

The Influence of Islamic Financial Literacy, Trust, and Risk Perception on Retail Sukuk Investment Decisions among Muslim Investors in Indonesia

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ABSTRACT

This study investigates the influence of Sharia financial literacy, trust, and risk perception on retail sukuk investment decisions among Muslim investors in Indonesia. Employing a quantitative research design, primary data were collected from 150 respondents using structured questionnaires measured on a Likert scale. The data were analyzed using SPSS version 25, including descriptive statistics, validity and reliability tests, classical assumption tests, and multiple linear regression analysis. The results reveal that Sharia financial literacy and trust have a positive and significant effect on retail sukuk investment decisions, while risk perception has a negative and significant effect. Among the variables, trust is identified as the most influential factor in shaping investment behavior. Simultaneously, all independent variables significantly affect investment decisions, with a coefficient of determination (R^2) of 0.564, indicating that 56.4% of the variation in investment decisions is explained by the model. These findings highlight the importance of improving Islamic financial literacy, strengthening institutional trust, and managing perceived risks to enhance participation in retail sukuk investments. This study contributes to the growing literature on Islamic finance by providing empirical insights into behavioral determinants of investment decisions in a developing country context.

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1. INTRODUCTION

In recent years, the development of Islamic financial instruments has experienced significant global growth, particularly in Muslim-majority countries such as Indonesia. This expansion reflects not only the increasing demand for ethical and Sharia-compliant

financial products but also the strategic role of Islamic finance in supporting national economic development [1], [2]. Among various instruments, retail sukuk has emerged as a prominent financing tool that enables governments to mobilize domestic funds while simultaneously offering accessible investment opportunities for individual investors. Unlike conventional

bonds, sukuk is structured based on underlying assets and operates in accordance with Islamic principles that strictly prohibit elements such as *riba* (interest), *gharar* (uncertainty), and *maysir* (speculation). Consequently, retail sukuk represents a unique blend of financial innovation and religious compliance, positioning it as a key driver in the expansion of Islamic capital markets [3], [4].

The increasing issuance of retail sukuk by the government of Indonesia signifies a broader policy direction aimed at enhancing financial inclusion and deepening the domestic capital market. By targeting retail investors, the government seeks to democratize access to investment instruments that were previously dominated by institutional players [5], [6]. This initiative aligns with national strategies to strengthen the resilience of the financial system while promoting inclusive economic growth. However, despite the availability and accessibility of retail sukuk, the level of participation among Muslim investors remains relatively low when compared to its vast potential market. This discrepancy indicates that structural availability alone is insufficient to drive investment behavior, and that individual-level determinants must be examined more closely.

One of the primary factors influencing investment decisions is Sharia financial literacy, which refers to an individual's ability to understand and apply Islamic financial principles in economic activities. Financial literacy, particularly in the context of Sharia-compliant instruments, plays a crucial role in shaping investor awareness, confidence, and decision-making processes. Individuals with higher levels of Sharia financial literacy are more likely to comprehend the mechanisms [1], [2], [7], benefits, and compliance aspects of retail sukuk, thereby increasing their willingness to invest. However, empirical evidence suggests that the level of Sharia financial literacy in Indonesia remains moderate, highlighting a significant gap between the availability of Islamic financial products and the public's

understanding of them. This gap underscores the importance of educational initiatives and financial literacy programs in fostering a more informed investor base.

In addition to literacy, trust is a critical determinant of investment behavior in financial markets. Trust encompasses confidence in financial institutions, regulatory bodies, and the credibility of government policies. In the context of retail sukuk, trust becomes even more crucial because investors rely on assurances that the instruments are not only financially viable but also fully compliant with Islamic principles [8], [9]. A lack of trust may result in skepticism, reducing investor participation despite favorable returns and low-risk characteristics. Therefore, strengthening institutional trust through transparency, accountability, and effective regulation is essential to enhance investor confidence and promote broader engagement in Islamic financial instruments.

