria
Risk Propensity	3.4	High
Risk Attitude	3.57	High
Risk Capacity	3.41	High
Risk Knowledge	3.85	High
Investment Decisions	3.89	High

Source: Processed Data (2025)

Measurement Model Evaluation (Outer Model)

The measurement model was evaluated to ensure that each construct was accurately measured by its indicators. The evaluation was conducted through four main aspects: indicator reliability, internal consistency reliability, convergent validity, and discriminant validity. Each indicator is presented in Figure 3. Indicator reliability was tested through outer loadings values, which are the contribution of each indicator to the latent construct. An indicator is considered reliable if it has an outer loadings value > 0.7. In this study, all indicators met this criterion, indicating that they have good indicator reliability. Internal consistency reliability and convergent validity were used to evaluate the consistency and

suitability of indicators in measuring constructs. Internal reliability was assessed through Cronbach's alpha and composite reliability (CR) values, with a minimum threshold of 0.7. All constructs in the model had Cronbach's alpha and CR values above this threshold, indicating that the indicators in each construct were consistent and reliable. Meanwhile, convergent validity was measured using Average Variance Extracted (AVE), with an ideal value of > 0.5 . The analysis results showed that all constructs had AVE that met the criteria, indicating that more than 50% of the indicator variance could be explained by the relevant construct. This can be seen in Table 3.

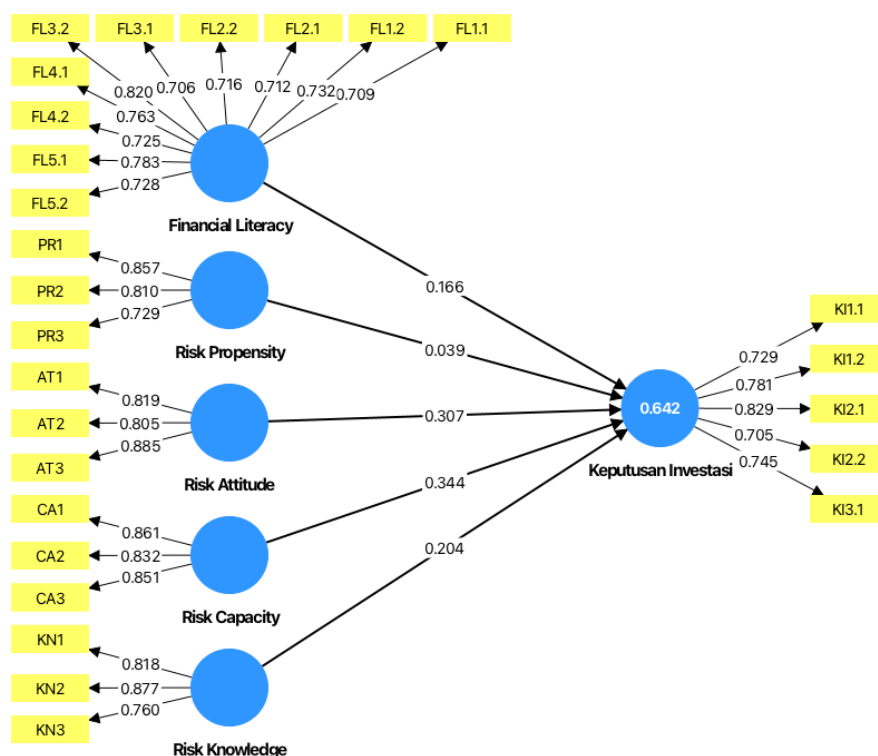


Figure 3. Outer loadings measurement model
Source: Processed data (2025)

Table 3. Results Of Internal Consistency Reliability and Convergent Validity

Latent Variables	Cronbach's alpha	Composite reliability	AVE
Financial Literacy (FL)	0,909	0,915	0,548
Risk Propensity (PR)	0,737	0,812	0,641
Risk Attitude (AT)	0,790	0,809	0,700
Risk Capacity (CA)	0,804	0,806	0,719
Risk Knowledge (KN)	0,757	0,772	0,672
Investment Decision (KI)	0,815	0,818	0,576

