# IRRATIONAL FACTORS IN DECISION-MAKING TO CHOOSE THE SHARIA STOCK

**A Thesis**

**Submitted to the Master's Study Program of Economics at the Faculty of Economics in partial fulfillment of the requirements for the degree of**

**Master of Arts (M.A.)**


by:

**Martha Purna Syiva**

**03212210003**

UNIVERSITAS ISLAM INTERNASIONAL INDONESIA

DEPOK

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*Thesis Defense Internal Memo*

Dean of Faculty Economics and Business
Universitas Islam Internasional Indonesia
Depok

Assalamu'alaikum wr. wb.

After providing guidance, direction, and corrections to the writing of the thesis entitled:

IRRATIONAL FACTORS IN DECISION-MAKING TO CHOOSE THE SHARIA STOCK

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I have decided that the thesis is eligible and has fully satisfied the requirements to be submitted for thesis defense in order to obtain a Master's degree in Faculty of Economics and Business, Universitas Islam Internasional Indonesia.

Wassalamu'alaikum wr wb

Depok, 7 August 2024

Supervisor

**Ugi Suharto, Ph.D.**

## Preface

This thesis is submitted as a partial fulfilment of the requirements for the Master's degree in Economics at Universitas Islam Internasional Indonesia (UIII) in Depok. The topic of this thesis is "Irrational Factors in Decision-Making to Choose the Sharia Stock", which explores the influence of various behavioural factors on investors' decisions to invest in Sharia stocks.

The author, Martha Purna Syiva, has undertaken an extensive review of the relevant literature on behavioural finance, sharia stocks, and the decision-making processes of investors. The research methodology employed in this thesis is Partial Least Square (PLS) Structural Equation Modelling (SEM). The findings of this study contribute to the understanding of how irrational factors, such as religiosity, Islamic financial literacy, herding behaviour, and overconfidence, can impact the investment decisions of individuals in the Sharia stock market. These insights hold important implications for both individual investors and policymakers in the Islamic finance industry.

The author would like to express her sincere gratitude to the supervisors, Ugi Suharto, Ph.D. and Aimatul Yumna, Ph.D., for their valuable guidance, constructive feedback, and unwavering support throughout the research and writing process. Additionally, the author acknowledges the cooperation and participation of all the respondents who contributed to this study.

The author hopes that this thesis will serve as a valuable resource for researchers, practitioners, and policymakers interested in exploring the intersection of behavioural finance and Islamic finance.

Depok, August 2024

Martha Purna Syiva

# ABSTRACT

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The increasing popularity of Islamic finance has led to a growing demand for Sharia-compliant investment products, including Sharia stocks. Investors who adhere to Islamic principles often seek to direct their funds towards investments aligned with their religious and ethical values. However, the decision-making process in choosing Sharia stocks may not always be rational, as various psychological and behavioural factors can influence it. Behavioural finance research has identified several irrational elements that can impact an individual's investment decisions, such as overconfidence and herding behaviour, as well as religiosity and financial literacy factors. In Sharia-compliant investments, these irrational factors may play a significant role in an investor's choice to allocate funds to Sharia stocks, potentially leading to suboptimal decisions that deviate from rational financial considerations. Thus, this thesis aims to examine the influence of overconfidence and herding behaviour combined with religiosity and Sharia stock financial literacy on the decision-making process of investors when selecting Sharia-compliant stocks. All the variables in the model proceed with the Partial Least Square - Structural Equation Modelling (PLS-SEM) method. Using primary data from 290 respondents who are Sharia stock investors in Indonesia, this study found that religiosity, Sharia stock financial literacy, and overconfidence significantly impact decision-making to invest in Sharia stock. However, religiosity did not affect Sharia stock financial literacy substantially, and Sharia stock financial literacy was insignificant in mediating between religiosity and the decision to invest in Sharia stock. The results of this study show that Sharia stocks as Sharia-based investing instruments cannot separated from the ideological irrational aspects. Investors with a high sense of religiousity, literacy, and confidence in the Sharia value of a stock are the crucial factors in convincing them to choose a Sharia-based investing instrument.

Keywords: *Financial behaviour, religiosity, herding behaviour, overconfidence*

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# CHAPTER I
# INTRODUCTION

## 1.1 Background

In today's complex financial landscape, individuals and institutions seek various avenues to invest surplus funds. The capital market is a prominent and indispensable choice among all the available investing options. The capital market offers a platform for buying and selling financial securities. The capital market provides various long-term financial instruments that can be traded and used for investing instruments, whether bonds, equities, mutual funds, derivative instruments, etc. The capital market has become an essential instrument for a country's economy as an alternative way to collect funds from people besides the banking system or commodity exports (Soedewi & Purqon, 2015). Thus, the capital market is also a means for people to invest and allows market players, who are investors, to have various investment options.

Stock is one of many investing instruments available in the capital market. The stock has a characteristic that gives the investor a chance to have ownership and equity, which means they will become a partial owner or shareholder of the company. With this investing scheme, investors expect a return over the long term through dividends or capital gain. Dividend describes the distribution of a portion of company profit to shareholders. At the same time, capital gain refers to investors' profit from stocks through capital appreciation if the value of a stock increases over time. However, stocks are considered a high-risk investment compared to more conservative options like bonds or cash. This is because the value of stocks can be volatile and fluctuate based on market conditions, company performance, industry trends, and other factors.

Investing in stocks becomes interesting since stocks offer several advantages over any other investing instrument. For instance, stocks give investors a liquid investment since they can be bought and sold relatively quickly on secondary markets or stock exchanges and provide investors with flexibility. Moreover, stocks offer investors the opportunity to diversify their portfolio, such as by investing in various stocks across different industries, sectors, regions, and so on, to reduce their exposure to the risks associated with companies or sectors.

The variety of stocks stretched across various aspects. According to risk preference, most considerations vary in the stock sector, noting that investors have the same goal of investing

and getting capital gains and dividends (Hersugondo et al., 2020). Many researchers have unveiled how risk perception influences the preference towards investing in the stock market. This motivation can be classified as rational motivation, as the standard and majority investor will indeed seek the return based on their risk profile. However, with the growth of the financial market, we can divide stocks into two parts: Sharia stocks and conventional stocks.

Diversification between Sharia stock and conventional ones remains to be done by adhering to Islamic principles. Different from other investment instruments, such as sukuk and bonds, which put a different scheme between Sharia (sukuk) and conventional (bonds). In stock, Sharia and Conventional have similar schemes. We can divide the Sharia instrument into replicas of conventional financial products (i.e. sukuk and Islamic stocks) and original Islamic instruments with the principle of risk and return sharing (Azmat et al., 2016). The financial system organizes the conventional capital market, including commercial banks, financial intermediaries, and all outstanding securities (Hersugondo et al., 2020). In the conventional stocks index, there is no separation between halal-haram and knowing the forbidden and allowed aspects based on Sharia identity.

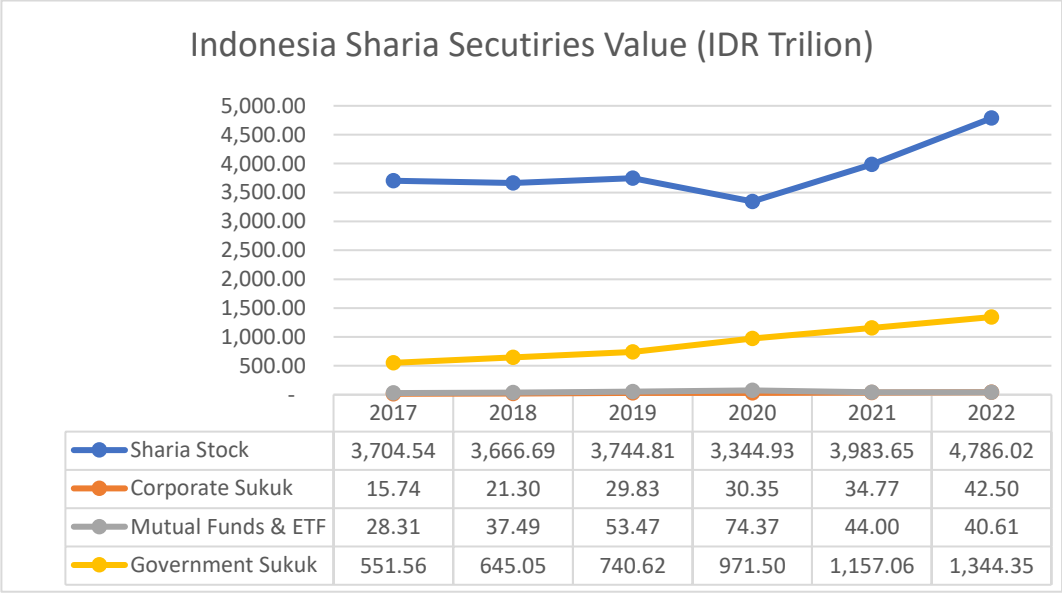
Meanwhile, in Sharia, the capital market is run by Islamic Sharia principles. Islamic capital market is a capital market activity concerned with Islamic provision, for instance, guided by Dewan Syariah Nasional – Majelis Ulama Indonesia (DSN-MUI) as the Sharia council of the Indonesian Ulema Council (MUI) that oversees and regulates the Islamic finance industry in Indonesia. Stocks offer an investing option through different ideologies and investor perceptions towards how they threaten their ideology about investment, for instance, for those who adhere to religious principles. We should note that not all shares meet the Sharia criteria. The classification and indexation of Sharia stocks began to be presented to overcome this problem and fulfil the needs of Sharia investors.

To be listed in the Sharia stock market, the company has to ensure that they adhere to Islamic principles; for instance, the company activities are not engaged in non-halal industries, such as alcohol, gambling, tobacco, and conventional financial institutions that engage in interest-based transactions. In Indonesia, the provision of Islamic stocks has been regulated in "Peraturan Otoritas Jasa Keuangan Nomor 15/POJK.04/2015", which governs the Application of Sharia Principles in Capital Markets. Generally, Securities can be categorized as Sharia securities if their contracts, management, business activities, and assets do not contradict Sharia

principles. The Indonesian stock market has several Sharia indexes. One of them is the Jakarta Islamic Index (JII). This first Islamic stock index was launched in Indonesia in 2000 and consists of the 30 most liquid Islamic shares listed on the Indonesia Stock Exchange (IDX).

Moreover, there is the Indonesia Sharia Stock Index (ISSI), launched in 2011, and all Sharia shares are included in the Daftar Efek Syariah (Sharia Securities List) by OJK and listed on the Indonesia Stock Exchange. Another well-known Sharia index in Indonesia is Jakarta Islamic Index 70 (JII70), the Sharia stock index launched by IDX in 2018. JII70 consists of the 70 most liquid sharia stocks. Each index mentioned before faced a review twice a year to determine whether the listed stock still fulfils the criteria of each index or not. Moreover, the Indonesia Stock Exchange also has two other sharia stock indexes, called IDX-MES BUMN 17, as a collaboration between IDX and Masyarakat Ekonomi Syariah (MES) to measure the performance of 17 sharia stocks, which are State-Owned Enterprises (BUMN). The other index is the IDX Sharia Growth Index, launched in 2022 to measure 30 Sharia stocks with high liquidity and good corporate fundamentals that were selected based on the trend of corporate revenue and earnings (IDX, 2024).

The growing number of Sharia stocks accompanies the increasing number of indexes. According to IDX data, the number of Sharia stocks has increased massively in recent years. The OJK (2023) data below show the value of Sharia securities over the year.




| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Sharia Stock | 3,704.54 | 3,666.69 | 3,744.81 | 3,344.93 | 3,983.65 | 4,786.02 |
| Corporate Sukuk | 15.74 | 21.30 | 29.83 | 30.35 | 34.77 | 42.50 |
| Mutual Funds & ETF | 28.31 | 37.49 | 53.47 | 74.37 | 44.00 | 40.61 |
| Government Sukuk | 551.56 | 645.05 | 740.62 | 971.50 | 1,157.06 | 1,344.35 |

**Figure 1.1 Indonesia Sharia Securities Value**

Compared to the other Sharia securities investment instruments, Sharia stock became the instrument with the highest value, which in 2022 reached IDR 4,786 trillion and has been trending positive since 2020. With this trend, Sharia stocks have the most significant growth and the most considerable securities value compared to the others. Even more, Sharia stock leads with significant value differences compared with the others, which tells us that Sharia stock is the most influential Sharia securities. Deep into the more detailed data within the stock value, there is a comparison data between the market value of Sharia stock using Indonesia Sharia Stocks Index in Indonesia (ISSI) and Jakarta Composite Index (IHSG) by OJK (2024). The ISSI index shows the performance of all the Sharia stocks in Indonesia, while IHSG depicts the performance of all the stocks in Indonesia, including Sharia and non-sharia stocks. This comparison data shows in the table below.

