

The Influence of Islamic Financial Literacy on The Investment Decisions of Millennials: A Behavioral Finance Approach

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ABSTRAK

Pertumbuhan ekonomi digital dan perkembangan layanan keuangan syariah di Indonesia membuka peluang investasi baru bagi generasi milenial Muslim. Namun, rendahnya tingkat literasi keuangan syariah masih menjadi tantangan yang dapat memengaruhi kualitas keputusan investasi dan kepatuhan terhadap prinsip syariah. Penelitian ini menganalisis pengaruh literasi keuangan syariah terhadap keputusan investasi milenial di Indonesia. Pendekatan kuantitatif dengan metode survei digunakan pada responden milenial berusia 25–40 tahun yang telah berinvestasi atau berminat pada instrumen syariah. Kuesioner terstruktur mengukur literasi keuangan syariah meliputi pengetahuan, pemahaman akad, dan sikap islami, serta variabel keputusan investasi, seperti penilaian risiko, pemilihan instrumen, dan orientasi investasi. Analisis regresi linear menunjukkan bahwa literasi keuangan syariah berpengaruh positif dan signifikan terhadap keputusan investasi. Responden dengan literasi lebih tinggi cenderung lebih berhati-hati, memilih instrumen halal seperti sukuk dan reksa dana syariah, serta menghindari aset spekulatif. Temuan ini menegaskan perlunya peningkatan pendidikan keuangan syariah, integrasi pembelajaran syariah digital, dan transparansi platform keuangan untuk mendukung perilaku investasi syariah berkelanjutan di kalangan milenial.

Kata Kunci: digital, investasi syariah, kesadaran, literasi syariah, milenial

ABSTRACT

The rapid growth of Indonesia's digital economy and the expansion of Islamic financial services have created new investment opportunities for Muslim millennials. However, low levels of Islamic financial literacy remain a challenge that may affect investment quality and Sharia compliance. This study examines the influence of Islamic financial literacy on the investment decisions of Indonesian millennials. Using a quantitative survey approach, data were collected through purposive sampling involving Muslim millennials aged 25–40 years who have invested or have interest in Sharia-based instruments. A structured questionnaire measured Islamic financial literacy knowledge, understanding of contracts, and Sharia attitudes including investment decision variables, including risk assessment, instrument selection, and investment orientation. Multiple linear regression analysis revealed that Islamic financial literacy has a significant and positive effect on investment decisions. Respondents with higher literacy demonstrated greater prudence, preferred halal instruments such as sukuk and Islamic mutual funds, and avoided speculative assets. These findings highlight the importance of strengthening Islamic financial education, integrating digital Sharia learning, and improving financial platform transparency to support sustainable Sharia investment behavior among millennials.

Keywords: awareness, digital finance, islamic investment, millennials, sharia literacy

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INTRODUCTION

The development of the digital economy and innovations in Islamic financial services over the past decade have triggered significant changes in the financial behavior patterns of Indonesians, especially among millennials. Indonesia, as the country with the largest Muslim population in the world, has great potential in the development of the Islamic finance industry, including the Islamic investment sector. Data from the Central Statistics Agency (2023) shows that the millennial generation, namely individuals aged 25 to 40 years, reaches more than 69 million people and dominates the productive age group. With a high level of technological literacy, this group has become the main target for innovation in financial instruments and digital investments, including Islamic investment products. However, even though access to technology is becoming easier, the level of Islamic financial literacy among millennials is not yet optimal, which has the potential to affect the quality of their investment decisions.

Sharia financial literacy conceptually refers to a person's level of understanding of Islamic economic principles, the structure of sharia financial products, and the ability to apply these values in financial decision-making (Harahap et al., 2022). From a sharia perspective, investment decision-making not only considers potential profits but also ensures compliance with the principles of halal, free of usury, free of gharar, and avoids speculative instruments. This distinguishes Islamic financial literacy from conventional financial literacy, as there are elements of religiosity and Sharia compliance that form the moral basis for determining individual investment decisions (Laba et al., 2022). Therefore, understanding Sharia contracts, risks, profit-sharing mechanisms, and the implications of Islamic ethical values is fundamental in shaping responsible investment decisions for the Muslim millennial generation.