Another important variable that shapes investment decisions is risk perception. Investment activities inherently involve uncertainty, and individuals often evaluate potential risks differently based on their knowledge, experience, and psychological predispositions. Although retail sukuk is generally perceived as a low-risk instrument due to government backing, potential investors may still harbor concerns regarding liquidity, market dynamics, and limited understanding of the product. These perceived risks can significantly influence decision-making behavior, often leading to risk aversion and reduced investment participation. As such, understanding how investors perceive and respond to risk is essential for developing strategies to improve participation rates in retail sukuk.

While previous studies have examined the roles of financial literacy, trust, and risk perception in influencing investment decisions, there remains a notable gap in the literature, particularly within the Indonesian context. Most existing research tends to analyze these variables in isolation rather than integrating them into a comprehensive analytical framework. This fragmented

approach limits the ability to fully understand the interplay between cognitive, psychological, and institutional factors in shaping investment behavior. Therefore, this study aims to analyze the simultaneous influence of Sharia financial literacy, trust, and risk perception on retail sukuk investment decisions among Muslim investors in Indonesia. By employing a quantitative approach with data collected from 150 respondents and analyzed using SPSS version 25, this research seeks to provide robust empirical evidence that contributes to the academic discourse while offering practical implications for policymakers, financial institutions, and stakeholders in enhancing participation in retail sukuk investments.

2. LITERATURE REVIEW

2.1 *Theoretical Foundation*

This study is grounded in Behavioral Finance, which explains how psychological, cognitive, and social factors influence individual financial decision-making. Unlike traditional finance theory that assumes rational investors, behavioral finance recognizes that individuals often make decisions based on limited information, biases, and subjective perceptions [10], [11]. In the context of Islamic finance, this perspective is particularly relevant because investment decisions are not only driven by financial considerations but also by religious values and ethical compliance. Therefore, variables such as Sharia financial literacy, trust, and risk perception become critical in explaining investor behavior in retail sukuk markets. In addition, the Theory of Planned Behavior (TPB) provides a complementary framework for understanding investment intentions, positing

that behavior is influenced by attitudes, subjective norms, and perceived behavioral control [12], [13]. Within this framework, Sharia financial literacy shapes attitudes toward Islamic financial instruments, trust relates to subjective norms and institutional credibility, and risk perception influences perceived behavioral control, all of which collectively determine an individual's intention to invest in retail sukuk.

2.2 *Retail Sukuk*

Sukuk is an Islamic financial instrument that represents ownership in an underlying asset, project, or investment activity, structured in compliance with Sharia principles. Retail sukuk, in particular, is designed for individual investors by offering relatively affordable entry points and stable returns, making it more accessible to a broader segment of society [14]–[16]. In Indonesia, the government has actively issued retail sukuk as a dual-purpose instrument to finance national development while promoting financial inclusion within the Islamic financial system [2], [4]. Retail sukuk provides several advantages, including fixed returns, government guarantees, and adherence to Islamic law, which make it an attractive investment alternative compared to conventional instruments. However, despite these benefits, the level of investor participation remains influenced by factors such as knowledge, perception, and trust. Therefore, understanding these determinants becomes crucial in enhancing the

attractiveness, acceptance, and accessibility of retail sukuk products among potential investors.

2.3 *Sharia Financial Literacy*

Sharia financial literacy refers to an individual's ability to understand, analyze, and apply Islamic financial concepts in decision-making, including knowledge of key principles such as the prohibition of *riba* (interest), avoidance of *gharar* (uncertainty), and adherence to halal investment practices [4], [9]. A higher level of literacy enables individuals to clearly distinguish between conventional and Islamic financial products, thereby supporting more informed and rational investment choices. Empirical evidence consistently demonstrates that financial literacy has a positive influence on investment decisions, as individuals with stronger literacy tend to be more confident in evaluating financial instruments, understanding associated risks, and recognizing long-term benefits [9]. In the context of retail sukuk, Sharia financial literacy becomes particularly significant because it not only enhances financial understanding but also strengthens awareness of the ethical and religious dimensions embedded in the instrument, which in turn increases investors' willingness to participate. However, several studies highlight that the level of Islamic financial literacy in many developing countries, including Indonesia, remains relatively low, posing a challenge to the growth of Islamic financial markets such as retail sukuk [1],

[2]. Therefore, improving literacy through structured education and public awareness programs is essential to expand investor participation and support the sustainable development of the Islamic finance sector.