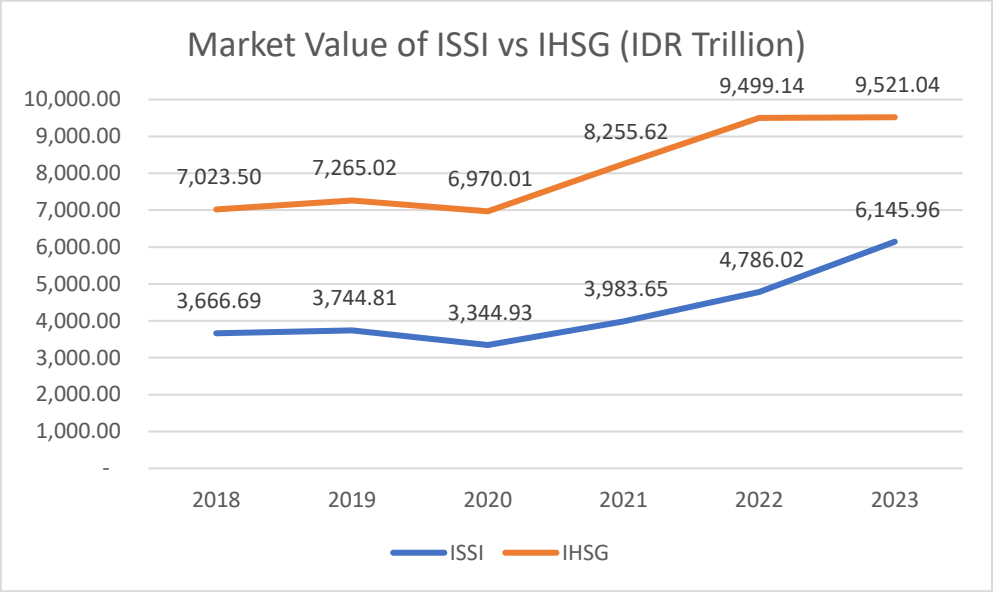



**Figure 2.2 ISSI and IHSG Market Value**

From the table above, it shows that ISSI and IHSG performed with a similar trend between 2018 until 2023. However, if analyze the growth of the market value, ISSI gives a higher growth rather than IHSG. In IHSG, the market value performed at IDR 7.023,5 in 2018 and reach to the IDR 9.521,04 in 2023, which mean the growth of IHSG in five years is 35.58%. Meanwhile, ISSI shows a market value at IDR 3.666,69 in 2018 and has a peak market value in 2023 at IDR 6.145,96, which the growth of ISSI market value in five years is 67.72%. Although the trend of the market value seems similar, however, Sharia stocks gives a greater growth rather than the aggregate performance of stocks in Indonesia.

The growth of Sharia stocks indicates that more and more investors trust Sharia stocks and put their money in the stock market. Amidst the growth of Sharia stocks, many researchers have been seeking to know why investors choose Sharia stocks over conventional ones. Furthermore, selecting Sharia-based stocks becomes the leading choice over Sharia compliance investors, especially for those with a risk-averse profile compared to other investing instruments (Azmat et al., 2016). On the rational reason, investor behaviour to gain greater returns can be explained by traditional finance. Traditional finance leads to the assumption that investors tend to use all the possible information gained from the market to create maximum profit (Becker, 1962). In other words, traditional finance depicts that investor will consider rational reasons to choose an investment instrument and maximize their gain. However, investors only sometimes rely on rational reason and use all the information due to the limitations in obtaining information, such as asymmetric information. This condition caused many scholars to dig for another theory, leading to behavioural finance theory.

In short, behavioural finance can be understood as a field of study that combines principles from psychology and economics to understand and explain how individuals make financial decisions and acknowledge that human beings are not always rational and objective in their decision-making processes, as traditional economic theories assume (Becker, 1962). Behavioural finance could explain the complex decision-making process of investors. That explanation came up since behavioural finance is the extension of traditional finance theory, which assumes rationality in investment decisions; empirical evidence suggests that human behaviour is often driven by cognitive biases and emotions, leading to irrational choices. Behavioural finance theory explores various cognitive biases, emotional factors, and social influences that can lead individuals to deviate from rational behaviour when it comes to financial choices and recognizes that people often rely on mental shortcuts or heuristic behaviour, which may result in systematic errors and biases.

Behavioural finance has a lot of underlying theories, which is the basis for investors' irrational behaviour. Some of the theories are overconfidence, loss aversion (the tendency to fear losses more than we value gains), anchoring (relying too heavily on an initial piece of information), herding behaviour (following the actions of others rather than making independent judgments), and many more (Ricciardi & Simon, 2000). The theory explained by behavioural finance focuses on anomalies that challenge traditional finance theories' assumptions to answer some market phenomena that rational economics cannot explain, such as stock market bubbles,

excessive trading, etc. (Ricciardi & Simon, 2000). Using that field of study, the author has many opportunities to explore many events in the financial market. Therefore, this research focuses on using behavioural finance in the capital market, especially the stock market.

Although behavioural finance takes note of exploring irrational behaviour in financial decision-making, not all aspects of behavioural finance focus only on irrational reasons. For instance, the Prospect Theory explains persistent biases motivated by psychological factors to create choices under uncertainty. This theory still considers the decision-making factors as the weights of profit gain, as the motivation to create finances (Ricciardi & Simon, 2000). Another example theory, the Theory of Regret as a sub-theory of Financial Behaviour, uses emotional reactions or feelings when evaluating future events or situations with a given outcome. The use of this theory in the stock market can describe when investors tend to avoid selling stocks when their prices decline to avoid regret due to choosing a bad investment. In other words, prospect theory is how people assess and calculate the possible profit or loss with the possibility of comparison, compared with the perceptible risk (Ricciardi & Simon, 2000). Thus, we can see that this theory significantly impacts the outcome or the return on investment.

Since this research focuses on the ideology and principle of the Islamic investing role, we cannot consider those two theories as our variables. Thus, we focus on the theory that could answer which factor affects the Islamic stock as a principle or to fulfil the ideology of investors. Thus, we explored the sub-theory of financial behaviour and found that overconfidence and herding behaviour are possible theories that can overcome the problem of this research.

Overconfidence is part of the financial behaviour grand theory, which explains that people used to put too much confidence in pursuing their judgments (Ricciardi & Simon, 2000). In terms of investors, overconfidence can be seen as an inherent ability to learn from past mistakes, which creates an overconfidence dilemma. In investing in the financial market, overconfidence could affect investor behaviour, mainly when rational considerations are considered. When rational investors try to maximize their profit, overconfident investors will be affected by biased risk assessments. Investors who feel overconfident tend to underestimate risk while overestimating their abilities. Regarding choosing Sharia stock as an investing instrument, their strong ideology of adhering to Islamic values will give a solid decision to take a Sharia stock rather than conventional ones.

In addition to the effect of overconfidence in fulfilling the Islamic ideology's desire, other factors may affect how other people influence someone's decision-making when choosing stocks as an investing option. This account can be explored using herding behaviour in terms of behavioural finance. *Herding behaviour* can be defined as following other investors, assuming that other investors are better at processing investment decision-making (Din et al., 2021). From the Sharia investment point of view, we can perceive this theory as the spirit of Islamic da'wah. Thus, other people can be a significant influence on choosing Sharia stocks.

To strengthen obedience to Islamic values, this research also considers religiosity factors besides irrational factors to measure factors that influence people's choice of sharia stocks. Rather than only measuring personality and religious aspects, this research also considers Islamic financial knowledge, which a spiritual person should have good Islamic financial knowledge when it comes to Islamic investors.

However, more research is still needed that focuses on irrational behaviour, the role of religiosity, and Islamic financial literacy. The research uses financial behaviour to observe the decision to buy Sharia stocks and combine it with other factors, such as pursuing profit and not considering religiosity. Although investors must seek a return, ideology factors cannot be ignored. Thus, this research wants to fill the gap by observing the influence of irrational behaviour and religiosity factors in decision-making on Sharia stocks in Indonesia.

### 1.2 Research Problem

The magnitude of the role and influence of sharia stock in the economy of Indonesia cannot be separated from the high intention of the investor in choosing sharia stock as their chosen investing instrument. In the investing strategy, rationally, we must consider that the primary goal of investing is to generate a return, which can be gained from dividends or capital gain in Sharia stock. This behaviour is explained by the traditional finance theory, which depicts on how an investor uses rational factors to choose an investment instrument in order to maximize their gain. However, profit maximization is not solely a factor that shapes investment decisions. To observe this phenomenon, an extended theory of traditional finance emerged, namely behavioral finance. Different from traditional finance, behavioral finance theory gives an understanding on how human behaviour is often driven by cognitive biases and emotions, leading to irrational choices. This phenomenon happened in sharia stocks, where the fundamental difference with conventional stocks was  in adherence to sharia law.

In the context of Sharia stocks, the cognitive biases are affected by several factors. Sharia stock has a high possibility to affected by cognitive factors, remembering that Sharia stocks should be adhere to Sharia principle, as the differentiation with the conventional stock. This conditions gives a possibility that the consideration of the investors on choosing Sharia stocks is not merely depend on the return of the stocks, but also influenced by these cognitive factors as irrational factors from Sharia stocks. Furthermore, these cognitive factors may gives a portion to shape the decision-making on choosing Sharia stocks.

However, the research focusing on irrational reasons to measure decisions towards choosing sharia stock still needs to be completed. Most of the study of irrational behaviour on Sharia stocks focuses on conventional stocks, and still lack of research brings Sharia-based value stocks. Moreover, in the most study, they did not merely focus on pure irrational behaviour aspects as their measurements, while they combined the model with rational, or at least near rational factors. Therefore, this research aims to know whether the irrational behaviour of investors has a significant influence on the decision among investors to choose Islamic stock. To observe the irrationality that affects decision-making on choosing Sharia stocks, the author analyzes the suitable variable from financial behaviour related to Sharia stocks, and found that overconfidence and herding behavior may be the irrational factors that most influence decision-making in choosing Sharia stocks. Furthermore, this study also combines the variables with religiosity as irrational factors as well, outside the theory of behavioral finance to give an extensive understanding of irrational factors.

### 1.3 Research Question

With the problem stated above, this research put forward the research question as follows:

i. How does the overconfidence factor of the investor affect decision-making on choosing Sharia stocks?
ii. How does the herding behaviour factor of the investor affect decision-making when choosing Sharia stock?
iii. How does the religiosity of the investors affect their decision to choose Sharia stocks?
iv. How does the religiosity of the investors affect their Sharia stock financial literacy?

v. How does the financial literacy of investors in Sharia stock affect their decision to choose Islamic stock?

### 1.4 Research Purpose

The objective of this study is to observe whether the presence of irrational behaviour among investor who already chose Islamic stocks as their investing instrument brings a significant relationship towards decision-making on choosing Islamic stock. Since the measurement focuses on irrational behaviour, this research maximized the role of behavioural finance leading theory. It tested its sub-theory, which focuses on irrational behaviour, overconfidence and herding behaviour. Therefore, this research includes the religiosity factor, considering religiosity is the principal reason in line with Sharia stocks. Moreover, this research also put a hypothesis to test whether Islamic financial literature mediates religiosity towards decision-making on Islamic stock since we argue that the more excellent Islamic financial literature, thus the principle to hand an Islamic financial instrument, will also be more significant.

# CHAPTER II
# LITERATURE REVIEW

## 2.1 Theory

In this chapter, the author will present the understanding of variables and the theory used in this study. The author will present the understanding of financial behaviour as the main theory of this study, as well as the sub-theory of financial behaviour, which consists of herding behaviour, overconfidence, and other variables, religiosity, and financial literacy. Furthermore, the author also defined the meaning of Sharia Stock in this study.

### 2.1.1 Sharia Stock

Sharia equities, or Sharia stock, is one of the Sharia investing instruments that the investors can choose as their investing instrument. With the sharia-complaint based, Sharia stocks become the answer of investors who need to fulfill their Sharia compliance ideology (Azmat et al., 2016), rather than having to choose the conventional ones. The first Sharia stock Index in Indonesia, called the Jakarta Islamic Index (JII), was launched by the Indonesia Stock Exchange (IDX) in 2000. Sharia stock refers to publicly traded company shares that adhere to Islamic principles and guidelines. Indonesia's compliance with sharia values is guided by the Indonesia Ulama Council (MUI). The provision of Sharia stock is also issued by the Financial Services Authority (OJK). For example, OJK issued provision number 15/POJK.04/2015, which gives the provision on how a company share can become a Sharia stock, with the rule as follows:

The type of business, goods, services provided, contract, and management method of the Issuer or Public Company that issues Sharia Securities must not conflict with Sharia Principles.

1. Types of business activities that are contrary to Sharia Principles include:
    a. Gambling and games classified as gambling or trading are prohibited;
    b. Conventional financial institutions (ribawi), including conventional banking and insurance;
    c. Producers, distributors, and traders of food and beverages that are haram; and
    d. Producers, distributors, and/or providers of goods or services that destroy morals and are harmful.

e. Investing in Issuers (companies) which, at the time of the transaction, the level (ratio) of the company's debt to Ribawi financial institutions is more dominant than their capital;

2. Issuers or Public Companies intending to issue Sharia Securities are required to sign and comply with the contract terms by Sharia for the issued Sharia Securities.
3. Issuers or Public Companies that issue Sharia Securities must ensure that their business activities comply with Sharia principles and have a Shariah Compliance Officer.

### 2.1.2 The Concept of Irrationality

In terms of language, irrational is the opposite of rational. According to the dictionary, irrational means "not using reason or clear thinking". In general terms, rational beliefs refer to the logical beliefs or have empirical support. Meanwhile, irrational beliefs refer to the illogical beliefs with no empirical supports (Lynn & Ellis, 2010). The concept of irrationality cannot be separated from the psychology (Vîslă et al., 2016). Irrational has been used in many fields, with many practical definitions, including in the economics field as well as in the decision making process. In terms of economics, irrational behaviour has the possibility to determine the decision-making of consumers. A study by Simon (1993) makes a distinction between rational, nonrational, and irrational in terms of decision-making. Simon starts with the explanation of rational, where rational can be understood as a set of skill or aptitudes used to see if the person can achieve their objective. Moreover, the distinction between non-rational and irrational is explained. Irrational refers to poorly adapted to goals, or no such thing as excessive rationally. Meanwhile, he describes nonrational as if the goals have to be postulated somehow in the decision-making process (Simon, 1993).