Although the potential for growth in the Islamic investment market is enormous, challenges remain in terms of public literacy. Based on the OJK's National Survey of Financial Literacy and Inclusion (2022), the level of Islamic financial literacy in Indonesia has only reached 9.14%, far behind conventional financial literacy, which has reached 49.68%. This low level of Islamic financial literacy not only shows a gap in theoretical understanding but also indicates the millennials' limited practical understanding in choosing Sharia-based investment instruments, such as Sharia stocks, retail sukuk, Sharia mutual funds, and Sharia fintech. This condition is in line with the findings of Biplob & Abdullah (2019), which state that even though public interest in investment has increased due to digital penetration, most beginner investors do not have an adequate understanding of sharia principles, making them prone to making investment decisions based on popular trends without careful risk analysis.

The role of sharia financial literacy is increasingly important amid the rise of digital investment and the emergence of various technology-based financial platforms. Bank Indonesia (2023) noted a significant increase in the number of young investors in digital sharia financial instruments over the past five years. This was driven by easy access to information through social media, digital educational content, and the presence of Islamic fintech such as ALAMI, Investree Syariah, and sharia investment platforms such as Bibit Syariah and Bareksa Sukuk. However, this increase in participation must be accompanied by an increase in Islamic literacy so that investment decisions are not trapped in the phenomena of herding behavior, fear of missing out (FOMO), or attraction to unverified "halal" claims (Aisyah, 2023). In this context, sharia literacy serves to ensure that investors understand the structure of the contract, the risks, the returns, and the legality of the chosen investment instruments.

In addition, the growth of the national sharia economy has also driven the urgency to improve sharia financial literacy. DinarStandard (2023) in the Global Islamic Economy Report states that Indonesia ranks among the top five countries in the world in terms of sharia economic development, with the sharia financial sector as one of its main drivers. The government, through the National Committee for Sharia Economics and Finance (KNEKS), has directed a number of strategic policies, including expanding access to sharia financing, strengthening the sharia capital market, and encouraging the digitization of sharia finance. However, without improved financial literacy, public participation in Islamic investment instruments cannot grow sustainably. This is reinforced by research by Saputra & Rahmatia (2021), which found that Islamic literacy has a significant relationship with the investment interest of the younger generation, but its implementation is influenced by the level of financial education and access to credible information.

From the investor's perspective, Islamic financial literacy has direct implications for investment decision-making. Investors who understand Islamic principles tend to be more cautious in analyzing risks, avoiding speculative instruments, and choosing long-term investments that offer stability and sustainability. On the other hand, low sharia literacy can trigger irrational investment behavior, such as following social media recommendations without verification, getting caught up in sharia-disguised investment scams, or choosing products that contradict sharia principles (Maharani et al., 2023). Therefore, research on the influence of sharia financial literacy on the investment decisions of the millennial generation is highly relevant in addressing literacy challenges and contributing to the strengthening of the national sharia financial ecosystem.

Based on this description, there is a need to conduct an in-depth study on the extent to which sharia financial literacy influences the investment decisions of the millennial generation in Indonesia. This study focuses its analysis on the relationship between the level of Islamic financial literacy, risk understanding, ethical orientation, and the selection of investment instruments. The results of this study are expected to contribute to the academic literature on Islamic investment behavior, as well as provide policy recommendations for the development of more effective Islamic financial literacy programs for millennials. Thus, this research is an important step in strengthening the foundations of a sustainable and inclusive digital Islamic economy in Indonesia.

While the trend of Islamic financial literacy and investment adoption in Indonesia shows encouraging progress, there are structural challenges that affect the effectiveness of Islamic financial literacy in shaping the investment decisions of the millennial generation. One of these challenges is the digitization of information and social media as the main sources of financial knowledge. Millennials, who are highly exposed to digital information, often obtain financial knowledge from online media, financial influencers, and investment communities, which do not always provide accurate information or information based on sharia principles (Nik Azman et al., 2025). This phenomenon creates a dilemma: easy access to information can increase literacy, but at the same time opens up space for misinformation. Aisyah (2023) note that more than 40% of young investors in Indonesia make investment decisions based on social recommendations or trends, rather than independent analysis. In the context of sharia, this condition can lead to a distortion of the principle of prudence (prudential investment) and a misalignment with sharia values if the information received is not critically filtered.