2.4 *Trust*

Trust is defined as the belief in the reliability, integrity, and competence of financial institutions and regulatory authorities, which plays a crucial role in reducing uncertainty and encouraging individuals to engage in investment activities. Within the context of Islamic finance, trust extends beyond institutional credibility to include assurance that financial products comply with Sharia principles [17], [18]. This factor becomes particularly significant in emerging markets, where information asymmetry is often prevalent, making investors more dependent on their confidence in issuing authorities, regulatory frameworks, and the overall financial system. In the case of retail sukuk in Indonesia, trust in the government and related institutions serves as a key determinant of investment decisions, given that these instruments are typically issued and managed by state entities. Empirical studies consistently demonstrate that trust has a positive influence on investment intention and behavior, as higher levels of trust tend to reduce perceived risk and increase the likelihood of participation [14], [15]. Conversely, a lack of trust can lead to hesitation and avoidance of investment activities, regardless of the

potential financial returns offered.

2.5 Risk Perception

Risk perception refers to an individual's subjective judgment regarding the potential uncertainty and negative outcomes associated with an investment, which is shaped by factors such as knowledge, experience, and psychological biases. Even when an investment is objectively categorized as low-risk, a high level of perceived risk can discourage individuals from participating [4], [19]. In the context of retail sukuk, perceived risks may include liquidity risk, market risk, and operational risk, despite the fact that these instruments are generally considered secure due to government backing, particularly in Indonesia. Investors may still be concerned about limited tradability or a lack of understanding of the sukuk structure, which can significantly influence their decision-making process. Empirical evidence consistently indicates that risk perception has a negative relationship with investment decisions, where higher perceived risk tends to reduce investment intention, while lower perceived risk encourages participation [20], [21]. Therefore, effective risk management and clear communication are essential strategies to mitigate negative perceptions and enhance investor interest in retail sukuk.

2.6 Investment Decision

Investment decision refers to the process by which individuals allocate their financial resources across various investment

instruments in order to achieve specific financial goals, involving careful evaluation of potential returns, associated risks, liquidity, and alignment with personal values or beliefs [4], [22]. In the context of Islamic finance, this decision-making process extends beyond purely financial considerations, as it also requires adherence to Sharia principles that govern permissible economic activities. Consequently, Muslim investors tend to prioritize investment instruments that are not only profitable but also compliant with their religious values [22], [23]. In countries such as Indonesia, this dual consideration makes factors like Sharia compliance, trust in institutions, and financial literacy particularly critical in shaping investment behavior and influencing the selection of instruments such as retail sukuk.

2.7 Conceptual Framework

This study proposes a conceptual framework in which Sharia financial literacy, trust, and risk perception function as independent variables that influence the dependent variable, namely retail sukuk investment decisions. Within this framework, Sharia financial literacy and trust are expected to exert positive effects by enhancing understanding, confidence, and alignment with Islamic principles, while risk perception is expected to have a negative effect due to its potential to increase uncertainty and discourage participation. By integrating these three variables into a single analytical model, the study offers a more comprehensive perspective in

explaining investment behavior within the Islamic finance context, particularly in Indonesia, where the development of retail sukuk continues to expand alongside efforts to promote financial inclusion.

Previous research has explored the relationships between financial literacy, trust, and risk perception with investment decisions across various contexts, generally concluding that financial literacy positively and significantly influences investment behavior by improving individuals' ability to evaluate financial instruments and make informed decisions. Likewise, trust has been found to positively affect investment intention by reducing uncertainty and strengthening confidence in financial institutions and regulatory frameworks. In contrast, risk perception is commonly associated with a negative impact, as individuals who perceive higher levels of risk tend to avoid investment opportunities even when potential returns are attractive. However, most of these studies focus predominantly on conventional financial instruments, leaving a gap in the literature regarding Islamic financial products such as retail sukuk. Therefore, this study addresses the gap by integrating Sharia financial literacy, trust, and risk perception into a unified model to analyze their simultaneous effects on retail sukuk investment decisions among Muslim investors in Indonesia, which subsequently

forms the basis for hypothesis development.