Rationality and decision-making are necessarily central topics of economics, management, and psychology. From Simon's (1993) concept, we can see that irrational behaviour refers to someone who is accused of being excessively rational. Meanwhile, nonrational lacks a postulate, which nonrational usually refers to the very final goals (Simon, 1993). Moreover, another concept of rationality is near rational behaviour, which is a form of seemingly irrational behaviour. Near rational behaviour means that the economics agents have relatively wide latitude for deviating from full optimization without incurring significant losses (Akerlof & Yellen, 1987). With the explanation above, this study focuses on irrational aspect of decision making, to observe the reason behind decision making excess rational thinking,

### 2.1.3 Behavioural Finance

A theory and literature regarding how people act towards financing have been coming up for a long time, with many perspectives. In terms of exploring how the psychological and cognitive factors affect the behaviour of investors and their impact on financial markets, the behavioural finance grand theory explains them. According to Ricciardi and Simon (2000), behavioural finance has emerged in many academic journals since the 1990s. However, history says that the beginning of behavioural finance was written in several books in the 1800s and early 1900s. Behavioural finance cannot be separated from the foundation, which is called traditional finance, related to some finance theories such as Modern Portfolio Theory (MPT) and Efficient Market Hypothesis (EMH). MPT was created by Harry Markowitz in 1952, and it discusses the stock of the portfolio's expected return, standard deviation, and correlation with the other stocks or mutual funds within the portfolio. Meanwhile, EMH is a discussion about the premise that all information has already been reflected in a security's price or market value, and the current price of the stock or bond trading today is its fair value.

The field of standard or traditional finance continues to emerge to dig for a reason for behaviour in financing. Until the exploration arrives to explain and increase understanding of the reasoning patterns of investors, including the emotional processes involved and the degree to which they influence the decision-making process. From there, behavioural finance was born to study financial markets and explain many stock market anomalies (Ricciardi & Simon, 2000).

Many scholars attempt to give a bright description of behavioural finance. Shefrin (2000) describes behavioural finance as the interaction of psychology with practitioners' financial actions and performance. Behavioural finance appears to answer market anomalies, which existing investing theory still cannot answer, by explaining how people take financial action (Sisbintari, 2018). In general terms, behavioural finance consists of three aspects: psychology, sociology, and finance. However, every scholar may have a different perspective on translating the meaning of behavioural finance since no cohesive theory exists (Olsen, 1998). However, we can find many sub-theories from many scholars and researchers in the context of behavioural finance. Ricciardi and Simon (2000) mentioned at least 38 sub-theories in the context of the behavioural finance field. We are to discuss only some of those sub-theories.

However, this research will discuss two of them, which become the introductory representation of behavioural finance: overconfidence and herding theories (Jahanzeb & Muneer, 2012).

### 2.1.4 Overconfidence

Overconfidence becomes one aspect of the behavioural finance field of study about the psychology of human beings. *Overconfidence* can be defined as "an overestimation of the probabilities for a set of events. Operationally, it is reflected by comparing whether the specific probability assigned is greater than the correct portion for all assessments assigned that given probability" (Mahajan, 1992). A more general definition of *overconfidence* in the context of behavioural finance is people who overestimate their capabilities compared to the average capabilities of other people (Kaymak et al., 2008).

In behavioural finance, overconfidence consists of a heuristic decision process, which explains how investors determine their findings using trial and error when choosing a specific opportunity. Interpretation of this theory as investors, for instance, the investors have an inherent ability to forget or fail to learn from their past errors, such as a bad investment or financial decision. This failure to learn from past investment decisions further adds to our overconfidence dilemma (Ricciardi & Simon, 2000). In financial markets, overconfident investors actively trade so that the differences between the stocks they buy and those they sell do not cover the transaction cost (Odean, 1998). Thus, overconfidence is a derivative of cognitive bias, an aspect of behavioural finance (Afroh & Hafidzi, 2024). When investors have overconfidence biases, they will result in blind decision-making toward the existing information they have (Afroh & Hafidzi, 2024). This condition leads to accuracy in making a decision, while investors will decide without complete information. Therefore, the overconfidence factors depicted how irrational investors choose their chosen instrument.

### 2.1.5 Herding Behaviour

Herding Behaviour depicts a condition where people do the same things together as other people do (Graham, 1999). In Behavioural Finance, herding Behaviour describes a condition when a group of investors makes investment decisions on a specific piece of information while ignoring other pertinent information, such as news or financial reports (Ricciardi & Simon, 2000). Herding Behaviour refers to the tendency of investors to imitate or follow the investment decisions of others rather than making independent judgments based on their analysis of information. A psychological bias comes up within the investor's mind and ideology.

Herding behaviour is the phenomenon of investing that occurs among investors in almost all financial markets (Ah Mand et al., 2023). A strong example of herding behaviour phenomena with greater intensity is shown by the 2008 and COVID-19 crisis, which affected market volatility (Ferreruela & Mallor, 2021). Furthermore, Herding phenomena are also often associated with specific circumstances or phenomena in the capital market, such as herding being an answer to the January Effect, underpricing, etc (Arisanti & Oktavendi, 2020). Those are the events where investors are not doing the analysis when investing, but instead only following the euphoria of the market of other investors, and based on public information when it happens. Also, in the stock market, herding can happen as the market is up; investors tend to enter the market and target a linear relationship with the market return (Ah Mand et al., 2023).

In the Islamic stock market, herding behaviour happened with slightly different phenomena. While the herding behaviour in conventional stocks happens during a down market and is linear with market return, in sharia stocks, herding behaviour exists when the market is up without a linear relationship with market return (Ah Mand et al., 2023). This phenomenon indicates the different behaviours of conventional and Sharia stock investors. Sharia investors tend to ensure that they choose Sharia-compliant investing instruments rather than solely focusing on high returns. Thus, the Sharia-compliance of Sharia companies listed in the Sharia stock index are essential factors that make Sharia-concern investors willing to buy that stock. A study by Arisanti and Oktavendi (2020) shows that an information disclosure based on the success of Good Governance Business Sharia (GGBS) is a crucial factor in strengthening the herding behaviour in Indonesia Sharia stocks that the investors herding by the information gained from within the company regarding the GGBS disclosure.

### 2.1.6 Decision to Investing in Sharia Stock

The grand theory of behavioural finance uses irrational reasoning to explain people's behaviour when making a financial decision. It explains the reasoning patterns of investors affected by the emotional process and how they influence the decision-making process (Ricciardi & Simon, 2000). This process indicates bias in behaviour that is affected by human emotion and cognitive factors in financial decision-making (Pompian, 2006).

Different from conventional stocks, which have a more rational aspect for investors to gain much return, Sharia stocks have a characteristic of irrational factors since they have power as an investing instrument for those who keep their ideology regarding the religiosity of Islam. A

study by Ramadani Silalahi et al. (2020) found that Muslim investor has an irrational and intuitive psychology when investing in the stock market due to the religiosity value that they hold in hand. In the study, the researcher explains that Muslim investors make investment decisions quickly without filtering on fundamental and technical analysis (Ramadani Silalahi et al., 2020). This idea brings evidence that Sharia-based stocks have a great power to influence investors with irrational values, such as religiosity.

Furthermore, since this research focuses on the irrational aspect of behavioural finance, the decision to invest in Sharia stock will be the dependent variable to know whether the irrational aspect influences people's decision to invest in Sharia stock. Many past research studies have shown how financial behaviour influences people's decision to choose a stock as an investing instrument (Jahanzeb & Muneer, 2012; Madaan & Singh, 2019; Raut, 2020). However, most of the study focuses on the stock as a whole, focusing on something other than Sharia stock or combining a rational and irrational reason for choosing Sharia stocks besides solely putting a focus on irrational aspects. Therefore, building a whole model with irrational factors when choosing Sharia stocks will become a novelty for this study.

**2.2 Previous Study**

Many past studies have studied behavioural finance and how it affects investor decisions in the context of stock instruments. Since the behavioural finance grand theory, many researchers have observed how behavioural bias affects investors' decisions (Almansour et al., 2023; Jahanzeb & Muneer, 2012; Madaan & Singh, 2019; Olsen, 1998). Furthermore, many researchers also bring behavioural finance to Islamic investing instruments (Afroh & Hafidzi, 2024; Din et al., 2021; Yousef Areiqat et al., 2019). However, despite using behavioural finance theory, most research still considers the near-rational aspects, such as combining the irrational reason with the rational factors in a single model or using a rational indicator to measure a behavioural finance measurement.

For instance, a study by Raut (2020) observed how financial literacy, past behaviour, attitude, subjective norms, and perceived behavioural control influence the intention to invest in the stock market. The result shows that all the variables, except past behaviour, significantly affect the investment decision-making process and the intention to invest in the stock market. In the measurement-making process, this study only partially focuses on irrational aspects since the paper puts the earning history and earnings growth into the measurement of past behaviour on

the model. Second, a study by Gill et al. (2018) investigates the factors that have an impact on investment decision-making behaviour, using behavioural bias such as the overconfidence factor, and combines it using another independent variable, which is economic expectations, and puts the mediating role of information searches. The study showed that overconfidence has a positive influence on investment decision-making behaviour.

Third, specific with the behavioural finance on Sharia stock, the other study by Yousef Areiqat et al. (2019) focuses on behavioural finance to observe investment decisions in Amman Stock Exchange, Jordan. However, this study still put the price factors of the stock as the consideration in choosing Sharia stock by the loss aversion variable. This study found that overconfidence, loss aversion, and herding influence stock investment decision-making. At the same time, risk perception does not significantly impact stock investment decisions. Another study observing investors' decisions towards Islamic stock investment in Indonesia was conducted by Abidin et al. (2020) to find the factors from behavioural finance that influence the decision-making in choosing Islamic stock. This study uses three independent variables: Heuristic, Herding, and Prospect. It conducted research with young investors (17-25 years old) and 141 investors in six big cities in Indonesia. The result shows that the heuristic and herding effect significantly positively affect building investment decisions for Sharia stock. Meanwhile, the Prospects have little effect on Islamic stock investment decisions. To learn more about this study, here are summarised several past studies related to this research.

**Table 2. 1 Previous Study**

| Title | Author | Method | Variable | Result |
|---|---|---|---|---|
| Religiosity and Charitable Giving on Investors' Trading Behaviour in the Indonesian Sharia stock | Mehmet Asutay, Primandanu Febriyan Aziz· Banjaran S. Indrastomo, Yusuf Karbhari (2023) | Logistic Regression | Independent: Islamic Religiosity, Sadaqah Feature in SOTS, Risk Aversion, Accounting Information, Self-Image, | This study finds that religiosity, accounting information, neutral information, personal financial needs, and the sadaqah feature have significantly affected investors' trading behaviour. The sadaqah feature is positively correlated, while |

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| Market: Islamic vs Market Logic | | | Neutral Information, Advocate Recommend ation, Personal Financial Needs<br><br>Dependent: Individual Investor Trading Behaviour (Monthly Trading Transaction) defined as dummy variable.<br><br>Theory: Theory of Reasoned Action, Islamic Moral Economy. | religiosity factors are negatively correlated. This study evidences that Islamic logic is not the main determining factor, as market logic-related factors seem to be more dominant in the behaviour of investors in the Indonesian capital market. |
| The Influence of Religion Psychology on Stock | Suherman, U., Nugraha, Disman, | multiple linear regression analysis. | Independent: Religiosity | This research showed that Religion positively affected stock investment decisions in West Java. Age, Education, |

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| Investment: Testing the Effect of Student Investor Religiosity on Stock Investment Decisions in West Java, Indonesia, moderated by Gender, Age, Education, and Income and Mediated by Financial Literacy | Mayasari (2022) | | Dependent: Investment Decisions<br><br>Mediating: Financial Literacy<br><br>Moderating: Age, Education, Income | and Income also affect investment decisions, but gender does not. Religiosity does not affect financial Literacy, Which does not affect investment decisions, and financial Literacy cannot mediate the relationship between Religion and stock investment decisions. |
| Economic, Sociological, and Psychological Factors of the Saving Behaviour: Turkey Case | Zeynep, Copur, Michael Gutter (2019) | Multinomial Logistic Regression | Independent: Sociology, Psychology and Economic<br><br>Dependent: No accounts, Savings only, Savings and Investing (two-level binary variable) | Results showed that some economic and psychological factors were statistically significantly related to whether a person had only a savings account or both saving and investing accounts compared to having no savings or investment accounts. Financial management behaviours, perceived subjective norms and the length of a person's planning horizon were significantly related to the |

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| | | | | likelihood of having a savings account. Owning a home, financial management behaviours, and greater impulsivity were significantly related to the likelihood of having savings and investment accounts. |
| The Influence of Investor Intrinsic Motivation on Sharia stock Investment Decision Making | Fitria Husnatarina, Muh. Arafah, Andiyan Andiyan, Zul Azmi, Yenny Suzana, Andi Hartati. (2021) | Multiple linear regression | The Independent Variable are choice, competence, meaningfulness, and advancement /Progress<br><br>The Dependent variable is intrinsic Motivation. | This research demonstrates that all intrinsic motivation traits, including choice, competence, meaningfulness, and advancement, have a favourable and substantial effect on investors' decisions regarding Islamic equities. |
| Factors Influencing the Intention to Stock Investment among Muslim | Abdul Hamid, Ainun Mardhiah, Shelly Midesia.(2019) | Simple Linear Regression Analysis | The Independent variables are: Knowledge, income, and risk perception. | In partial tests, only income and risk perceptions significantly influence the intention to invest in stocks, while knowledge does not show the same result. Thus, although most respondents |

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|---|---|---|---|---|
| Investors in Langsa | | | The dependent variable is the intention of Langsa society to invest in stocks. | know stock investment, most do not intend to invest in the stock market. One reason is the apprehension of uncertainty due to respondents' inadequate income in Langsa City. In addition, the lack of understanding of risk reduces respondents' intention to invest in stocks in the capital market. |
| The Financial behaviour of Investment Devision Making Between Real and Financial Assets Sectors | Yusriadi Hala, Muhammad Wahyuddin Abdullah, Wuryan Andayani, Gunawan Bata Ilyas, Muhammad Akob (2020) | Partial Least Square – Structural Equation Modelling | Loss and regret aversion, financial literacy, investment decision | Focusing on financial behaviour theory and prospect theory as grounded theory, this study found that loss and regret aversion variables have a positive and significant effect. In contrast, financial literacy variables have no significant effect towards investment decisions. There is a slight difference in the decision-making process for tangible assets and financial assets investors. Investment decision-making behaviour in the financial assets sector requires less complicated decisions than those related |