Another challenge comes from the proliferation of illegal investment offers under the guise of sharia. The OJK's Investment Alert Task Force reported dozens of cases of fake platforms using Islamic names and symbols to attract public investment in 2022–

2023, showing that religiosity is used as a misleading marketing strategy amid low public sharia literacy. Research by Maharani et al. (2023) emphasizes that Sharia-based fraud can be more dangerous because it exploits religious trust, so consumer protection and Sharia education must be strengthened. In addition, the development of digital assets such as crypto has also sparked Sharia debates. Although some scholars and financial authorities allow certain digital assets, many other instruments are considered speculative and not Sharia-compliant. A lack of understanding of modern fiqh muamalah aspects can encourage millennials to invest in speculative products on the grounds of following global trends (Harahap et al., 2022). This shows the important role of digital Sharia education in maintaining the consistency of investment decisions with Islamic values.

In addition to information challenges and fraud risks, psychological factors and the characteristics of the millennial generation also influence the relationship between literacy and investment decisions. This generation is known for its orientation towards financial flexibility, preference for short-term investments, and tendency towards instant rewards, characteristics that are in line with the high-risk appetite of the digital era (Pangestu & Karnadi, 2020). Although technology facilitates access to investment, instant preferences can increase the risk of making decisions without in-depth analysis. On the other hand, millennials' high interest in sustainability and business ethics principles opens up great opportunities for strengthening Islamic investment due to the alignment of values between halal investment and sustainable investment (sustainable Islamic investing). Saputra & Rahmatia (2021) emphasize that religiosity and ethical orientation are important factors in the Islamic investment behavior of the younger generation, although their implementation is greatly influenced by a proper understanding of finance.

Technological advances also play an important role in facilitating literacy and investment decisions. Sharia financial applications now offer self-education features, zakat calculators, automatic sharia stock screening, and sharia compliance reports to make it easier for novice investors. Platforms such as Bareksa Sukuk, Bibit Syariah, and the Indonesia Sharia Stock Exchange provide educational content and investment services that are easy for millennials to understand. In this regard, digital literacy is an important complement to Islamic financial literacy. OJK (2022) states that digital literacy and financial literacy are directly related to digital financial inclusion, including in the Islamic sector. The development of Islamic digital financial literacy is an important part that not only emphasizes financial understanding but also the ability to assess the security of digital platforms, understand contracts, and evaluate returns in accordance with Islamic principles.

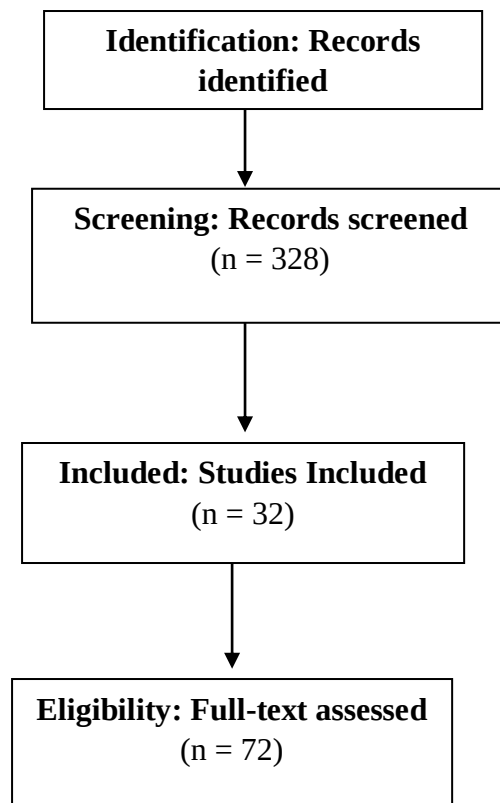
The policy context also supports increased millennial participation in sharia investment. The government, through KNEKS, has established a roadmap for strengthening the sharia capital market, digitizing retail sukuk, and developing Islamic economics curricula in higher education. Sharia financial literacy programs conducted by Bank Indonesia, OJK, KNEKS, and educational institutions form the foundation for increasing public understanding, although the effectiveness of implementation still needs to be strengthened. According to DinarStandard (2023), Indonesia's success in developing the sharia economy is influenced by cross-institutional synergy, but the challenge of public education remains a strategic agenda. Almana and Rahmi (2021) explain that community-based education programs and collaboration with universities are effective in increasing the sharia literacy of the younger generation if packaged in an interactive and competitive digital format.