Source: Processed Data (2025)

Discriminant validity shows the extent to which constructs differ from other constructs in the model. Testing was conducted using the Fornell-Larcker method and cross loading. Discriminant validity is fulfilled if the AVE square root value for a construct is greater than the correlation between constructs, and each indicator has the highest loading on its own construct. The analysis results show that all constructs meet these criteria, both based on the Fornell-Larcker value and the cross loading results, where each indicator shows the highest loading on the construct being measured compared to other constructs. Thus, the measurement model can be declared valid and reliable. The Fornell-Larcker test results can be seen in Table 4.

Table 4. Fornell-Larcker test results

	Financial literacy	Investment Decision	Risk Attitude	Risk Capacity	Risk Knowledge	Risk Propensity
Financial literacy	0,740					
Investment Decision	0,452	0,759				
Risk Attitude	0,296	0,624	0,837			
Risk Capacity	0,314	0,682	0,486	0,848		
Risk Knowledge	0,374	0,597	0,377	0,583	0,820	
Risk Propensity	0,275	0,503	0,597	0,458	0,377	0,800

Source: Processed Data (2025)

Structural Model Evaluation (Inner Model)

The evaluation of the inner model aims to test the relationship between latent constructs in the structural model, as well as to see the extent to which the model is able to explain the dependent variables. Several indicators used in this evaluation include model clarity (R^2), relationship significance tests (t-statistic and p-value), and path coefficients. R^2 is used to measure the model's explanatory power for endogenous constructs. The R^2 value shows how much of the variation in the dependent variable can be explained by the independent variables in the model. In this study, the investment decision variable can be explained by financial literacy, risk propensity, risk attitude, risk capacity, and risk knowledge by 64.2%. Meanwhile, the remaining 35.8% is explained by other factors not examined in this study. The R square value can be seen in Table 5.

Path coefficients describe the direction and strength of the relationship between exogenous and endogenous constructs. Their values range from -1 to +1. The closer the value is to ± 1 , the stronger the relationship between constructs. A positive coefficient value indicates a direct relationship, while a negative value indicates an inverse relationship. The significance of the relationship between constructs is tested by looking at the t-statistic and p-value. The relationship is considered significant if the t-statistic value is > 1.96 and the p-value is < 0.05 at a 5% significance level. These results determine whether the hypotheses in the model can be accepted or rejected. The significance and relevance values between variables can be seen in Table 6.

Financial literacy has a positive and significant effect on investment decisions

The analysis results show that financial literacy has a positive and significant effect on investment decisions, with a coefficient value of 0.166, p-value of 0.019, and t statistic of 2.353 (> 1.96). This means that hypothesis 1 is accepted. Individuals with good financial literacy tend to be more confident and ready to make investment decisions. The results of this study are supported by Baihaqqy et al. (2020), who found a significant correlation between the level of investor education and understanding of financial literacy that impacts investment decisions. These findings are in line with Siregar & Anggraeni (2022), which states that the higher a person's financial management skills, the greater their tendency to invest.

Risk propensity has a positive and significant effect on investment decisions

Risk propensity shows a positive but insignificant effect on investment decisions, with a coefficient value of 0.039, p-value of 0.632, and t-statistic of 0.478 (< 1.96), thus rejecting hypothesis 2. This means that risk-taking is not enough to encourage someone to invest without other support or understanding. The average value of the indicator related to "readiness to reinvest after loss" is in the sufficient category (3.00). This reflects that after failure, investors are cautious and not yet ready to take aggressive risks, tending to postpone investment until the situation is more certain. Market instability increases

investor caution, making them tend to postpone investment until there is certainty. This finding is consistent with McFadden & Lusk (2015), which states that market uncertainty encourages investors to be passive and follow the trend rather than act aggressively.