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| | | | | to real asset investments. |
| Predicting the Financial Behaviour of the Religious Organization Board in Indonesia | Djamila Abbas, Muhammad Ali, Mursalim Nohong, Muhammad Sobarsyah (2020) | Regression Analysis | locus of control, financial attitude, income, and religiosity | The findings of this study reveal that locus of control, financial attitude, income, and religiosity are strong predictors of the board of the religious organization's financial behaviour in Indonesia. Religiosity partially influences the financial behaviour of the religious board of Muhammadiyah members in Indonesia. The higher the religiosity of Muhammadiyah committee members will encourage better financial management. |
| Past behaviour, financial literacy and investment decision-making process of individual investors | Rajdeep Kumar Raut (2020) | Two-step Structural Equation Modelling | Independent: Past Behaviour, Financial Literacy, Subjective Norms<br><br>Mediating: Attitude, Perceived | Using Theory of Planned Behaviour, results indicated a significant effect of all the predictive variables. Past behaviour showed no significant direct impact on investor's intention; however, it had an indirect significant relationship while mediated by the attitude of investors. |

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|---|---|---|---|---|
| | | | Behavioural Conntrol,<br><br>Dependent: Intention to invest in stock market | |
| Behavioural finance factors and investment decisions: A mediating role of risk perception | Bashar Yaser Almansour, Sabri Elkrghli & Ammar Yaser Almansour (2023) | Structural Equation Modelling | Independent: Herding Bias, Disposition Effect, Blue Chip Stocks Bias, Overconfidence<br><br>Mediating: Risk Perception<br><br>Dependent: Investment Decision | The results show that herding, disposition effect, and blue chip bias have a significant positive impact on risk perception. Overconfidence has a significant positive effect only on investment decision-making but not on risk perception. Risk perception is found to be significantly positively related to investment decision-making. All four behavioural finance factors have a significant positive indirect effect on investment decision making through risk perception |
| An Analysis of Behavioural Biases in Investment | Geetika Madaan & Sanjeet | Regression Analysis | Independent: Overconfidence, Herding, | Overconfidence and herding bias have significant positive impacts on investment decisions. Overall, the results |

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| Decision-Making | Singh (2019) | | Anchoring, Disposition<br><br>Dependent: Investment Decision Making | conclude that individual investors have limited knowledge and are more prone to psychological errors. The study's findings also indicate the existence of these four behavioural biases in individual investment decisions. |

Among many studies that observed the influence of behavioural finance on decision-making in Islamic Stock, most of the research used behavioural finance without focusing on irrational reasons. For instance, most research still considers the return factors of the stock as the consideration for choosing Sharia stock or the earning history and prospect of Sharia stocks in a single model. Thus, with the characteristics of sharia stocks that answer sharia-compliance investors, this study will solely consider the irrational factors. After analyzing the previous study, we found that the most significant factors in irrational behaviour compared to financial behaviour are overconfidence and herding behaviour. This, these variables will be the independent variables of the study. To make a more comprehensive study, this research also considers other factors, such as irrational reasons, such as religiosity. Although religiosity is not part of financial behaviour, other studies show that the presence of religiosity is a background of Islamic stock's irrational factors (Suherman et al., 2022). To make it more comprehensive, the presence of Islamic financial literacy is also considered to make strong decisions towards making investments in Sharia stock (Hussein et al. bin Kalli, 2009).

### 2.3 Hypothesis Development

After understanding the theory and variables in this study, the author should design the hypothesis between variables in order to build a model. This research refers to the theory and the previous study to develop the hypothesis. The development of the hypothesis is as follows.

### 2.3.1 Religiosity and Invest Decision in Sharia Stock

In behavioural finance, individual choices are bounded by the social construction of financial activities. This bond becomes an ideology that an individual needs to adhere to. In this context, religiosity is an endogenous factor that shapes the economy (Asutay et al., 2023). The religiosity aspect for Muslims is measured by many measurements, such as based on the five pillars of Islam, which is the most popular method for investigating the religiosity index (El-Menouar, 2014). Religiosity can lead an individual to choose an economic behaviour related to their religiosity ideology. Studies by Al-Tamimi and Kalli show that religion is an influential aspect of consideration in determining investment decisions (Hussein et al. bin Kalli, 2009). This fact brings this study to the first hypothesis:

**H1: Religiosity has a significant and positive influence on the decision to invest in Sharia stock**

### 2.3.2 Islamic Financial Literacy and Investing Decisions in Sharia Stock

Financial Literacy is defined as financial knowledge and a person's ability to apply this knowledge in the context of financial matters such as saving, borrowing, investing, and managing finance (Suherman et al., 2022). In the context of Sharia stock investing, financial literacy refers to the knowledge of Sharia stock and how Sharia stock differs from conventional stock, which is essential. A study by Al-Tamimi *et al,* also shows how financial literacy is crucial in deciding to invest (Hussein et al. bin Kalli, 2009). Afterward, another study by (Alharbi et al., 2022) Shows that financial literacy awareness is influenced by religiosity with a positive relation, which means that higher religiosity will increase awareness of financial literacy. Moreover, Johana Johan and Faigah Syed Alwi (2014) show how Islamic religiosity has shaped financial literacy towards financial providers. However, a systematic literature review by Rehman and Mia (2024) indicates that Islamic factors such as religiosity have a potency to influence financial literacy and should be observed in future investigations. Thus, since Islamic financial literacy has a relation that is affected by religiosity, this means religiosity will lead individuals to learn more about financial literacy and give awareness to the Islamic financial instrument. Therefore, this idea leads to several hypotheses:

**H2: Sharia Stock Financial Literacy has a significant and positive influence on the Decision to invest in Sharia stock**

**H3: Religiosity has a significant and positive influence on Sharia Stock Financial Literacy**

**H4: Sharia Stock Financial Literacy has a role as a mediator variable between Religiosity and Decision to Invest in Sharia stock**

### 2.3.3 Herding Behaviour and Investing Decision in Sharia Stock

Herding Behaviour is a phenomenon in the financial market, primarily because investors do not act rationally on their investment choices. An investor with herding behaviour will prefer to follow other investors' beliefs and opinions regarding investment decisions, restraining their decisions and following others (Madaan & Singh, 2019). In many papers, herding has been seen as a collective imitation of a confluence of movements and results in similar movement patterns (Philippas et al., 2013). However, in another way, herding Behaviour can be seen as the approach strategies for the investor to define their network strategies, gain feedback, and earn the game outputs (Mello et al., 2010). Thus, herding could be a reason for the stock investor to choose a specific stock in the market if the others do the same.

In the context of Sharia stocks, a study (Arisanti & Oktavendi, 2020) found that herding behaviour can happen regarding the transparency or disclosure of Sharia Good Governance Business (GGBS) since GGBS is an essential measurement of Sharia-based institutions to maintain the sustainability of the business and growth. However, only some markets are transparent with the Sharia GGBS, which stimulates the herding behaviour that makes investors follow other investors' decisions to choose Sharia stocks (Arisanti & Oktavendi, 2020). This statement is supported by (Endah & Meilani, 2015), who stated that Sharia disclosure with the Sharia rules and regulations leads to investor satisfaction with the company value. Another study by Aziz et al. (2020) shows that the herding behaviour in Sharia stocks showed up, but no evidence of herding in Sharia stocks was found. Long (2022) also observes the herding behaviour in Sharia and conventional stocks and considers each stock's good or bad return. The results show that herding behaviour happens in both Sharia and conventional stocks. However, a greater herding behaviour tendency was the riskiest investment, and the

dangerous factors led to the more considerable herding behaviour. This phenomenon brings the hypothesis as follows:

**H5: Herding Behaviour has a significant and positive influence on Decision to Invest in Sharia stock**

### 2.3.4 Overconfidence and Investing Decision in Sharia Stock

The choice of Overconfidence is a reason because overconfidence can exhibit how individuals determine their investment choices, which is influenced by their exaggerated self-belief in their abilities (Almansour et al., 2023). The power of the decision to choose Sharia stock brings the psychology of confidentiality as an investor. This means that overconfidence comes from inside their perception, and this idea can determine the choice of investing between Sharia stock or the conventional one. A study by (Yousef Areiqat et al., 2019) observed the impact of overconfidence factors creating stock investment decision-making. Another survey by Febri Ramadhan Sudirmana et al. (2024) also shows how overconfidence bias obtained a positive and significant effect on Sharia stock investment decisions. The study reveals that investors with excess confidence in their knowledge and skills in responding to the market tend to make investment decisions with more impulsive strategies, less rational, and ignore risk significantly (Febri et al., 2024). People with Overconfidence in being a Sharia stock investor assume they tend to choose Sharia stock as their investment instrument. This leads to our hypothesis as follows:

**H6: Overconfidence has a significant and positive influence on Decision towards Investing in Sharia stock**

## 2.4 Research Framework

This research brings a new perception towards Islamic Behavioural Finance, which only focuses on the psychological aspects as an irrational reason to make financial decisions. This idea came up when we concentrated on the Sharia stock scheme, which differs slightly from the conventional one. By clear definition, Sharia stocks have a similar scheme to traditional stock. This is explained by the OJK Provision number 15/POJK.04/2015, Indonesia Sharia

stock's unique characteristic describes the dos and don'ts and how an issuer can be listed on the Sharia stock index. This means the scheme of sharia and conventional stock can be understood to be similar. Thus, from the investor perspective, the fundamental separation between them is about ideology, something hidden in investors' minds. With this idea, this thesis brings a study to determine what factors have influenced the decision to choose Sharia stock.

To observe those phenomena, this research focuses on a theory that talks about the perspective of financial behaviour. Therefore, we chose the field of behavioural finance but only chose a theory related to the psychological factor. That is the reason this research is not using all the theories from behavioural finance. We found that the specific theories from behavioural finance that focus on psychological factors are herding behaviour and overconfidence theory. To give a comprehensive explanation of the decision to choose Sharia stock, this research also brings a religiosity factor and how the respondent has a financial literacy about Sharia stock, which these factors are supposed to influence the decision to choose Sharia stock.

The author found this scoop of study still not much to find in the journal. The main focus of other studies has mainly been on a whole stock which is not specific to the Islamic one, or a study of sharia stock but not only using the irrational reason. One of the main reasons to choose Islamic stock is the irrational aspect because it is related to personal ideology. This makes this study interesting and gives a new perspective on decision-making when choosing sharia stock.

From the explanation above, we describe our research framework as follows:

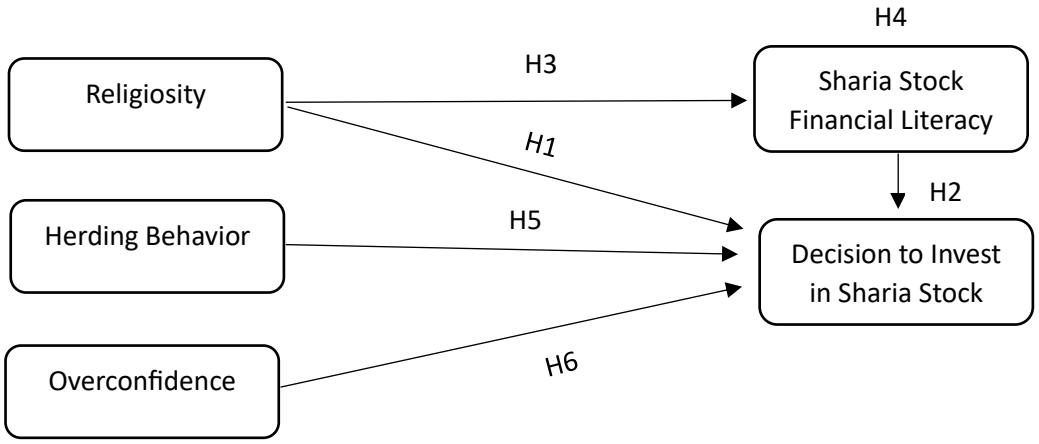


**Figure 2. 1 Research Model**

In order to give a measurement as the outer model, this research uses a survey questionnaire based on the previous research and a bit of modification to adjust to the objective of this research. The question for each variable is as follows:

**Table 2. 2 Variable Description**

| Variables | Dimension | Abbrv | Indicators | References |
|---|---|---|---|---|
| Herding Behaviour | Decision | HB01 | Other investor's decisions towards choosing sharia stock have an impact on your investment decisions | (Yaser Almansour & Ahmad Arabyat, 2017), (Yousef Areiqat et al., 2019) |
| | Transaction | HB02 | Other investor's decisions of buying and selling Sharia stocks have an impact on your investment decisions | |
| | Volume | HB03 | Other investor's decisions on Sharia stock volume transactions have an impact on your investment decisions | |
| | Reaction | HB04 | You usually react quickly to changes in other investor decisions and follow their reactions to the Sharia stock market | |
| Overconfidence | Perception | OC01 | I think that I am an experienced investor | (Yousef Areiqat et al., 2019) |

| | | | | |
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| | Confidential | OC02 | I feel more confident in Sharia stock over non-sharia stock | |
| | Self-perform | OC03 | I believe that my skills and knowledge of investing in the Sharia stock market can help me to outperform the market | |
| | Feeling | OC04 | I feel qualified to make an investment decision | (Gill et al., 2018) |
| | Knowledge | OC05 | I think that I have complete knowledge of the sharia stock market | |
| | Preferences | OC06 | I think the sharia stocks of the company I like the most are good enough for long-term investment | |
| | Ability | OC07 | I am confident of my ability to do better than others in picking stocks | |
| Religiosity | Understanding | RG01 | I completely understand the five pillars of faith in Islam | (Abbas et al., 2020) |
| | Effort | RG02 | I strive to meet the regulations of Islam despite being hard | |
| | Generous | RG03 | I strive to meet the regulations of Islam despite being costly | |

| | | | | |
|---|---|---|---|---|
| | Fundamental | RG04 | I understand entirely other fundamental principles of Islam | |
| | Idealism | RG05 | The purpose of my life is to meet my religious needs | |
| Decision to invest in sharia stock | Preferences | DC01 | With the given investment opportunities, I would prefer to invest in Islamic stock rather than conventional stock | (Khan et al., 2017) |
| | Interest | DC02 | I am interested in choosing Sharia stock | (Raut, 2020) |
| | Continuity | DC03 | I will invest in the Sharia stock market frequently | |
| | Influence | DC04 | I will encourage my friends and family to invest in the Sharia stock market | |
| | Commitment | DC05 | I will invest in the Sharia stock market in the near future | |