Based on all these dynamics, the influence of Islamic financial literacy on the investment decisions of the millennial generation in Indonesia cannot be separated from the factors of the digital ecosystem, generational psychology, and public policy. Sharia literacy is not only a knowledge variable, but also includes an understanding of values, attitudes, and critical abilities in choosing financial instruments. Therefore, empirical testing of the relationship between sharia literacy and the investment decisions of the millennial generation is important to encourage the strengthening of sharia financial education, create healthy investment behavior, and support sustainable Islamic economic growth.

METHOD

This study uses a quantitative approach with a survey method to analyze the influence of Islamic financial literacy on the investment decisions of the millennial generation in Indonesia. This approach was chosen because it is able to provide an empirical description of the relationship between variables through numerical measurements and inferential statistical analysis. The research population consists of Muslim millennials in Indonesia aged 25–40 years who have experience or interest in Islamic investment, whether through Islamic capital market instruments, retail sukuk, Islamic mutual funds, or Islamic fintech platforms. The sampling technique used purposive sampling, with the following respondent criteria: (1) Muslim, (2) belonging to the millennial age group, and (3) having invested or intending to invest in Islamic instruments. The research instrument was a five-point Likert scale questionnaire that measured the level of Islamic financial literacy (knowledge, understanding of contracts, and Islamic attitudes) and investment decisions (instrument preferences, risk assessment, and goal orientation). Data analysis was performed using multiple linear regression to test the effect of independent variables on dependent variables, supported by validity, reliability, and classical assumption tests to ensure model consistency and accuracy (Maharani et al., 2023; Harahap et al., 2022).

The research stages included data collection through the distribution of online questionnaires on various digital channels, such as Islamic investment communities, capital market education groups, and Islamic economic literacy platforms. Furthermore, the data was processed using SPSS or STATA statistical software to perform descriptive, correlation, and regression tests. The validity of the instruments was tested using Pearson Product-Moment, while reliability was tested using Cronbach's Alpha. To ensure data quality, the study applied non-valid data screening and removed responses that did not meet the inclusion criteria. In accordance with scientific research principles, the selection and validation process of supporting literature for this study was carried out using the PRISMA approach, which helps identify, filter, and ensure the suitability of academic literature with the research focus. This approach is consistent with the quantitative research methodology in studies of financial literacy and sharia investment behavior conducted by Laba et al. (2022) and Saputra & Rahmatia (2021), thus ensuring scientific validity and the suitability of the analysis with contemporary research developments.



RESULTS AND DISCUSSION

Profile of Millennials and Sharia Financial Literacy in Investment Decisions

Millennials in Indonesia are the most financially active group in the last decade. According to the Central Statistics Agency (2023), the millennial population has reached more than 69 million and dominates the productive age population structure. They have broad access to technology, digital information, and various online financial platforms that are increasingly easy to access. This condition has driven significant changes in the economic orientation of the younger generation, including a shift in preference from traditional savings to investments in financial instruments that offer greater potential returns. However, this increasing adoption of investment has given rise to an important need for Islamic financial literacy so that investment decisions are in accordance with the principles of halal, free from riba, gharar, and maysir.