Table 5. R-square value

Variable	R Square
Investment Decision	0,642

Source: Processed Data (2025)

Table 6. Significance and relevance values

	Hypotheses	Original sample	T statistics	P values	Results
Financial literacy → Investment Decision	H1	0,166	2,353	0,019	Accepted
Risk propensity → Investment Decision	H2	0,039	0,478	0,632	Rejected
Risk attitude → Investment Decision	H3	0,307	3,123	0,002	Accepted
Risk capacity → Investment Decision	H4	0,344	4,157	0,000	Accepted
Risk knowledge → Investment Decision	H5	0,204	2,171	0,030	Accepted

Source: Processed Data (2025)

Risk attitude has a positive and significant effect on investment decisions Risk attitude has a positive and significant effect on investment decisions, with a coefficient of 0.307, p-value of 0.002, and t-statistic of 3.123 (>1.96), thus accepting hypothesis 3. This indicates that investors with a positive attitude toward risk tend to make mature investment decisions, even in uncertain market conditions. This finding is consistent with the results of Fong et al. (2021), which show that stock market participation among older people is higher than among younger age groups. This age group has a more mature and rational risk attitude in making investment decisions. This finding is consistent with Aryadevi et al. (2025), which states that risk attitude significantly influences investment decisions, along with the role of emotional intelligence in forming a more rational and stable attitude toward risk.

Risk capacity has a positive and significant effect on investment decisions Risk capacity has a positive and significant effect on investment decisions, with a coefficient of 0.344, p-value of 0.000, and t-statistic of 4.157 (>1.96), thus accepting hypothesis 4. This means that the higher a person's risk capacity, the greater their tendency to invest. This finding is in line with Lestari et al. (2021) and Athira & Kakkakukanen (2023), which state that *risk capacity* is influenced by income factors, and the higher the income, the greater the individual's ability to bear investment risk. Safitri et al. (2024) also confirms that income has a significant effect on investment decisions.

Risk knowledge has a positive and significant effect on investment decisions Risk knowledge has a positive and significant effect on investment decisions, with a coefficient of 0.204, p-value of 0.030, and t-statistic of 2.171 (>1.96), thus hypothesis 5 is accepted. This means that the higher the risk knowledge, the greater the tendency for investors to make appropriate and measured decisions. A good understanding of risk helps investors recognize and manage potential risks in an informative and measured manner when making investment decisions. This is important because investments with a certain level of risk require understanding so that investors can optimally balance risk

and return, where the linear relationship between risk and return shows that higher risk is followed by greater returns, and vice versa. This finding is in line with Ichsan et al. (2025), which states that risk knowledge significantly influences investment decisions, both directly and through risk preferences, especially in the context of risk management such as insurance and liability sharing.

CONCLUSION

A descriptive analysis was conducted to determine the level of investor literacy and multidimensional risk. Based on the analysis results, it was found that the level of financial literacy at the Ulive Education Center Investment Gallery was in the well literate category. Meanwhile, the variables of multidimensional risk, such as risk propensity, risk attitude, risk capacity, and risk knowledge, and investment decisions were in the high category on average. The SEM-PLS analysis was conducted to analyze the effect of financial literacy on sharia investors' investment decisions. Based on the analysis results, financial literacy has a positive and significant effect on investment decisions. This indicates that the higher a person's financial literacy level, the more rational their investment decisions will be. Finally, the SEM-PLS analysis results show that three of the four multidimensional risks, namely risk attitude, risk capacity, and risk knowledge, have a positive and significant effect on investment decisions. The more positive the risk attitude, financial capacity, and risk knowledge, the greater the tendency for individuals to engage in. This confirms the important role of psychological, financial, and cognitive factors in encouraging active and planned investment behavior. Meanwhile, risk propensity has a positive but insignificant effect, indicating that although individuals with a high propensity to take risks are more open to investment, the effect is not yet statistically significant.

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