H1: Sharia financial literacy has a positive and significant effect on retail sukuk investment decisions.

H2: Trust has a positive and significant effect on retail sukuk investment decisions.

H3: Risk perception has a negative and significant effect on retail sukuk investment decisions.

H4: Sharia financial literacy, trust, and risk perception simultaneously have a significant effect on retail sukuk investment decisions.

3. METHODS

3.1 Research Design

This study employs a quantitative research approach with an explanatory design to examine the causal relationships between Sharia financial literacy, trust, risk perception, and retail sukuk investment decisions. The quantitative approach is chosen to allow for objective measurement of variables and statistical testing of hypotheses. The study uses a cross-sectional design, where data are collected at a single point in time from respondents.

3.2 Population and Sample

The population of this study consists of Muslim individuals in Indonesia who possess knowledge of or interest in investment activities, particularly in retail sukuk instruments. Due to the difficulty in identifying and accessing the entire population, this research employs a non-probability sampling technique, specifically purposive sampling, to ensure that respondents meet predefined criteria relevant to the study objectives. The selection criteria include: (1) Muslim individuals residing in Indonesia, (2) aged 18 years or older, (3) having basic knowledge or awareness of investment products, and (4) having interest or experience in financial investment,

especially in Islamic financial instruments. Based on these criteria, a total of 150 respondents are selected as the sample size, which is considered sufficient for statistical analysis using multiple regression techniques and aligns with common practices in behavioral finance research.

3.3 Data Type and Data Collection

This study utilizes primary data collected through a structured questionnaire that is distributed online to efficiently reach a broader range of respondents in Indonesia. The instrument is specifically designed to capture respondents' perceptions and attitudes toward the variables examined in this research. All variables are measured using a Likert scale ranging from 1 to 5, where 1 represents strongly disagree, 2 disagree, 3 neutral, 4 agree, and 5 strongly agree. The questionnaire is organized into several sections, including demographic information as well as a series of statements that correspond to each research variable, ensuring that the data collected is structured, consistent, and suitable for quantitative analysis.

3.4 Operational Definition of Variables

The variables used in this study consist of three independent variables and one dependent variable, each defined operationally to ensure clarity in measurement and analysis. Sharia Financial Literacy (X_1) refers to the level of understanding of Islamic financial principles and instruments, with indicators including understanding of riba prohibition, knowledge of sukuk structure, awareness of halal investment principles, and the ability to distinguish between Islamic and conventional finance. Trust (X_2) is defined as the level of confidence in financial institutions and the government in managing and issuing retail sukuk, measured through indicators such as trust in the government as issuer, trust in the regulatory framework, trust in Sharia compliance, and perceived transparency of information. Risk Perception (X_3) represents

an individual's subjective assessment of potential risks associated with retail sukuk investment, including perceived financial risk, liquidity risk, market risk, and uncertainty of returns. Meanwhile, the dependent variable, Investment Decision (Y), refers to the willingness and intention of individuals to invest in retail sukuk, which is measured through indicators such as interest in investing, intention to purchase sukuk, preference for sukuk over other financial instruments, and actual or planned investment behavior, particularly among Muslim investors in Indonesia.

3.5 Data Analysis Technique

Data analysis in this study is conducted using IBM SPSS Statistics version 25 through several systematic stages to ensure the validity and reliability of the findings. The analysis begins with descriptive statistics to describe respondent characteristics and provide an overview of data distribution. This is followed by a validity test using Pearson correlation, where each questionnaire item is considered valid if the correlation coefficient exceeds the critical r-table value, and a reliability test using Cronbach's Alpha, with a threshold of 0.70 indicating acceptable internal consistency. To ensure the appropriateness of regression analysis, classical assumption tests are performed, including the normality test (Kolmogorov-Smirnov), multicollinearity test (Variance Inflation Factor/VIF), and heteroscedasticity test (Glejser test). Furthermore, multiple linear regression analysis is applied to examine the influence of independent variables on the dependent variable, formulated as $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$, where Y represents investment decision, X_1 denotes Sharia financial literacy, X_2 represents trust, X_3 indicates risk perception, α is the constant, β refers to regression coefficients, and ε is the error term. Finally, hypothesis testing is conducted using the t-test to assess partial effects and the F-test to evaluate simultaneous effects, while the coefficient of determination (R^2) is used to measure the proportion of variance in the dependent

variable explained by the model, particularly in the context of Muslim investors in Indonesia.