Sharia financial literacy among millennials not only includes a basic understanding of Islamic economic concepts, but also the ability to interpret contracts, understand risk and return structures, and assess the suitability of instruments with sharia principles (Harahap et al., 2022). Instruments such as Islamic stocks, retail sukuk (SBSN), Islamic mutual funds, Islamic peer-to-peer lending, and digital gold investments require not only financial understanding but also fiqh muamalah. However, an OJK (2022) survey shows that the level of Islamic financial literacy among Indonesians is only 9.14%, far below general financial literacy. This disparity shows that even though access to investment is increasingly open, not all millennials are able to make the right investment decisions in accordance with sharia values.

This literacy gap has an impact on the investment behavior of the millennial generation. A study by Biplob & Abdullah (2019) states that most young investors in Indonesia tend to follow investment trends and recommendations from digital influencers without conducting in-depth analysis. This explains the phenomenon of

herding behavior and FOMO that often occurs in digital capital markets, including sharia markets. These conditions can lead millennials to make irrational, hasty, and speculative investment decisions, which in the Islamic perspective are considered close to maysir if not accompanied by risk evaluation and proper investment intentions.

Thus, sharia literacy serves as a moral and economic rationality filter that encourages more cautious investment decisions. Digitalization also has a major impact on millennials' investment preferences and capabilities. Digital platforms such as Bareksa Syariah, Bibit Syariah, Stockbit Syariah, as well as sharia crowdfunding and fintech applications have revolutionized investment access, enabling the younger generation to start investing with small capital.

Bank Indonesia (2023) noted a significant increase in the number of young investors in retail sukuk and sharia mutual funds between 2021 and 2023, particularly through digital platforms. However, this digital penetration is still not matched by an adequate understanding of the sharia screening system, the contracts used, and investment risks. According to Laba et al. (2022), halal awareness and trust in digital platforms are the main drivers of sharia fintech adoption, but financial literacy remains crucial for consistent long-term investment.

In addition, Indonesian millennials show a tendency toward sustainability, social responsibility, and investment ethics, which are very much in line with sharia investment principles. Sharia finance emphasizes the principles of moral sustainability, business ethics, and social benefits (*maslahah*), thus offering opportunities for millennials seeking purpose-driven investments (Saputra & Rahmatia, 2021). However, there is a gap between value aspirations and analytical capacity, where millennials want to invest in halal but do not yet have strong risk assessment competencies. Research by Aisyah (2023) shows that the effectiveness of Islamic financial literacy still depends on the quality of educational resources, clarity of product information, and easy-to-understand digital education.

The development of the national Islamic financial market adds to the urgency of literacy for the younger generation. The government, through KNEKS, continues to expand Islamic investment opportunities, including retail sukuk innovation, the development of Islamic stock indices, and the strengthening of the halal fintech ecosystem. However, this progress is accompanied by increased risks, including the emergence of illegal investments disguised as sharia, unrealistic profit offers, and manipulation of sharia terms to attract investors who lack understanding of *fiqh muamalah* (Maharani et al., 2023). This situation requires sharia literacy as protection for millennials so they do not become victims of pseudo-halal investing or digital fraud.

In addition to knowledge, religious attitudes and motivations also influence millennials' investment decisions. A study by Huda & Santoso (2022) shows that religiosity plays a role in shaping sharia investment preferences, but factors such as trust in digital platforms and transaction convenience are also important elements. Religious millennials who lack adequate knowledge may still make wrong decisions due to a lack of technical understanding of investment. Conversely, millennials with high sharia literacy tend to critically assess halal-haram aspects, evaluate risks, and prefer long-term instruments that are in line with Islamic values.

Thus, sharia financial literacy is a key variable in determining the quality of investment decisions of the millennial generation in Indonesia. Literacy includes not only cognitive knowledge, but also attitudes, awareness of sharia values, and critical thinking skills regarding digital financial information. In a digital era full of opportunities and information risks, strengthening sharia literacy is an urgent need in realizing a healthy, sustainable, and *maslahah*-oriented sharia investment ecosystem.

