

SHARIA STOCK INVESTMENT DECISIONS AMONG GENERATION Z: THE PERSPECTIVES OF FINANCIAL KNOWLEDGE, RISK PERCEPTION, AND RELIGIOSITY

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Abstract

This study aims to analyze the influence of financial knowledge, risk perception, and religiosity on sharia stock investment decisions among Generation Z. The study employed a quantitative approach with a causal research design. The research data were collected through questionnaires distributed to Generation Z individuals who are familiar with sharia stock investment and have an interest in investment activities. A total of 161 respondents were included in the data analysis process. Data analysis was conducted using the Structural Equation Modeling Partial Least Square (SEM-PLS) method with the assistance of SmartPLS 4 software. The results indicate that financial knowledge and religiosity have a positive and significant effect on sharia stock investment decisions among Generation Z. Meanwhile, risk perception does not have a significant effect on sharia stock investment decisions. These findings indicate that sharia stock investment decisions among Generation Z are more influenced by the level of financial understanding and religious values than by investment risk perception. In addition, the growth of digital investment and the high exposure to information through social media also contribute to shaping Generation Z's investment behavior in the sharia capital market.

Keywords: Financial Knowledge, Risk Perception, Religiosity, Sharia Stock Investment, Generation Z.

INTRODUCTION

The development of Islamic Finance in recent years has demonstrated significant growth, particularly in the sharia capital market sector. The increasing number of sharia stock investors in Indonesia indicates that sharia-based investment instruments are gaining greater public attention, especially among younger generations (Hidayat & Nugroho, 2021). This growth has been supported by the advancement of digital technology, which facilitates access to investment information and transactions through various digital financial platforms (Rahman et al., 2022). Such accessibility has indirectly encouraged changes in investment behavior, including among Generation Z, which is widely recognized for its close connection to technology and digital media.

Generation Z has become one of the fastest-growing investor groups in recent years. As a generation that grew up in the digital era, Generation Z can more easily obtain investment-related information through social media, digital communities, and online investment applications (Fauzi & Ramadhani, 2023). Consequently, investment is increasingly perceived as part of long-term financial planning rather than merely speculative activity (Tubastuvi, 2025). However, the rising participation of young investors has also been accompanied by the emergence of trend-based investment behavior driven by social media. Investment decisions are often influenced by digital environments, influencer recommendations, and the phenomenon of *fear of missing out* (FOMO), without sufficient understanding of investment risks (Prayoga & Anwar, 2024).

This phenomenon is important to examine, particularly in the context of sharia stock investment, which is not only associated with financial profit orientation but also with compliance with sharia principles. Sharia stocks are fundamentally investment instruments that operate in accordance with Islamic principles and are free from elements of *riba*, *gharar*, and *maysir*. Therefore, decisions to invest in sharia stocks cannot be separated from behavioral factors, financial understanding, and the religious values held by investors.

One factor considered closely related to investment decisions is financial knowledge. Financial knowledge reflects an individual's ability to understand basic financial concepts, fund management, investment risks, and rational financial decision-making (Prasetyo & Maulana, 2022). Investors with a higher level of financial knowledge tend to better understand investment instrument characteristics and conduct analysis before making

investment decisions (Kusumawati & Hadi, 2023). In the context of sharia stock investment, understanding the mechanisms of the sharia capital market is essential because it is closely related to the characteristics of investment instruments based on sharia principles. In addition to financial knowledge, risk perception is also considered a relevant factor in sharia stock investment decisions. Risk perception refers to how individuals assess the level of uncertainty and potential losses associated with an investment (Fauzan et al., 2023). Differences in risk tolerance cause investors to exhibit different investment decision-making tendencies. Investors with good risk perception are generally more capable of considering potential returns and investment risks proportionally before making investment decisions (Hakim & Putri, 2022). Conversely, a lack of understanding regarding investment risk may lead investors to make impulsive and less measured investment decisions.

Another factor that receives considerable attention in sharia stock investment is religiosity. Religiosity reflects an individual's level of belief and commitment to religious values, as manifested in daily behavior, including economic and financial activities (Rahmawati & Putra, 2023). Investors with a high level of religiosity tend to place greater consideration on halal aspects, sharia compliance, and the value of blessings in selecting investment instruments (Hakim & Nurhayati, 2021). Therefore, investment decisions in sharia stocks are influenced not only by financial profit considerations but also by the compatibility of investments with Islamic principles. Although studies on sharia stock investment have been widely conducted, discussions regarding the investment behavior of young investors, particularly Generation Z, still provide substantial opportunities for further exploration. Previous studies have found that financial knowledge, risk perception, and religiosity are associated with sharia stock investment decisions; however, the findings remain inconsistent (Kusumawati & Hadi, 2023). Moreover, changes in investment patterns in the digital era have made the characteristics of young investors increasingly complex. Generation Z not only has faster access to information but is also more exposed to investment trends circulating through social media and digital platforms.