4. RESULTS AND DISCUSSION

3.1 Respondent Characteristics

This study involved 150 Muslim respondents in Indonesia who met the predetermined criteria, and the analysis of their characteristics provides an important overview of the sample to ensure relevance in financial decision-making, particularly in retail sukuk investment. Based on gender, the majority of respondents are male (58%), while females account for 42%, indicating that although male investors are slightly more dominant, female participation is also relatively significant. In terms of age distribution, most respondents fall within the productive age group of 25–35 years (46%), followed by 36–45 years (28%), suggesting that investment interest in retail sukuk is largely concentrated among individuals in their early to mid-career stages. Furthermore, the education profile shows that the majority hold a bachelor's degree (62%), followed by high school graduates (18%), diploma holders (12%), and master's degree holders (8%), indicating that the sample is relatively well-educated, which is important given the

relationship between education level, financial literacy, and investment awareness.

From an occupational perspective, most respondents are private employees (42%), followed by entrepreneurs (24%), civil servants (14%), students (12%), and others (8%), reflecting that individuals with relatively stable income sources are more likely to engage in investment activities such as retail sukuk. In terms of investment experience, 67.3% of respondents have prior experience, while 32.7% do not, indicating that the majority are already familiar with financial instruments, thereby strengthening the reliability of their responses. Additionally, the income distribution shows that most respondents earn between IDR 5,000,001–10,000,000 (38%), followed by those earning IDR 3,000,000–5,000,000 (32%), with smaller proportions in lower (< IDR 3,000,000; 14%) and higher (> IDR 10,000,000; 16%) income groups. This suggests that respondents are predominantly from the middle-income segment, which represents the primary target market for retail sukuk investment, further supporting the relevance of the sample in this study.

4.2 Descriptive Statistics

Table 1. Descriptive Statistics of Variables

Variable	Mean	Std. Deviation	Category
Sharia Financial Literacy (X1)	3.98	0.62	High
Trust (X2)	4.12	0.58	High
Risk Perception (X3)	3.21	0.71	Moderate
Investment Decision (Y)	3.85	0.65	High

The descriptive statistics indicate that respondents in Indonesia generally exhibit favorable attitudes toward retail sukuk investment, as reflected by the high mean scores of Sharia Financial Literacy (3.98), Trust (4.12), and Investment Decision (3.85). The relatively high level of Sharia financial literacy suggests that respondents possess adequate understanding of Islamic financial principles, which supports informed decision-making. Trust records the highest mean value, indicating strong confidence in

institutions and the government as issuers of retail sukuk, which is a critical factor in encouraging investment participation. Meanwhile, Investment Decision also falls within the high category, implying a generally positive intention and willingness among respondents to invest in retail sukuk. In contrast, Risk Perception has a moderate mean score (3.21), suggesting that although respondents recognize certain risks, these perceptions are not excessively high to significantly deter investment behavior.

Overall, the relatively low standard deviations across all variables indicate consistent responses among participants, reinforcing the reliability of the data and highlighting a balanced interaction between literacy, trust, and perceived risk in shaping investment decisions.

4.3 Validity and Reliability Test

All questionnaire items show correlation coefficients (r-count) greater than r-table (0.160), indicating that all items are valid.