The Influence of Sharia Financial Literacy on the Digital Investment Behavior of Millennials (Empirical Analysis)

The investment behavior of the millennial generation in Indonesia in the digital era shows a structural transformation influenced by technological advances, changes in financial preferences, and increased access to digital-based financial information. However, sharia financial literacy has a fundamental position in shaping the quality of investment decisions of the Muslim community, both in the selection of instruments and in risk assessment. Theoretically, investment behavior from an Islamic perspective is not only directed at achieving financial gains, but also at fulfilling sharia values and blessings in transactions. Therefore, the ability of millennials to understand Islamic economic principles, sharia contracts, and the prohibition of speculative practices is a critical factor in the investment decision-making process (Harahap et al., 2022).

Empirical findings show that Islamic financial literacy has a significant effect on digital investment decisions. A study by Saputra & Rahmatia (2021) found that young Muslims with a high level of Sharia understanding tend to choose investment instruments such as retail sukuk, Sharia stocks, and Sharia mutual funds that are in accordance with Islamic ethics. Conversely, limited literacy can lead to a tendency to choose products based on promotions, social recommendations, or digital media influence without in-depth analysis. This pattern is also seen in the research by Biplob & Abdullah (2019), which notes that trend-based investment behavior and fear of missing out (FOMO) are more dominant among millennials with low literacy, thereby increasing the risk of speculative decisions and potential losses.

In the digital investment ecosystem, sharia literacy has an additional dimension compared to conventional financial literacy, namely the factor of compliance with Islamic law. Millennials' understanding of contracts such as murabahah, wakalah, and mudharabah is important in choosing sharia financial instruments, both in the capital market and the fintech sector. Many digital platforms now provide Islamic financial education features, such as halal stock screening, contract transparency, and investment zakat calculators. However, the effectiveness of these features depends heavily on the user's literacy level. Laba et al. (2022) emphasize that although digitalization supports the adoption of Sharia fintech, literacy remains a determining factor in the sustainability of investment participation because investors who understand Sharia principles are able to select instruments that are truly in line with Islamic values.

The influence of sharia literacy is also evident in the level of investor confidence in digital platforms. Huda & Santoso (2022) show that millennials who understand sharia principles have a higher level of confidence in halal investment platforms that are supervised by the National Sharia Council-MUI and regulated by the Financial Services Authority. This confidence encourages increased investment intensity and a preference for sharia instruments over conventional instruments. This trust is not only related to commercial aspects, but also to a sense of spiritual security because investments are made in instruments that are believed to be halal. Thus, sharia literacy not only improves analytical skills, but also builds emotional trust and minimizes the risk of being deceived by illegal investment platforms disguised as sharia.

Furthermore, Islamic financial literacy plays a role in reducing millennials' vulnerability to excessive promotion and high-yield investment schemes. Research by Maharani et al. (2023) found that investors with a high understanding of Sharia are better able to distinguish between real returns and speculative profit promises. They also show a stronger tendency to check the legality of companies and ensure that investments comply with sharia principles and business ethics. In the digital context, the phenomenon of the presence of many crypto assets and speculative financial

derivatives requires a high level of literacy, as some instruments are still debated by scholars regarding their sharia compliance.

Generations with low literacy tend to be more easily persuaded to try risky assets because they are tempted by narratives of instant profits on social media. Empirically, the relationship between Sharia literacy and millennial investment behavior can be analyzed through a regression model that tests the influence of literacy variables on investment frequency, portfolio diversification, and preferences for Sharia instruments.

Survey-based research shows that increased sharia literacy correlates positively with the formation of more diversified and long-term oriented portfolios (Saputra & Rahmatia, 2021). In addition, investors with high literacy tend to choose instruments that are transparent, registered in the regulatory system, and have accountable risks. This shows that sharia literacy shapes rational thinking patterns while strengthening spiritual commitment in investment.

Meanwhile, the role of digital media as a source of information is a double-edged sword. On the one hand, educational platforms such as IDX Syariah, KNEKS, and various sharia fintech applications provide educational materials that support literacy improvement. On the other hand, the proliferation of viral content about “getting rich quickly with halal stocks or crypto” without in-depth explanations can create perception biases among millennials. Aisyah (2023) emphasize that digital literacy education needs to be accompanied by source verification, legality checks, and risk understanding so that investors are not trapped by misleading content. Therefore, effective Islamic financial literacy must include critical thinking skills, digital literacy, and Islamic awareness.