Note: RG = Religiosity , DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

This research will measure respondents' financial literacy based on their ability to answer the question for Sharia stock financial literacy. The question will be the true or false answer, and the respondent must choose one. Sharia financial literacy will be measured through six questions, which consist of fundamental to advanced questions. Two questions measure the ratio that needs to be fulfilled in Indonesia's Sharia stocks, related to the liabilities and non-halal revenue, as the advance questions (FL 01 and FL02). The medium questions will be measured with the Sharia index in Indonesia and the provision that regulates Islamic goods and services (FL03 and FL06). Finally, the fundamental question will be measured through the

questions related to the basic principle of Islamic value in the Sharia stocks (FL 04 and FL05). This measurement to observe financial literacy was used in several past studies, which measured financial literacy with a question-based questionnaire consisting of different questions (Ćumurović & Hyll, 2019; van Rooij et al., 2012). The questions that will be used for the questionnaire are as follows:

**Table 2. 3 Variable Description 2**

| Variable | Abbreviation | Question | Correct Answer | Correction |
|---|---|---|---|---|
| Sharia stock Financial Literacy | FL01 | A company listed in Indonesia's Islamic Capital Market should not have a ratio of interest-based liabilities to total Assets of more than 60% | False | It should be no more than 45% |
| | FL02 | Listed Islamic Capital Company should have a ratio of interest income and other non-Islamic income to total revenue of no more than 10% | True | |
| | FL03 | All Indonesia companies classified as Sharia issuers are listed in the Jakarta Islamic Index (JII) | False | All Sharia issuers companies are listed in Index Saham Syariah Indonesia (ISSI) |
| | FL04 | Sharia issuers companies should not conduct any business activity with mudharat products or services | True | |

| | | | | |
|---|---|---|---|---|
| | FL05 | Companies that offer products or services containing maysir and gharar will not be considered sharia issuers. | True | |
| | | A provision regarding haram production, distribution, transaction goods and services which are forbidden for Sharia stock issuers to do is determined by the leader of the company | False | A provision regarding haram production, distribution, transaction goods and services is determined by Majelis Ulama Indonesia (MUI) |

Note: FL = Sharia Stock Financial Literacy

# CHAPTER III
# RESEARCH METHODOLOGY

## 3.1 Method Approach

This research uses quantitative approaches, using data analysis in the form of numbers that aim to test theories and develop conceptual models. To measure the model, this research uses quantitative data variables to measure and test the hypothesis and relationships between variables. This approach has been chosen since this research has a research problem, and the purpose of the study is to cover a psychological factor in creating financial decisions, which will be measured with the Likert scale and binary variable. The Likert scale will be used as the dependent variable to measure overconfidence, herding behaviour, and religiosity. Islamic Financial Literacy will use a binary variable since this variable is calculated with the questions where there will be a correct or false answer.

This research focuses on observing Indonesian investors from June 2023 to July 2023. It is not separated between regions in Indonesia since it assumes that Indonesian investors behave the same way.

## 3.2 Population and Sample

The population of this research is those who have already chosen Sharia stocks as their investing instrument. This research will observe what factors influence this population's decision to select Sharia stocks. However, this research did not observe the entire population of Sharia stock investors or determine the sample needed. A sample is a subgroup of population elements selected to participate in a study and taken in a certain way that represents the population (Malhotra & Birks, 2015). To obtain the sample of this study, the author used purposive sampling, as the sampling technique used to select respondents with specific groups of individuals or units for analysis. The use of a purposive sampling technique considering this research only seeks the respondents who are active investors in Sharia stocks in Indonesia.

Based on the data by the Indonesia Stock Exchange (IDX), in December 2023, investors in sharia stocks in Indonesia reached 136,418, which is significantly higher than the number of sharia stocks in 2018, which was 44,536. The number of Sharia stock investors in Indonesia

will become a population in this study and be a reference to determine how much of a sufficient sample is needed to represent the sharia investor stock in Indonesia.

This study refers to Slovin's calculation to determine the number of samples. Slovin formula is a mathematical equation used to calculate the minimum sample size required, especially with the uncertainty about the population's behaviour (Bel & Isip, n.d.). Based on this method, the number of samples is calculated with the formula as follows:

$$n = \frac{N}{1 + N\,(e^2)}$$

n = sample size

N = population

e = margin of error

Based on this formula, we need to know how much the population is on the margin of error used to determine the required sample. We need to choose the margin of error because we have a population of 136,418. The margin of error is measured by the sampling error or the level of precision (Adhikari, 2021). The margin of error can also be understood as the probability of variation in the sample. The author can determine the margin of error "e" based on the confidence level (Bel & Isip, n.d.). The margin of error is contradictory to the confidence level. For instance, a 15% margin of error would mean that we have 85% percent of confidence that the data will reflect the entire population. We want to use a 6% margin of error in this study. With the data of the population given, the sample needed for this study is below:

$$n = \frac{136{,}418}{1 + 136{,}418\,(0.06^2)}$$

$$n = 277$$

The above calculation shows that this research is needed to fulfill the requirement to seize at least 277 samples.

### 3.3 Data Collecting

To fulfill the data needed, this research takes several methods to collect data, as follows:

a. Questionnaire

As this research uses quantitative data, a questionnaire is the primary method to collect the data. The questionnaire consists of two types of questions, which are closed. First, the questionnaire was created using a Likert scale technique, a measurement technique with a rating range of "strongly disagree" to "strongly agree" with five category responses where respondents need to indicate the degree of agreement with each statement that is the object of the questionnaire.

The Likert scale has the advantage that the measurement technique is easy to create and process, and respondents can quickly know how to use the scale, which makes the Likert scale suitable for use in surveys via the Internet, mail, telephone, or personal interviews. Based on Malhotra & Birks (2015), the Likert scale can use even or odd number categories, depending on whether the respondent is likely to have a neutral answer in the survey. In measuring perceptions, respondents can have a neutral attitude toward the indicators being assessed, so this research uses a Likert scale with odd categories. Malhotra said there are no standard guidelines for determining the number of value ranges used on a Likert scale, but the Likert scale should have a range of between five and nine. In this study, the Likert scale ranges from one to five. Five ranges were chosen because fewer ranges are better used if the analysis is carried out with less complicated techniques (Malhotra & Birks, 2015).

In this research, the scale description of every measurement is described as follows:

**Table 3. 1 Likert Scale Description**

| Score | Respond | Description |
|---|---|---|
| 1 | Strongly Disagree | I feel that this statement is entirely or almost utterly inconsistent with my condition or what I feel. |
| 2 | Disagree | The statement does not match my condition or what I feel, but there is not a strong enough reason for me to disagree with it. |
| 3 | Neutral | The statement contains an element of suitability or inconsistency with the conditions or my feelings. |

| | | |
|---|---|---|
| 4 | Agree | The statement is in accordance with the conditions or what I feel, but I do not have a strong enough reason to strongly agree with it. |
| 5 | Strongly Agree | This statement is completely appropriate to my condition or what I feel. |

Second, besides collecting data in a questionnaire using a Likert scale, the data was also collected with the questions and answers section to measure the respondents' financial literacy. The answer will be only true or false. Since this type of question is categorized as binary data, the answer will be coded into two: the correct answer will be coded as 1, and the false answer will be coded as 0. Furthermore, the questionnaire also has a section to collect data about respondent profiles, which includes their name, gender, age, highest level of education, domicile, and an open-ended question about what companies whose shares are purchased.

b. Documentation

Documentation is collecting documents relevant to the research study, both from respondents and the literature regarding Sharia shares. An example of related data is Sharia stock trend data.

### 3.4 Data Processing Method

After collecting the data, the author analyzes the data through several methods. Firstly, the data is analyzed with descriptive analysis to know the data at a glance by analyzing the distribution and mean. Furthermore, the data was also tested with validity and reliability tests with the pre-test of as many as 30 samples before the analysis ran with the total sample with the Partial Least Square (PLS) - Structural Equation Modelling (SEM) method.

#### 3.4.1 Descriptive Statistic Analysis

Descriptive statistics is an analysis technique that describes the condition of research variables. The descriptive analysis will be presented as a minimum score, maximum score, range, mean, median, mode, standard deviation, and distribution table. In this study, respondents' answers were categorized into 5 (five) categories for data using a Likert scale and classified into 2 (two)

categories for data obtained by question and answer. For the Likert scale, each scale is determined based on the attitude shown by the respondent, starting from strongly disagree (scale 1) to agree (scale 5). The answers obtained from respondents were then analyzed to determine the characteristics and descriptions of respondents in this study regarding indicators, dimensions and research variables. The data from the questions and answers section is categorized into two: the correct answer will be scored 1 (one), and the wrong answer will be scored 0 (zero). In the descriptive analysis, the characteristics of respondents were also identified based on gender, age, marital status, highest level of education, and sharia shares ever purchased. In descriptive statistical analysis, we can understand the characteristics of the respondents in this study.

### 3.4.2 Inferential Statistic Analysis

Since this research uses a quantitative approach, it is necessary to use a specific method to process the data gained. Considering the model combining the Likert scale and binary variable, and the model containing mediation effect, the suitable method to process and analyze the data is Structural Equation Modelling (SEM). SEM is a multivariate analysis technique that combines Confirmatory Factor Analysis between variables in indicators and Path Analysis between variables. There are two types of SEM: covariance-based SEM (CB-SEM) and partial least square SEM (PLS-SEM). CB-SEM is commonly used to confirm a theory by determining how well a proposed theoretical model can estimate the data set used. Meanwhile, PLS-SEM is used to develop theory in exploratory research focusing on explaining variance in the dependent variable in explaining the model (Hair et al., 2017). This research uses SEM PLS for the research objectives, namely exploratory or developing existing theories. The path analysis steps in developing an SEM research model have two elements: the inner model and the outer model analysis. The first is the internal model analysis, or what is also called the structural model, which describes the relationship between the latent variables being tested, and the second is the outer model, or what is called the measurement model, which describes the relationship between the latent variable and the measurement indicators of that variable (Hair et al., 2014).

In developing a structural model (inner model), there are two issues that need to be considered, which are the series of constructs being built and the relationships between these constructs. These two issues are important for forming the concept of the model because they represent

the hypotheses and relationships formed to the theory being tested. If the structural model describes the relationship between two latent variables (constructs), then on the contrary, the measurement model (outer model) represents the relationship between the construct and the indicators that form it. Hypothesis testing involving structural relationships between constructs can only be valid if the outer model can explain how the construct is measured (Hair et al., 2017).

### 3.4.3 Pre-Test

Before testing the questionnaire with a large sample, the initial questionnaire is first tested with a smaller number of samples to identify and eliminate potential problems that may occur and to test the reliability and validity of the questionnaire formed. Thus, the pre-test is carried out by testing the feasibility of the questionnaire to assess all aspects to be tested, including questions, sentences, words, sequence, form, layout, difficulty of questions, and instructions used.(Malhotra & Birks, 2015)

#### 3.4.3.1 Pre-Test Reliability Test

The reliability test is defined as the extent to which the scale chosen by the respondent can provide consistent research results if repeated measurements are carried out at a later time. Thus, a reliability test is carried out to determine the level of consistency of respondents in answering questions and ensure that the measurement results used in the questionnaire can be trusted. The indicator commonly used in reliability tests is Cronbach's Alpha. Each item tested can be said to be reliable if it has a Cronbach's Alpha value $\geq 0.6$.

#### 3.4.3.2 Pre-Test Validity Test

Validity tests are carried out to determine the extent to which scale scores reflect true differences between the indicators used for the characteristics being measured and not systematic errors. It can be said that the validity test tests the accuracy of the measurement instrument used to find out that a construct with perfect validity does not contain measurement error. In the initial validity test, a test is carried out on a smaller sample before the questionnaire can be said to be valid for distribution.

### 3.4.4 Outer Model Analysis

In the context of Structural Equation Modeling (SEM) using Partial Least Squares (PLS), the outer model refers to the measurement model, which describes the relationships between the

latent variables (constructs) and their observed indicators (manifest variables). The outer model, also known as the measurement model, is responsible for defining how the latent variables are measured or operationalized. It specifies the connections between the latent variables and their corresponding indicators. This section will present the analysis conducted to measure the outer model.

#### 3.4.4.1 Convergent Validity

A validity test is a measure that shows the validity or authenticity of an instrument. Thus, validity testing refers to the extent to which an instrument carries out its function. A measuring tool is said to be valid if the tool measures what the tool needs to measure, for example, measuring the weight of an object using a scale (Widodo, 2023).

In the context of PLS-SEM, we use convergent validity as a correlation measure between alternative measures of the same construct. Indicators of a reflective construct are handled as distinct (alternative) methods of measuring the same construct using the domain sampling model. As a result, there should be a high proportion of variance shared or convergence among the items that serve as indicators (measures) of a particular reflective construct. In order to assess reflective constructions' convergent validity, researchers consider the outer loadings (Hair et al., 2017).

High outer loadings on a construct signify a high similarity between the correlated indicators, which the construct captures. At the very least, each indicator's outer loadings should be statistically significant. Standardized outer loadings are generally assumed to be 0.708 or greater since a considerable outer loading may still be relatively weak (Hair et al., 2017).

#### 3.4.4.2 Reliability

Reliability is a series of measurements or a series of measuring instruments that have consistency if the measurements made with the measuring instrument are carried out repeatedly. Test reliability is the test's consistency level, namely the extent to which a test can be trusted to produce a steady score, relatively unchanged even though it is tested in different situations. Reliability is the degree to which a test consistently measures the target being measured. Reliability is expressed in numerical form, usually as a coefficient. A high coefficient means high reliability. Reliability is also considered as the similarity of measurement or observation results if the facts or realities of life are measured or observed many times at different times. (Widodo, 2023).