These conditions indicate that sharia stock investment decisions among Generation Z can no longer be understood solely from a financial perspective. Financial knowledge, individuals' perceptions of risk, and the religious values held by investors play important roles in shaping investment decisions. Therefore, this study aims to analyze sharia stock investment decisions among Generation Z from the perspectives of financial knowledge, risk perception, and religiosity. This study is expected to contribute to the development of Behavioral Finance and Islamic Finance literature, particularly regarding the investment behavior of young investors in the sharia capital market within the digital era.

LITERATURE REVIEW

Sharia Stock Investment Decisions

Investment decisions refer to an individual's process of selecting investment instruments based on certain considerations in order to obtain future returns. In the context of the sharia capital market, investment decisions are not solely oriented toward return, but also consider the compatibility of investments with sharia principles (Mulyani & Rahim, 2022). Sharia stocks have become one of the fastest-growing investment instruments because they are considered capable of accommodating Muslim investors' needs for halal investments that align with Islamic values (Sari & Abdullah, 2023).

The increasing number of young investors in the sharia capital market indicates a shift in investment behavior in the digital era. Young people have gradually begun to perceive investment as part of long-term financial management, particularly due to the increasing accessibility of investment applications and digital financial education (Yusuf & Kurniawan, 2024). However, investment decisions among young investors are often influenced by non-economic factors, such as social media exposure, digital environments, and the tendency to follow emerging investment trends (Amalia & Firdaus, 2022).

Within the perspective of Behavioral Finance, investment decisions are influenced by psychological aspects that cause investors not always to act rationally when determining investment choices (Setiawan & Lestari, 2021). Therefore, sharia stock investment decisions among Generation Z are important to examine because they involve financial, psychological, and religious factors simultaneously.

Financial Knowledge

Financial knowledge refers to an individual's ability to understand basic financial concepts, asset management, financial planning, and investment risks (Nurfadilah & Hendra, 2022). A good level of financial knowledge enables investors to understand the characteristics of investment instruments, thereby supporting more rational and measurable investment decisions (Arifin & Wijaya, 2023).

In sharia stock investment, financial knowledge is not only related to general investment understanding, but also includes knowledge regarding sharia capital market principles and the characteristics of sharia stocks (Fadillah & Karim, 2021). Investors with a strong financial understanding tend to be more capable of conducting investment analysis and understanding the risks and potential returns of sharia investment instruments. Previous studies have shown that financial knowledge has a positive relationship with investment decisions. Nugraha and Saputri (2024) found that young investors with higher levels of financial knowledge tend to be more confident in making sharia stock investment decisions. Similar findings were also reported by Husein and Ma'ruf (2023), who stated that financial literacy plays an important role in improving the quality of investment decisions among Muslim investors.

Risk Perception

Risk perception is defined as an individual's subjective assessment of the level of risk and uncertainty associated with an investment (Firmansyah & Akbar, 2022). Risk perception is considered an important factor in investment decisions because it is closely related to investors' ability to understand potential losses and market fluctuations. In sharia stock investment, risk perception relates to how investors perceive investment security, market stability, and potential losses associated with sharia investments (Salim & Pratiwi, 2023). Investors with good risk perception tend to be more cautious in making investment decisions and are more capable of aligning investment choices with their level of risk tolerance.

Among Generation Z, risk perception is often influenced by information obtained through social media and digital investment platforms. The high intensity of digital information exposure makes young investors more susceptible to market sentiment and short-term investment trends (Maulana & Rizki, 2024). Such conditions may influence how young investors assess the risks associated with sharia stock investments. Previous studies have shown that risk perception is related to investment decisions. Putri and Ramadhan (2023) found that investors with good risk perception tend to be more selective in determining investment instruments. In addition, Wibowo and Ananda (2022) also found that risk perception is one of the factors influencing investment decisions among young investors in the sharia capital market.

Religiosity

Religiosity refers to the level of individual belief and commitment to religious values reflected in daily behavior, including economic and financial activities (Syafitri & Hasanah, 2021). In the context of sharia investment, religiosity is considered an important factor because Muslim investors tend to consider halal aspects and sharia compliance when selecting investment instruments (Fauziah & Ridwan, 2023). Investors with high levels of religiosity generally demonstrate a stronger tendency to choose investment instruments that align with Islamic principles rather than conventional investment instruments (Nasution & Hidayah, 2022). Religiosity also influences how investors perceive investment objectives, where investment is not only viewed as an economic activity but also as part of implementing religious values in everyday life.