Thus, Islamic financial literacy has proven to be a determining factor that influences the quality of millennials' digital investment decisions. Good literacy can guide investors to choose halal instruments, avoid speculative risks, build a healthy portfolio, and increase resilience to misleading information. Improving sharia literacy is not only an academic matter, but also a strategic necessity for the stability of the sharia financial system and the protection of young investors from investment practices that contradict Islamic values. This is in line with the national agenda to strengthen the sharia economy and increase financial inclusion based on the values of justice and sustainability.

The relationship between Islamic financial literacy levels and digital investment behavior among millennials is summarized in the following table.

Islamic Financial Literacy Level	Knowledge Indicators	Investment Behavior Characteristics	Typical Investment Choices	Risk Profile
High	Strong understanding of Islamic contracts (akad), screening criteria, halal-haram principles, risk-return analysis	Conducts independent analysis, avoids speculative assets, prioritize long-term portfolio & halal compliance	Sovereign sukuk, Islamic mutual funds, Sharia-compliance stocks, licensed Islamic fintech P2P	Conservative to moderate (risk-aware and ethical filtering)

Moderate	Basic awareness of halal investment products, partial understanding of fiqh muamalah	Follows market trends with some analysis, occasionally influenced by peers/influencers	Mixed portfolio between Islamic and conventional assets	Moderate (balance between return & ethics)
Low	Minimal understanding of Islamic finance, relies on labels like "halal/shariah compliant"	Tends to follow influencers, susceptible to FOMO, speculative decisions, risk of fraud	Popular trending assets, digital "halal" claims without verification	Aggressive/impulsive (high susceptibility to infomartion)

Source: Data Processing Results 2025

This table reinforces the empirical findings that higher Islamic financial literacy leads to more rational, ethical, and risk-aware investment decisions.

Empirical Model, Interpretation of Findings, and Implications for Strengthening Sharia Financial Literacy

Empirical testing in research on sharia financial literacy and millennial investment decisions in various contemporary studies shows a consistent pattern of relationships in which increased sharia literacy significantly contributes to the quality of investment decisions. The multiple linear regression model commonly used in similar studies places Islamic financial literacy as the main independent variable, while the dimensions of investment decisions include instrument selection, investment frequency, risk management, and long-term orientation. Research by Saputra & Rahmatia (2021) found a positive and significant coefficient value between Sharia literacy and interest in Sharia investment ($p < 0.05$), indicating that an increase in Sharia understanding will encourage a tendency to choose halal instruments and reject products with unclear contracts. Similar results were shown by Harahap et al. (2022), who confirmed that sharia literacy strengthens investment prudence and the ability to distinguish halal investments from speculative risk instruments.

In the interpretation of the empirical model, several control variables such as income, education, religiosity, and investment experience also contribute to strengthening this relationship. However, literacy remains the dominant factor. Millennials with high Sharia literacy exhibit investment behavior patterns characterized by portfolio diversification, selection of long-term instruments such as sukuk and Sharia mutual funds, and a preference for platforms licensed by the OJK and supervised by the DSN-MUI. This shows that Sharia literacy not only serves as cognitive capital but also as a risk mitigation instrument. Conversely, among those with low literacy, there is a tendency to rely on word of mouth, digital promotions, and emotional religious narratives when choosing investment products. This phenomenon is reinforced by the findings of Biplob & Abdullah (2019) that 37% of novice investors choose sharia products because of the "halal" label without verifying the contract and legality of the platform.

Theoretically, these findings are consistent with the perspective of Islamic financial behavior, which combines elements of financial rationality and spiritual awareness. Laba et al. (2022) emphasize that the adoption of sharia financial services is influenced by halal awareness, trust in technology, and the level of knowledge of muamalah. Therefore, investors with adequate sharia understanding tend to review contracts, cost structures, and fatwa compliance before transacting. This shows that sharia literacy forms a religious-based decision logic, which is a decision-making logic that combines financial analysis and sharia compliance in a balanced manner.