Table 2. Reliability Test

Variable	Cronbach's Alpha	Interpretation
Sharia Financial Literacy (X1)	0.842	Reliable
Trust (X2)	0.865	Reliable
Risk Perception (X3)	0.801	Reliable
Investment Decision (Y)	0.878	Reliable

The reliability test results demonstrate that all research variables exhibit a high level of internal consistency, as indicated by Cronbach's Alpha values exceeding the acceptable threshold of 0.70. Specifically, Sharia Financial Literacy (0.842), Trust (0.865), Risk Perception (0.801), and Investment Decision (0.878) are all categorized as reliable, with the Investment Decision variable showing the highest reliability among the constructs. These findings suggest that the measurement instruments used in this study are consistent and stable in capturing respondents' perceptions and attitudes, particularly within the context of Muslim investors in Indonesia. The strong reliability across all variables indicates that the questionnaire items are well-designed and capable of producing dependable data, thereby supporting the validity of subsequent statistical analyses and strengthening the overall robustness of the research findings.

4.4 Classical Assumption Test

The results of the classical assumption tests indicate that the data used in this study meet the requirements for regression analysis. The normality test using the Kolmogorov-Smirnov method shows a

significance value of 0.200, which is greater than the threshold of 0.05, indicating that the data are normally distributed. Furthermore, the multicollinearity test reveals that the Variance Inflation Factor (VIF) values range between 1.25 and 1.68, all of which are well below the critical value of 10, confirming that there is no multicollinearity among the independent variables. This suggests that each independent variable contributes uniquely to the model without significant overlap or redundancy.

In addition, the heteroscedasticity test results show that the significance values for all variables are greater than 0.05, indicating the absence of heteroscedasticity in the regression model. This means that the variance of the residuals is constant across all levels of the independent variables, ensuring the stability of the model estimates. Overall, these findings confirm that the regression model used in this study, particularly in the context of Muslim investors in Indonesia, satisfies all classical assumptions, thereby validating its suitability for further analysis and hypothesis testing.

4.5 Multiple Linear Regression Analysis

Table 3. Regression Results

Variable	Coefficient (β)	t-value	Sig.
Constant	1.215	2.843	0.005
Sharia Financial Literacy (X1)	0.345	4.672	0.000
Trust (X2)	0.412	5.218	0.000

Risk Perception (X3)	-0.276	-3.589	0.001
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The regression equation obtained in this study is $Y = 1.215 + 0.345X_1 + 0.412X_2 - 0.276X_3$, which indicates that Sharia financial literacy and trust have positive effects on investment decisions, while risk perception has a negative effect. The results further reveal that all independent variables significantly influence retail sukuk investment decisions among Muslim investors in Indonesia. Specifically, Sharia Financial Literacy ($\beta = 0.345$, $t = 4.672$, $p < 0.001$) positively affects investment behavior, suggesting that a better understanding of Islamic financial principles enhances confidence and willingness to invest. Trust ($\beta = 0.412$, $t = 5.218$, $p < 0.001$) shows the strongest positive influence, highlighting the importance of confidence in government

institutions, regulatory frameworks, and Sharia compliance in encouraging participation. In contrast, Risk Perception ($\beta = -0.276$, $t = -3.589$, $p = 0.001$) negatively affects investment decisions, indicating that higher perceived risk discourages investment in retail sukuk. The significant constant ($\beta = 1.215$, $p = 0.005$) also implies the presence of a baseline tendency to invest even without the influence of the independent variables. Overall, these findings confirm that cognitive factors (literacy), institutional factors (trust), and psychological factors (risk perception) jointly shape investment behavior, with trust emerging as the most dominant determinant.

4.6 Hypothesis Testing

Table 4 Hypothesis Testing Results

Hypothesis	Statement	Result
H1	Sharia financial literacy → Investment decision	Accepted
H2	Trust → Investment decision	Accepted
H3	Risk perception → Investment decision	Accepted
H4	X1, X2, X3 simultaneously → Investment decision	Accepted

The results of the t-test indicate that all independent variables have a statistically significant influence on investment decisions among Muslim investors in Indonesia. Sharia Financial Literacy (X1) shows a significance value of 0.000 ($p < 0.05$), indicating a positive and significant effect, which means that higher levels of literacy enhance individuals' ability and confidence to invest in retail sukuk. Similarly, Trust (X2) also has a significance value of 0.000 ($p < 0.05$), confirming a positive and significant effect, and reinforcing the importance of confidence in institutions and regulatory systems in shaping investment behavior.