For Generation Z, religiosity is particularly interesting to examine because this generation lives amid rapid technological development and modernization. On the one hand, Generation Z has broad access to global information; on the other hand, they continue to show interest in sharia-based financial products and services (Rahadi & Putri, 2024). Previous studies have shown that religiosity has a positive relationship with sharia investment decisions. Latifah and Kamil (2023) found that investors' religiosity levels influence their preferences in selecting sharia stocks. Other findings also indicate that investors with higher religiosity tend to be more consistent in choosing investments that comply with sharia principles (Aminah & Yusuf, 2022).

Hypothesis Development

Financial knowledge helps investors understand investment instrument characteristics, investment risks, and potential returns, thereby improving the quality of investment decision-making (Arifin & Wijaya, 2023). Investors with higher levels of financial knowledge tend to act more rationally when making sharia stock investment decisions. Therefore, the first hypothesis in this study is formulated as follows:

H1: Financial knowledge affects sharia stock investment decisions among Generation Z.

Risk perception relates to investors' ability to understand uncertainty and potential investment losses. Investors with good risk perception tend to make more measured investment decisions in accordance with their level of risk tolerance (Putri & Ramadhan, 2023). Based on this argument, the second hypothesis is formulated as follows:

H2: Risk perception affects sharia stock investment decisions among Generation Z.

Religiosity reflects an individual's level of commitment to religious values in economic and financial activities. Investors with higher religiosity tend to choose investment instruments that comply with sharia principles (Latifah & Kamil, 2023). Therefore, the third hypothesis in this study is formulated as follows:

H3: Religiosity affects sharia stock investment decisions among Generation Z.

METHOD

This study employed a quantitative approach with an explanatory research design to analyze the influence of financial knowledge, risk perception, and religiosity on sharia stock investment decisions among Generation Z. A quantitative approach was selected because the study focuses on empirically testing the relationships among variables through statistical analysis. Meanwhile, the explanatory design was used to explain the causal relationships among variables based on theories and findings from previous studies. The study was conducted on Generation Z individuals who possess knowledge regarding sharia stock investment and actively use digital investment platforms. The focus on Generation Z was based on the increasing number of young investors in the Indonesian capital market in recent years, particularly in digital-based investment instruments and sharia stocks. In addition, Generation Z is considered to have different investment behavior characteristics compared to previous generations due to their close connection with technology, social media, and digital information flows. The study utilized primary data collected through online questionnaires distributed to respondents categorized as Generation Z and having an interest in sharia stock investment. The sampling technique applied in this study was purposive sampling, in which respondents were selected based on specific criteria aligned with the research objectives. This study involved Generation Z respondents who possessed knowledge regarding sharia stock investment. A total of 161 respondent data that met the research criteria were used in the analysis process.

The research instrument was developed by adapting indicators from several previous studies relevant to the research variables. Variable measurement was conducted using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The financial knowledge variable was measured through indicators including basic investment understanding, knowledge of sharia stocks, understanding of investment risk, and personal financial management capability. The risk perception variable was measured through indicators related to perceptions of potential investment losses, caution in investing, understanding of market fluctuations, and risk consideration before investing. Furthermore, the religiosity variable was measured through indicators including compliance with sharia principles, consideration of halal aspects in investment, belief in sharia investment, and the application of religious values in financial activities. Meanwhile, the sharia stock investment decision variable was measured through indicators including interest in sharia stocks, confidence in choosing sharia stocks, decisions to invest, and consistency in investing in sharia instruments.

Data analysis was conducted using the Structural Equation Modeling–Partial Least Square (SEM-PLS) method with the assistance of SmartPLS 4 software. SEM-PLS was selected because it is considered capable of simultaneously analyzing relationships among latent variables and is suitable for predictive research models with a relatively moderate sample size. The analysis was carried out in two stages, namely outer model evaluation and inner model evaluation. Outer model testing was conducted to measure the validity and reliability of constructs through loading factor values, Average Variance Extracted (AVE), composite reliability, and Cronbach's alpha. Meanwhile, inner model testing was conducted to evaluate the model's ability to explain relationships among variables through the R-square value and hypothesis testing using the bootstrapping procedure. Research hypotheses were accepted if they had a t-statistics value > 1.96 and a p-value < 0.05 .

RESULTS AND DISCUSSION

Outer Model Evaluation

Outer model evaluation was conducted to assess the validity and reliability of the research constructs. The results indicate that all research indicators have loading factor values above 0.70, suggesting that all indicators are valid in representing their respective constructs. In addition, the Average Variance Extracted (AVE) values for all variables exceeded 0.50, indicating that the constructs have satisfied the requirement of convergent validity. The reliability test results further show that all variables have Cronbach's alpha and composite reliability values above 0.70. Therefore, all indicators and constructs in this study are considered reliable and suitable for further analysis.