Regarding PLS-SEM, the traditional measure for knowing internal consistency (reliability) is Cronbach's Alpha, which estimates the reliability from the intercorrelation of observed indicators or manifest variables. However, Cronbach's Alpha has a limitation due to sensitivity to the number of items and tends to underestimate the reliability. Thus, we can rely on the composite reliability due to Cronbach's Alpha limitation. Both Cronbach's Alpha and Reliability give a result between 0 and 1. In exploratory research, the minimum value acceptable for Cronbach's Alpha and Composite Reliability is 0.60 to 0,70. In the more advanced research stage, results from 0.70 to 0.90 can be classified as satisfactory. But, if the value is above 0.90, it is not desirable because it indicates that all indicators measure the same phenomenon (Hair et al., 2017).

#### 3.4.4.3 Discriminant Validity

Discriminant validity measures which construct is genuinely distinct from other constructs by Empirical standards. Thus, proving discriminant validity indicates that a construct is unique and captures phenomena not represented by other constructs in the model. Historically, scholars have used two discriminant validity measurements. Usually, the first method used to evaluate the indicators' discriminant validity is the cross-loadings, and the second is the Fornell-Larcker Criterion. However, a new proposed assessment for discriminant validity has been introduced, called Heterotrait-Monotrait Ratio (HTMT). HTMT is a measurement using the ratio between trait correlations to the within trait correlation and gives the mean from all the indicator's correlations of a construct (Hair et al., 2017).

#### 3.4.4.4 Variance Inflation Factor (VIF)

VIF is used to measure a multicollinearity problem between constructs. VIF measures the amount of variance of the indicator that is not explained by other indicators in the same model. A collinearity issue between variables is indicated if the tolerance value is 0.20 or less, and a VIF value results in 5 or higher. When the VIF value is above 5, the other formative indicators linked to the same construct account for 80% of its variance (Hair et al., 2017).

#### 3.4.4.5 Goodness of Fit (GoF)

Based on the data obtained, a goodness of fit (GOF) test is carried out to assess the quality of the estimated model by comparing the actual value of the dependent variable with the value predicted by the estimated model. In PLS-SEM goodness of fit, several indicators are used to assess whether a model is fit, using the following indicators.

**Table 3. 2 Goodness of Fit Measurements**

| Indicator | Fit Measure |
|---|---|
| Standardized Root Mean Square Residual (SRMS) | <0.10 |
| d_ULS | >2.000 |
| d_G | >0.90 |
| Normed Fit Index (NFI) | >0.90 |

Source: (Hair et al., 2017)

### 3.4.5 Mediating Variable Analysis

Mediation is a condition where there is a third variable, a mediator variable, intervening in the relationship between two other constructs (Hair et al., 2017). When there is a mediating variable, the strength or direction of the relationship between two constructs depends on this third variable. Mediation produces an indirect effect between two connected constructs, where the effect is different without including the mediating variable, called a direct effect. The mediation effect requirements that must be met are that the path coefficient c must be significant in the first step (direct effect) and the path coefficients a and b must be significant in the second step (indirect effect), as explained in the following figure:

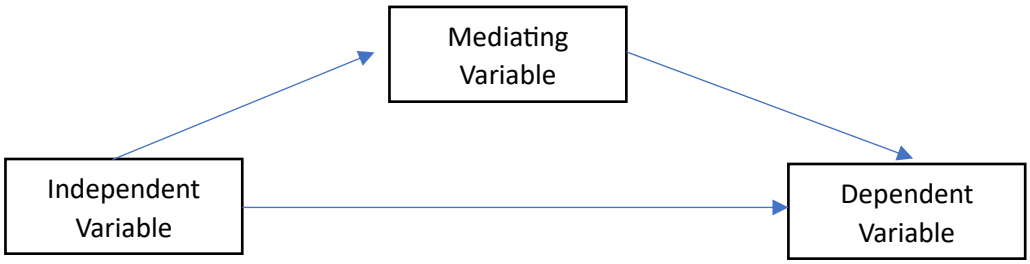


**Figure 3. 1 Mediating Variable**

Hair et al. (2017) divided the moderating effects into two parts: mediating and non-mediating, as the results do not show the mediating effect. The details of the mediating effects are as follows:

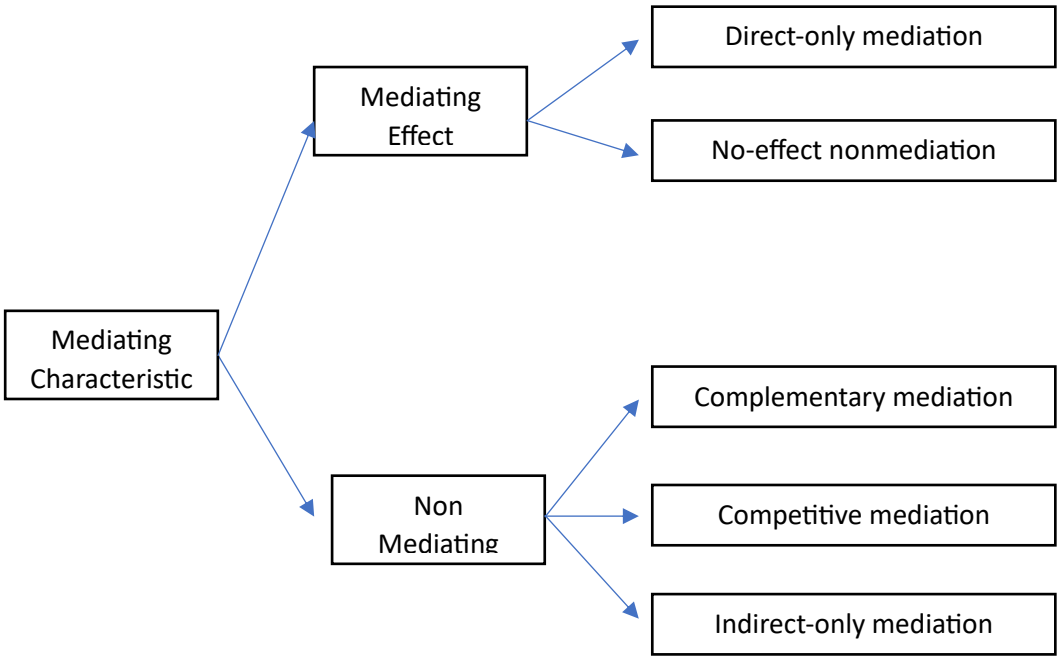


**Figure 3. 2 Mediating Variable Characteristic**

The explanation of each non-mediation characteristic explained as follows:

1. Direct-only mediation: happens if the direct effect is significant, but the indirect effect does not give a significant result
2. No-effect non-mediation: happens when both effects, direct and indirect, do not show a significant result.

Meanwhile, the explanation of the third mediation characteristic is described below:

1. Complementary mediation: If both indirect and direct effects give a significant result in the same direction
2. Competitive mediation: if both indirect and direct effects have a significant result but with contradictive directions (negative and positive).
3. Indirect-only mediation: When the indirect effect shows significant results, but the direct effect results non-significant.

# CHAPTER IV
# RESULT AND DISCUSSION

## 4.1 Research Objective Overview

This research aims to show active Sharia stock investors who have still had an investment transaction in at least the last six months. In Indonesia, Sharia stocks are listed in the *Index Saham Syariah Indonesia* (ISSI), which, as of the 10th of June 2024, consists of 593 stock issuers. Therefore, as long as the stock investors have been buying or selling one of the 593 stocks in the last six months, they pass the requirement to become the respondents of this study. This research only considers active investors to ensure they clearly understand their perception and understanding of the factors used in this research.

Based on the data from the Indonesia Stock Exchange (IDX), in December 2023, investors for sharia stocks in Indonesia reached 136,418 investors, which increases significantly if we compare with the number of sharia stocks in 2018, with the number of 44,536. However, there has yet to be accurate data about active investors who still have a transaction in the last six months. Thus, to filter the respondents, this research has put the screening question of whether they are still active investors or not. The screening question asked whether they had a selling or buying activity in the last six months and raised questions about what sharia stocks they had ever bought in Indonesia. Respondent collecting was conducted from 10th June until 5th July. Within the time range, the author successfully collected 312 respondents. However, after reviewing the questionnaire results, some respondents still needed to pass the screening questions since they were not active Sharia investors in the last six months. After reviewing the questionnaire results, 290 respondents passed the screening question and can be used as the respondents in this study.

## 4.2 Respondents Characteristic

To know more about the respondents' characteristics, the author will present several factors gained from the respondents in the first step of this chapter. Those characteristics will be given about how long they have been a Sharia stock investor, how much the frequency of making transactions in Sharia stocks within the last six months, their gender, age range, marital status, last education level, current job, the origin of the province, and spending range per month.

### 4.2.1 Characteristics of Investing Experience

The first characteristic gained from the respondents is about how long they have been Sharia stock investors. In this section, they are grouped into three groups: those who are new to becoming Sharia stock investors in less than two years, the second stage is for those who have already become Sharia stock investors between 2 and 4 years back. The last is for those who have been Sharia stock investors for over four years. This grouping will help observe the respondents' experience regarding their investing actions. The results are shown in the chart below.

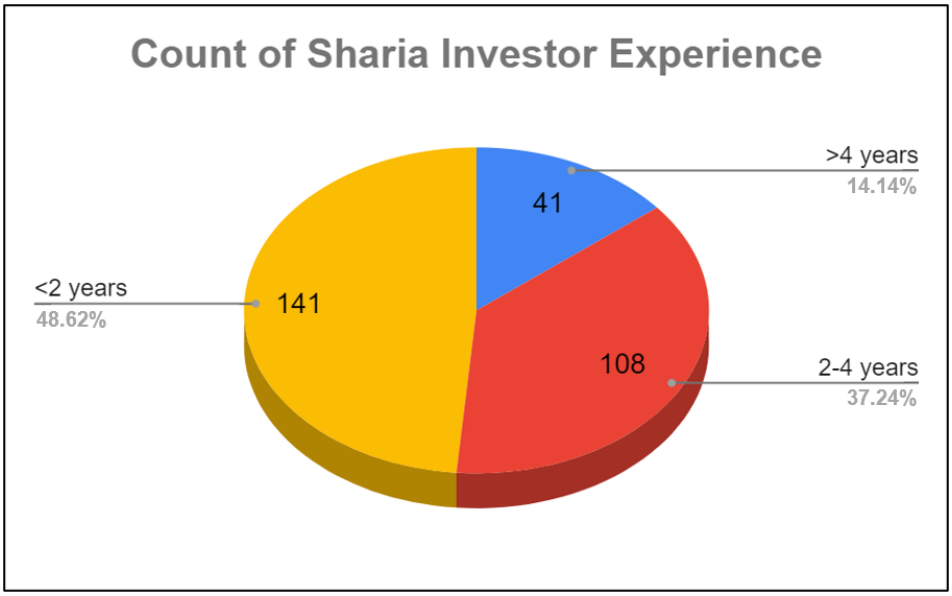


**Figure 4. 1 Respondents Investing Experience**

The chart provides a breakdown of the Sharia investment experience of the respondents, with the majority of 141 respondents (48,62%) having less than 2 years of experience, a second-largest portion with 108 respondents (37.24%) having 2-4 years of experience, and a smaller segment which is 41 respondents (14,14%) having more than 4 years of experience. This information stated that most of the respondents are newcomers to investors in Sharia stocks, and only minor respondents had much experience in choosing Sharia stocks.

### 4.2.2 Characteristic Investment Transaction Frequency

After knowing how long the investing experience of respondents is, the next characteristic observed is the frequency of investing transactions towards Sharia stocks. The grouping is divided into four, which the lesser is between 1-3 times, followed by 4-6 times, 7-9 times, and more than 9 times. The frequency only accounts for buying or selling Sharia stocks in the last six months. Knowing the behaviour, we will capture our respondents' behaviour and investor type. The results are shown in the chart below.

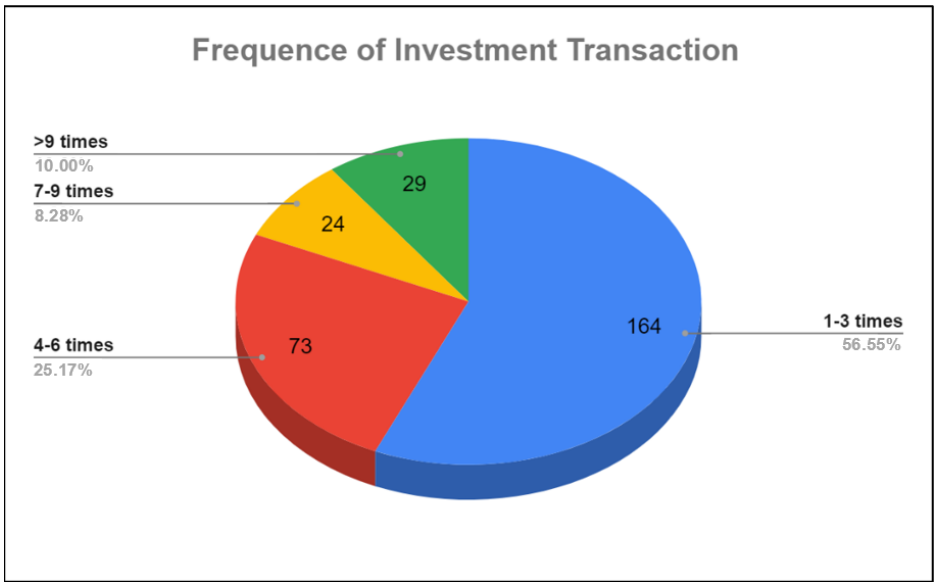


**Figure 4. 2 Respondents Investing Frequency**

The chart above illustrates the distribution of investment transactions on sharia stocks frequency among respondents, with the majority of 164 respondents (56.55%) engaging in transactions 1-3 times in the last six months, followed by those 73 respondents transacting 4-6 times (25.17%), 29 respondents of more than 9 transactions, and the lesser is for those who transacting 7-9 times consists of 24 respondents (8.28%). This information captures the investor behaviour and frequency patterns, which may affect this study's result. Since most respondents have only transacted between 1 and 3 times in the last six months, most are genuine investors rather than traders. They hold their portfolio for an extended period rather than quickly buy and sell the stocks.