In contrast, Risk Perception (X3) demonstrates a significance value of 0.001 ($p < 0.05$) with a negative direction, indicating that higher perceived risk significantly reduces the likelihood of investment. This finding highlights the critical role of psychological factors in influencing financial decisions, where even relatively safe instruments like

retail sukuk may be avoided if perceived risks remain high. Together, these results emphasize that both cognitive and psychological dimensions play essential roles in determining investment behavior.

Furthermore, the F-test result shows an F-value of 38.742 with a significance level of 0.000 ($p < 0.05$), indicating that all independent variables simultaneously have a significant effect on investment decisions. The coefficient of determination (R^2) is 0.564, which means that 56.4% of the variation in investment decisions can be explained by Sharia financial literacy, trust, and risk perception, while the remaining 43.6% is influenced by other factors not included in the model. This suggests that although the model has strong explanatory power, additional variables may further enhance the understanding of investment behavior in the Islamic finance context.

Discussion

The findings of this study confirm that Sharia financial literacy has a significant positive effect on retail sukuk investment decisions. This result implies that individuals with a higher understanding of Islamic financial principles are more likely to invest in sukuk instruments. This aligns with behavioral finance theory, where knowledge reduces uncertainty and enhances confidence in decision-making [22], [23]. In the context of Indonesia, improving Islamic financial literacy can serve as a strategic tool to increase participation in the sukuk market.

Trust is found to have the strongest positive influence among all variables. This highlights the importance of institutional credibility in shaping investor behavior. Investors tend to rely heavily on their trust in government institutions and regulatory systems when making financial decisions. Since retail sukuk is issued by the government, confidence in public financial management becomes a crucial determinant [14], [15]. This finding reinforces the argument that transparency, accountability, and consistent regulatory frameworks are essential in strengthening investor confidence.

On the other hand, risk perception shows a significant negative effect on investment decisions. Although retail sukuk is generally considered a low-risk investment, the perception of risk still plays a critical role in influencing behavior. Investors who perceive higher risks—whether related to liquidity, returns, or lack of understanding—are less likely to invest. This finding supports previous studies that emphasize the psychological dimension of risk in financial decision-making.

Simultaneously, the combined influence of Sharia financial literacy, trust, and risk perception explains more than half of the variance in investment decisions ($R^2 = 56.4\%$). This indicates that these variables form a strong explanatory model for understanding investor behavior in the Islamic finance context. However, there remains a portion of unexplained variance,

suggesting that other factors such as income level, religiosity, and social influence may also play a role.

Overall, the results highlight that increasing literacy, strengthening trust, and managing risk perception are key strategies to enhance retail sukuk investment participation. Policymakers and financial institutions should focus on integrated approaches that combine education, transparency, and effective communication to foster a more inclusive Islamic financial ecosystem.

5. CONCLUSION

This study concludes that Sharia financial literacy, trust, and risk perception play significant roles in influencing retail sukuk investment decisions among Muslim investors in Indonesia. Sharia financial literacy positively affects investment decisions, indicating that individuals with a better understanding of Islamic financial principles are more confident and willing to invest in sukuk instruments. Trust emerges as the most dominant factor, emphasizing the critical role of confidence in government institutions, regulatory systems, and Sharia compliance in shaping investor behavior. Conversely, risk perception has a negative effect, suggesting that higher perceived risks reduce investors' intention to participate in retail sukuk.

Furthermore, the simultaneous effect of these variables demonstrates that they collectively form a strong explanatory model for investment decisions, although other factors beyond the scope of this study may also contribute. These findings imply that efforts to enhance retail sukuk participation should focus on integrated strategies, including improving financial literacy through education programs, strengthening transparency and credibility of institutions, and effectively communicating the relatively low-risk nature of sukuk investments. By addressing these aspects, stakeholders can foster greater public confidence and encourage broader engagement in Islamic financial markets.

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