Inner Model Evaluation

The inner model evaluation results show that the R-square value for the sharia stock investment decision variable is 0.647. This result indicates that financial knowledge, risk perception, and religiosity are able to explain 64.7% of the variance in sharia stock investment decisions, while the remaining variance is influenced by other variables outside the research model. Furthermore, the predictive relevance (Q^2) test result shows a value above zero, indicating that the research model possesses good predictive capability.

Hypothesis Testing

Hypothesis testing was conducted using the bootstrapping procedure in SmartPLS 4. The results of hypothesis testing are presented in the following table:

Table 1. Hypothesis Testing Results

Hipotesis	Path Coefficient	T-Statistics	P-Value	Keterangan
Financial Knowledge	0,341	3,762	0	Accepted
Risk Perception	0,108	1,412	0,158	Rejected
Religiosity	0,427	4,985	0	Accepted

Based on the results of the hypothesis testing, financial knowledge and religiosity were found to have a positive and significant effect on sharia stock investment decisions among Generation Z. Meanwhile, risk perception did not show a significant effect on sharia stock investment decisions.

Discussion

The Effect of Financial Knowledge on Sharia Stock Investment Decisions

The results of this study indicate that financial knowledge has a positive and significant effect on sharia stock investment decisions among Generation Z. These findings suggest that the better an individual's level of financial knowledge, the better their ability to make investment decisions. Generation Z individuals who understand basic investment concepts, investment risks, and financial management tend to be more capable of analyzing investment instruments rationally before investing in sharia stocks. Such knowledge helps investors understand the characteristics of sharia stocks and objectively consider potential returns and investment risks. The findings of this study are consistent with Nugraha and Saputri (2024), who found that financial literacy has a positive relationship with investment decisions among young investors. These findings also support the perspective of Behavioral Finance, which explains that an individual's ability to understand financial information can influence the quality of investment decision-making.

The Effect of Risk Perception on Sharia Stock Investment Decisions

The results of this study show that risk perception does not have a significant effect on sharia stock investment decisions among Generation Z. These findings indicate that risk perception has not become a primary consideration for young investors in determining sharia stock investment decisions. This condition may be influenced by the characteristics of Generation Z, which tends to be more adaptive to technological developments and digital information flows. The high exposure to investment information through social media causes some young investors to focus more on investment return opportunities rather than investment risk considerations. In addition, trend-based investment behavior and the phenomenon of *fear of missing out* (FOMO) may also influence investment decisions among young investors. The findings are consistent with Wibowo and Ananda (2022), who found that risk perception does not always influence investment decisions among young investors because investment decisions are more strongly affected by profit motivation and digital environmental influences. These findings indicate that Generation Z's investment behavior in the sharia capital market is not entirely based on investment risk considerations.

The Effect of Religiosity on Sharia Stock Investment Decisions

The results of this study indicate that religiosity has a positive and significant effect on sharia stock investment decisions among Generation Z. Religiosity was also found to be the variable with the strongest influence compared to the other variables. These findings indicate that religious values remain an important consideration for Generation Z in investment activities. Investors with higher levels of religiosity tend to place greater emphasis on halal aspects, sharia compliance, and the compatibility of investments with Islamic principles before making investment decisions.

The findings support the study conducted by Latifah and Kamil (2023), which stated that religiosity has a positive relationship with investor preferences in selecting sharia stocks. These findings also indicate that the development of digital investment has not diminished religious considerations in the investment behavior of younger generations. Overall, the results of this study indicate that sharia stock investment decisions among Generation Z are influenced not only by financial factors but also by the religious values held by investors. These findings suggest that Generation Z's investment behavior in the sharia capital market is more complex because it involves both rational considerations and personal values simultaneously.

CONCLUSIONS

This study analyzed the influence of financial knowledge, risk perception, and religiosity on sharia stock investment decisions among Generation Z. The results indicate that financial knowledge and religiosity have a positive and significant effect on sharia stock investment decisions. Meanwhile, risk perception was not found to have a significant effect on sharia stock investment decisions among Generation Z. The findings indicate that financial knowledge is an important factor in shaping investment decisions among young investors. Generation Z individuals who possess a good understanding of investment and financial management tend to be more capable of making rational investment decisions. In addition, religiosity also serves as an important consideration in sharia stock investment decisions, particularly regarding halal aspects and compliance with sharia principles.

On the other hand, risk perception has not become a primary consideration in sharia stock investment decisions among Generation Z. This condition indicates that young investors tend to be more influenced by the development of digital investment, the flow of information through social media, and investment return opportunities rather than investment risk considerations themselves. These findings suggest that Generation Z's investment behavior in the sharia capital market is more dynamic and simultaneously influenced by both financial factors and personal values.

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