### 4.2.3 Characteristics of Gender

In this section, the gender distribution of the respondents in this study will be informed. Gender is divided into two groups: male and female. The chart below visually represents the gender composition within the sample.

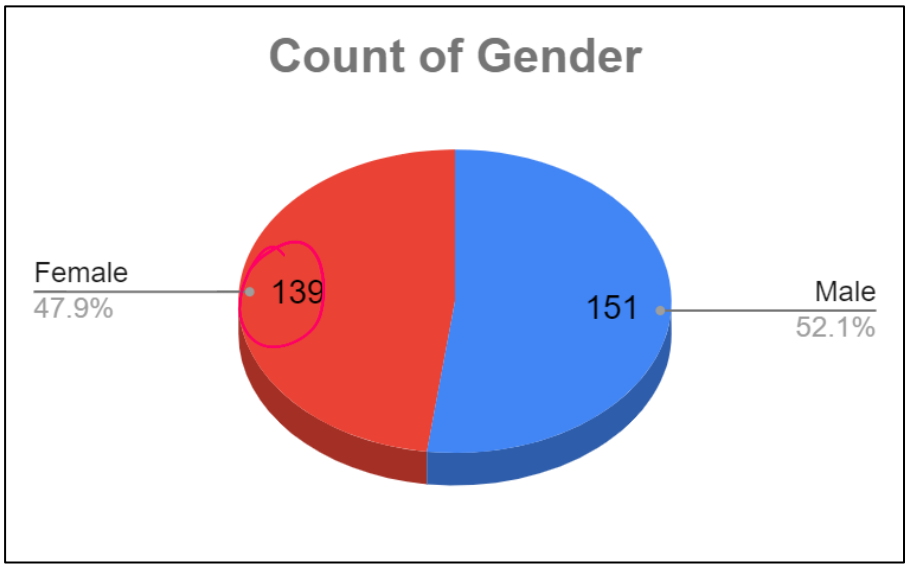


**Figure 4. 3 Respondents Gender**

According to the data shown in the chart, female respondents account for 139 samples (48,1%) of the total sample. This indicates that nearly all Sharia stock investors surveyed in this study are female. Male respondents, on the other hand, constitute 51,9% of the sample. This signifies that the male sample slightly outnumbers the female sample among the Sharia stock investors in this study. The sample's near-equal representation of both genders suggests a relatively balanced gender composition among the Sharia stock investor sample in this research. This condition can provide insights into the level of gender diversity and inclusion of the results within the Sharia stock investment landscape.

### 4.2.4 Characteristics of Age Range

In explaining the age range distribution among Sharia stock investors surveyed in this study, the author grouped the age into several age ranges. It started with the youngest for those who are still below 21 years old, then from 21 to 40 years old are divided into 5 years in each range,

and the last group is for those above 40 years old. The information on the age distribution of the sample in this study is shown in the chart below.

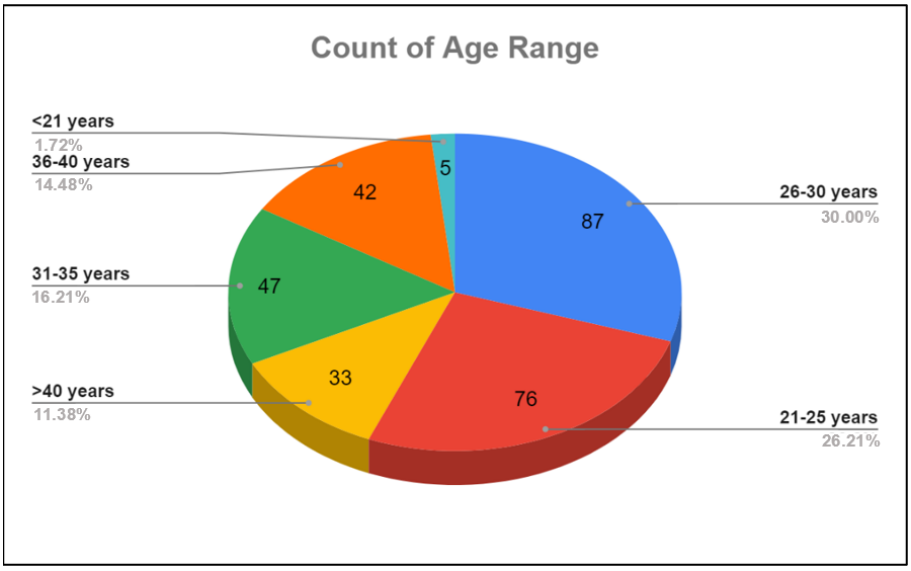


**Figure 4. 4 Respondents Age Range**

From the chart above, the largest age group represented is the 26-30 years range, accounting for 87 samples (30%) of the respondents, which suggests a significant presence of younger Sharia stock investors in the sample. The second-largest group is the 21-25 years range, comprising 76 samples (26.21%) of the respondents. Combined with the 26-30 years group, this indicates that over half (56.21%) of the Sharia stock investors surveyed are within the 21-30 age range. The 31-35 age group makes up 47 samples (16.21%) of the sample, becoming the third-largest segment. Respondents in the 36-40 years range account for 42 samples (14.48%) of the sample. The smallest age group is the <21 years range, representing only 1.72% of the respondents with 5 samples. Meanwhile, the respondents above 40 years of age group constitute 33 samples with an 11.38% proportion.

The result from this age range distribution analysis highlights the predominance of younger Sharia stock investors, which may indicate a growing interest in engagement in Sharia-compliant investment opportunities among the younger generations. Furthermore, the age range data can be correlated with other variables, such as investment experience, transaction frequency, and so on, to uncover any age-related patterns or trends in Sharia investment. The

data can be the reason why the majority of the samples are newcomers and investors in terms of Sharia stock.

### 4.2.5 Characteristics of Marital Status

In this section, we will observe the marital status of respondents to determine whether they are married or unmarried. We need to observe this since it may influence investment behaviours and preferences within the sample. The marital status of respondents is shown in the chart below.

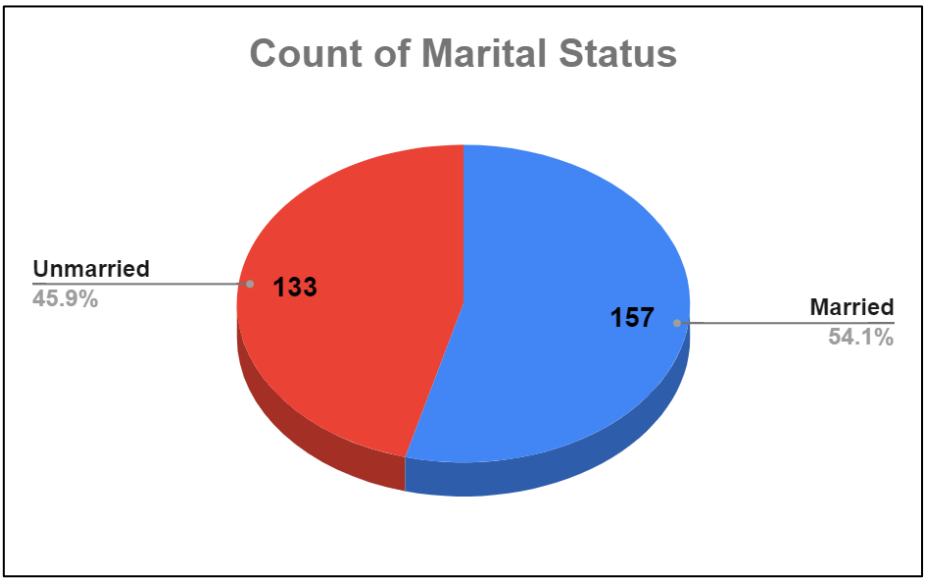


**Figure 4. 5 Respondents Marital Status**

According to the data presented in the chart, the largest group is the married respondents, accounting for 157 respondents or 54.1% of the sample. This indicates that most Sharia stock investors included in the study are married individuals. Meanwhile, the unmarried respondents comprise 133 respondents, or 45.9% of the sample. The data shows a nearly equal distribution between married and unmarried respondents' composition within the Sharia investment community sample in the study. This result may correlate with the age distribution of the sample, where 57.9% of the sample in this study is those who are still below 30 years old.

### 4.2.6 Characteristics of Education Level

The next identification of respondents concerns the last education level of the sample. This information will be divided into seven groups, starting with elementary school, junior high school, senior high school, Associate degree (diploma), bachelor degree, master's, and doctoral education level. The results of the last education level of respondents are shown in the chart below.

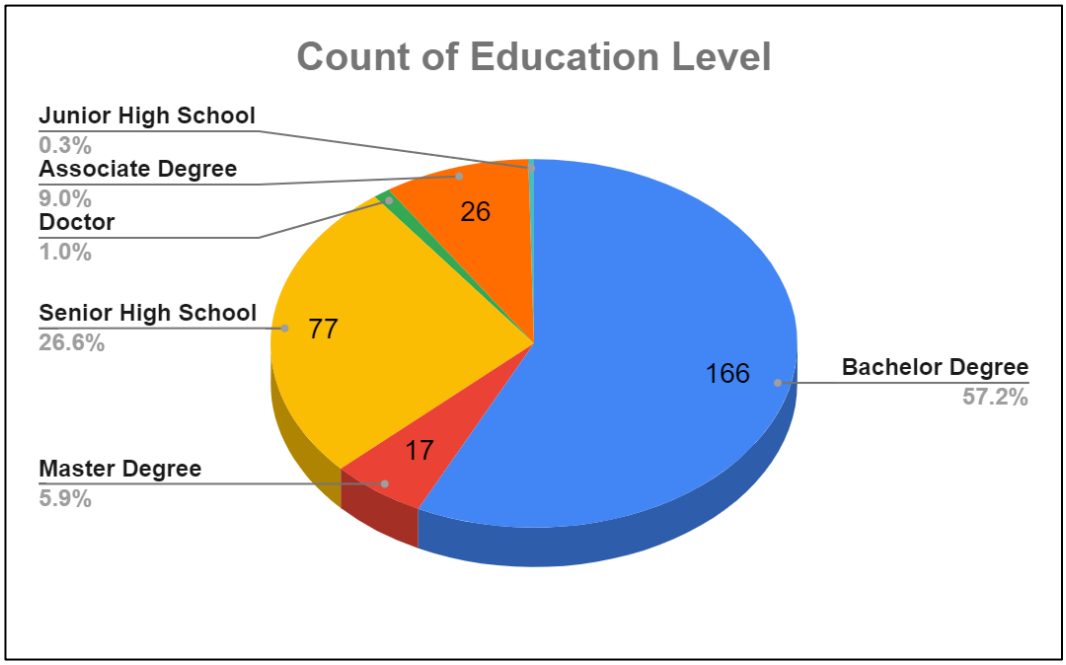


**Figure 4. 6 Respondents Education Level**

The chart above provides an overview of the educational background of the Sharia stock investors participating in this study. Although the research started grouping educational levels from the elementary school level, there is no respondent with the last education level from the elementary school level. Thus, the minimum level of the respondents in this study is the last education level of junior high school, with 1 respondent (0.3% of the total sample). The largest sample group in this study is bachelor degree holders, accounting for 166 samples or 57.2% of respondents. This indicates that most Sharia stock investors surveyed have obtained a bachelor's education. The second-largest group is Senior High School graduates, comprising 77 samples or 26.6% of the sample. This suggests a substantial presence of Sharia stock investors with a high school education as their highest level of formal schooling. The "Master

Degree" holders make up 5.9% with 17 samples of the total respondents, representing the third largest educational group, while associate degree holders account for 9% with 26 samples. Moreover, there are also Doctor degree holders in the sample although the number is relatively small, with 3 respondents or 1% of total samples. This information highlights the predominance of bachelor's degree holders among the Sharia stock investor population, which may reflect the educational attainment and professional qualifications required to engage actively in Sharia-compliant investment activities.

### 4.2.7 Characteristics of Current Job

This study grouped current job diversification into eight classifications: student, civil servant, private employee, professional, entrepreneur, academic, housewife, and other. If the respondents choose "other," they can freely write the type of their current job. After the data was gained from the respondents, the results were shown in the chart below.