In addition, sharia literacy strengthens the ethical filtering process in selecting investment companies: investors consider the morality, sustainability, and social contribution of issuers or funded projects. However, digital psychological dynamics also influence the effectiveness of literacy. Millennials live in a digital ecosystem that is saturated with fast information, real-time market fluctuations, and various viral investment content.

Although high literacy can restrain investors from making impulsive decisions, psychological pressures such as FOMO, social proof, and confirmation bias remain a challenge. Huda & Santoso (2022) emphasize that young sharia investors often experience cognitive dissonance when religious values clash with expectations of quick profits.

In this context, conceptual literacy alone is insufficient; investors need spiritual financial discipline to maintain their sharia commitment in dynamic market situations. The practical implications of these findings underscore the importance of strengthening sharia financial literacy through a systematic and multilevel approach. First, higher education institutions need to expand their Islamic economics and sharia finance curricula, especially in the context of digital investment.

Case study-based education, Islamic capital market simulations, and collaboration with industry can improve students' practical literacy. Second, Islamic investment and halal fintech platforms should provide interactive educational modules, contract screening features, and risk transparency that are easy for users to understand. Innovations such as shariah compliance indicators, fatwa trackers, and risk-profiling assistants have the potential to increase the literacy and trust of digital users.

Third, the government and regulators need to strengthen the Islamic finance ecosystem through national literacy programs focused on the digital generation. OJK (2022) has announced an increase in Islamic literacy as a priority agenda, but successful implementation requires the integration of educational institutions, Islamic economic communities, educational influencers, and fintech platforms. Literacy programs must use a behavioral design approach, which is an educational method that considers the digital behavior patterns of millennials so that the material is received more effectively. Fourth, the Islamic finance community, mosques, and digital da'wah institutions need to play a role as centers of literacy and halal investment consultation without commercial motives. This grassroots approach is important to ensure that literacy reaches millennials who do not have access to formal Islamic economic education.

Finally, further research is needed to explore mediating variables such as digital literacy, religiosity strength, perceived risk, and technological trust in the relationship between Islamic literacy and investment decisions. Longitudinal research is also needed to understand whether literacy affects investor resilience in extreme market situations such as economic crises and digital asset volatility. By strengthening the empirical and structural dimensions of Islamic literacy, Indonesia has the potential to produce a generation of investors who are not only financially savvy but also morally upright and carry the mission of economic sustainability for the community.

CONCLUSION

This study confirms that Islamic financial literacy plays a significant role in shaping the quality of investment decisions made by the millennial generation in Indonesia, particularly in the context of digital economic development and increased access to Sharia-based financial instruments. A good understanding of Islamic principles, muamalah contracts, and the prohibition of *riba*, *gharar*, and *maysir* has been proven to encourage young investors to choose halal instruments that are in line with Islamic values, such as retail *sukuk*, Islamic stocks, and Islamic mutual funds. Conversely, limited literacy opens up opportunities for herding behavior, impulsive decisions based on digital trends, and vulnerability to illegal investments disguised as Sharia-compliant. Thus, Sharia literacy is not only a cognitive factor, but also an instrument for risk mitigation and strengthening moral integrity in the investment behavior of the millennial generation.

Therefore, improving sharia financial literacy needs to be done through collaboration between educational institutions, regulators, the sharia financial industry, and digital platforms. The government, through the OJK and KNEKS, needs to expand structured and technology-based sharia education programs, while sharia fintech platforms are required to provide educational features, transparency of contract information, and risk assessment assistance. On the other hand, educational institutions can develop an integrated sharia literacy curriculum, reinforced by case studies and investment simulations. Millennials need to continue to improve their ability to evaluate digital financial information and their sharia discipline in order to make rational, halal, and sustainability-oriented investment decisions. With a strong literacy foundation, Indonesia's Islamic finance ecosystem has the potential to grow more stable, inclusive, and competitive in the digital economy era.

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