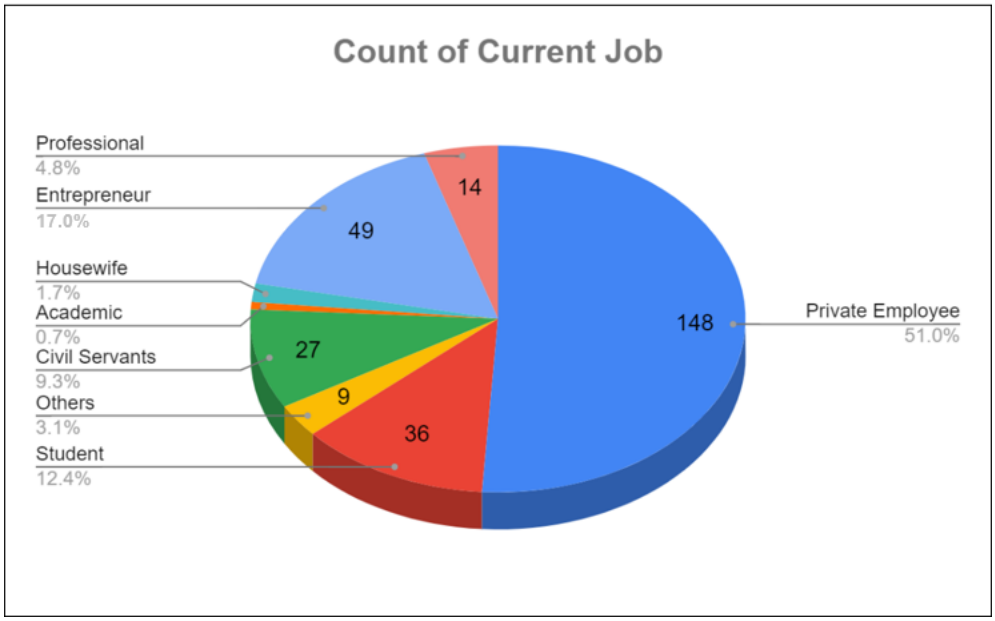


**Figure 4. 7 Respondents Current Job**

The chart above provides information that the largest group of respondents in the study is the "Private Employee" category, accounting for 51% of respondents or 148 investors. This indicates that most Sharia stock investors surveyed are employed in the private sector. The second largest category, 17% of the 49 total samples, is the "Entrepreneur" category. The third largest group is the "Student" category, which includes school and college students, with 12.4%

of the total samples or 36 samples. The “civil servants” group accounts for 9.3% of the samples or 27 investors, indicating a noteworthy presence of government employees among the Sharia stock investors. The “Professionals” and “Others” categories represent a small fraction of the respondents, at 4.8% or 14 samples and 3.1% or 9 samples, respectively. Finally, the most miniature categories are the “Housewife” and “Academic” groups, which comprise a small number of samples, at 1.7% or 5 investors and 0.7% or 2 investors, respectively. For the “others” category, the respondents filled out the answers with various types of jobs, such as driving, freelance, or still seeking a job.

### 4.2.8 Characteristics of Province Origin

To address the origin of the respondents' province, we gave the respondents an option to choose all the possible provinces in Indonesia. As of 2024, Indonesia consists of 38 provinces. However, due to the large variability of Indonesian provinces, we will only depict the nine provinces chosen by the respondents. The rest of the provinces will be provided as “other” provinces. The results of the province origin of the respondents are given below.

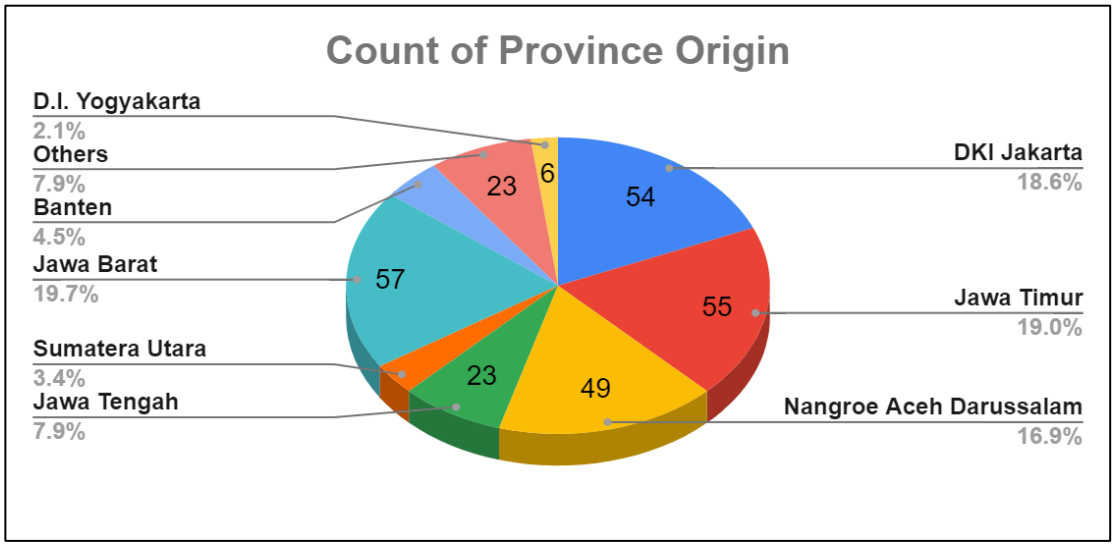


**Figure 4. 8 Respondents Province Origin**

The chart above shows the geographic distribution of the Sharia stock investors participating in this research study. According to the data presented in the chart, there are four provinces with a similar representation of respondents: Jawa Barat, Jawa Timur, DKI Jakarta, and Nangroe Aceh Darussalam. The largest group of respondents' province of origin is from Jawa

Barat province, with 57 respondents accounting for 19.7% of the sample, followed by Jawa Timur, with 55 respondents corresponding to 19% of the total respondents. In comparison, DKI Jakarta has 54 respondents, with a percentage of 18.6%, and Nanggroe Aceh Darussalam consists of 49 respondents, with 16.9% of the total respondents. Furthermore, Jawa Tengah stands at the fifth rank with 23 respondents or 7.9%, followed by Banten with 13 respondents (4.5%), Sumatera Utara with 10 respondents (3.4%), and D.I. Yogyakarta give a representation of 6 respondents (1.7%). The remaining respondents, 23 or 7.9%, come from another province of Indonesia, with 1 or 2 respondents from each province.

This data highlights the concentration of Sharia stock investors in the densely populated regions of Java, which may reflect Indonesia's economic and financial hubs. As seen above, the third highest respondents come from the province in Java Island, where most of Indonesia's population occupied those provinces.

### 4.2.9 Characteristics of Monthly Spending

In mapping the economic capabilities of respondents, this research gathers information about their monthly spending. This measurement is used to observe the economic level of the respondents. To capture the information, this study divided the spending into four specific ranges, starting with below five million rupiahs, between five million to seven and a half million rupiah, and then from seven and a half to ten million rupiahs and the most significant spending is above ten million rupiahs. The result of this kind of measurement is shown in the chart below.

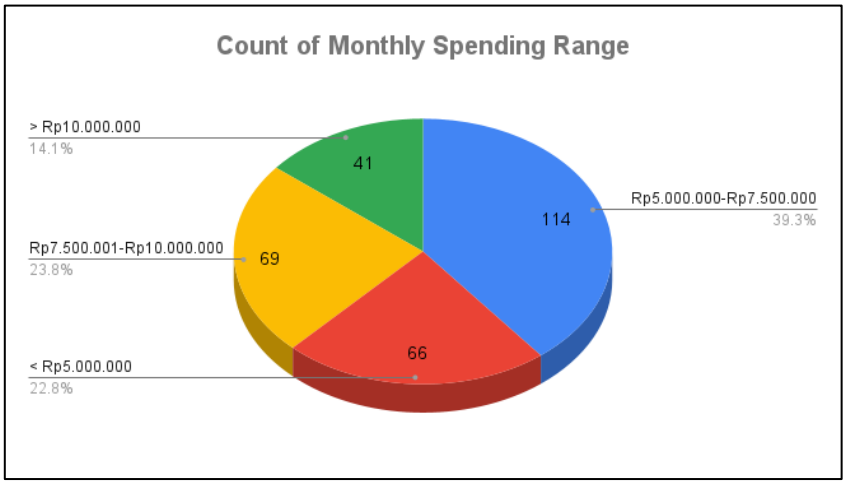


**Figure 4. 9 Respondents Monthly Spending Range**

After analyzing the chart above, we got the result that the most economic capabilities measured by the spending range of a respondent lie between Rp5.000.000-Rp7.500.000, which consists of 114 respondents or 39,3% of the total sample. This means most respondents spend above the minimum wage in Indonesia, so most are not in poor condition. The second rank of the monthly spending range relies on Rp7.500.000-Rp10.000.000, which is higher than the first. Are 69 respondents in this range, representing 23.8% of the total sample. The third rank is for those who have spent below Rp5.000.000, with 66 samples or 22.8% of the total respondents. The last rank is the 41 respondents, or 14.1%, with the total monthly spending above Rp10.000.000.

### 4.3 Variable Descriptive Analysis

From all five variables and 27 indicators that 290 respondents have answered, we analyze the descriptive analysis for each item and variable used in this research. Descriptive analysis is conducted to observe the value and the mean for each indicator and each variable. Thus, we get a brief result on how respondents respond to every item and variable. As mentioned before, four of the variables in this study are using the Likert scale with the range between 1 to 5, with each of the number representing 1 as “strongly disagree,” 2 as “disagree,” 3 as “neutral,” 4 as “agree” and 5 as “strongly agree.” Meanwhile, one of the variables, the Sharia Stock Financial Literacy variable, uses a binary variable with 1 representing the correct answer and 0 representing the false answer. The descriptive analysis for each of the variables is discussed below.

#### 4.3.1 Religiosity Descriptive Analysis

Religiosity is one of the exogenous variables that hypnotized to positively affect Sharia stock financial literacy and decision-making towards investing in Sharia stock. According to Abbas et al. (2020), religiosity was a predictor of religious activity and organizations' financial behaviour in Indonesia to manage financial decisions. Indicators related to the fundamental principles of Islam, such as the understanding of the faith pillars in Islam, their endeavor to meet with sharia compliance and compatibility of their life with the Islamic purpose, are considered to measure religiosity. This variable has five indicators to measure the respondent's religiosity level. The descriptive result for the Religiosity variable is shown in the table below.

**Table 4. 1 Descriptive Analysis - Religiosity**

| Variable | Item | Respondents Answer | | | | | | | | | | Mean | Mean/Variable |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | | 2 | | 3 | | 4 | | 5 | | | |
| | | Freq | % | Freq | % | Freq | % | Freq | % | Freq | % | | |
| RG | RG01 | 9 | 3.10% | 3.83 | 1.38% | 14 | 4.83% | 59 | 20.34% | 204 | 70.34% | 4.53 | 4.42 |
| | RG02 | 9 | 3.10% | 3 | 1.03% | 24 | 8.28% | 78 | 26.90% | 176 | 60.69% | 4.41 | |
| | RG03 | 9 | 3.10% | 4 | 1.38% | 28 | 9.66% | 85 | 29.31% | 164 | 56.55% | 4.35 | |
| | RG04 | 7 | 2.41% | 6 | 2.07% | 35 | 12.07% | 91 | 31.38% | 151 | 52.07% | 4.29 | |
| | RG05 | 6 | 2.07% | 3 | 1.03% | 14 | 4.83% | 73 | 25.17% | 194 | 66.90% | 4.54 | |

Note: RG = Religiosity

From the table above, which depicts the mean for items and the mean of the religiosity variable, we can see that from the Likert scale of 1-5, religiosity has the mean for the variable at 4.42, which is relatively high. From the indicators used in the religiosity variable, the higher indicator is RG05, measured with the statement "The purpose of my life is to meet the religious needs," with a mean indicator of 4.54. This result reflected that most indicators that give a higher portion to create a high religiosity are RG05. Of the 290 respondents used in this study, 194 respondents, or 66.90% of the total respondents, gave an answer of 5, meaning "strongly agree" with the RG05 statement.

Meanwhile, the least mean of indicators at the Religiosity variable is RG04 with the statement of measurement, "I strive to meet the regulation of Islam, despite being costly." This result indicates that among all the measurements in the Religiosity variable, the respondents still doubt spending money related to religious activity. RG04 has a mean of items at 4.22, with 151 out of 290 respondents giving a Likert scale score of five. Aside from this result, all five indicators still give a high score since they all resulted in a mean of each variable above 4.

### 4.3.2 Herding Behaviour Descriptive Analysis

Herding behaviour consists of four indicators measuring several dimensions: decision, transaction, volume, and reaction. The measurement used to predict the Herding Behaviour variable focuses on how other investors impact respondents in creating their investing decisions. The measurements give several factors, such as other investors' decisions on choosing, other investors' buying and selling activity, the volume of the transaction, and how

the respondent reacts to the other investors. The descriptive result for the Herding Behaviour variable is shown in the table below.

**Table 4. 2 Descriptive Analysis - Herding Behaviour**

| Variable | Item | Respondent Answer | | | | | | | | | | Mean | Mean/Variable |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | | 2 | | 3 | | 4 | | 5 | | | |
| | | Freq | % | Freq | % | Freq | % | Freq | % | Freq | % | | |
| HB | HB01 | 14 | 4.83% | 23 | 7.93% | 67 | 23.10% | 79 | 27.24% | 107 | 36.90% | 3.83 | 3.83 |
| | HB02 | 10 | 3.45% | 24 | 8.28% | 66 | 22.76% | 80 | 27.59% | 110 | 37.93% | 3.88 | |
| | HB03 | 14 | 4.83% | 25 | 8.62% | 54 | 18.62% | 90 | 31.03% | 107 | 36.90% | 3.87 | |
| | HB04 | 17 | 5.86% | 38 | 13.10% | 58 | 20.00% | 64 | 22.07% | 113 | 38.97% | 3.75 | |

Note: HB = Herding Behaviour

All four indicators that shape Herding Behaviour have a mean value for Herding Behaviour on the Likert scale at 3.83. Since the Likert scale ranged from 1 to 5, the mean value of 3.83 of this variable shows a mediocre result. Among the four indicators used in the Herding Behaviour variable, the mean of each indicator varies between 3.75 for the lowest and 3.88 for the highest, which indicates a similar answer between all the indicators used in the Herding Behaviour variable.

The lowest mean for indicator for the Herding Behaviour variable is at HB04 with the statement "You usually react quickly to changes of other investor decisions and follow their reactions to the Sharia stock market," which has an indicator mean of 3.75. This means the reaction of respondents is not impactful towards other investors investing decisions. Furthermore, for this variable, the highest indicator mean is located in the indicator HB02, with a mean of 3.88. Indicator HB02 states, "Other investor's decision of buying and selling sharia stocks have an impact on your investment decisions." Among all the indicators, HB02 seems to have the highest herding behaviour impact, although the result is still not entirely different. If we compare all of the variables, respondents tend to react to buying or selling action from another investor rather than react to another investor's decision to choose Sharia stock and their volume of transactions.

### 4.3.3 Overconfidence Descriptive Analysis

Still, in terms of behavioural finance, the objective of the overconfidence variable is to measure how confident the respondents are in themselves to make an investment decision. In this research, the Overconfidence variable was measured with several dimensions, such as their

perception of their experience in investing, level of confidence towards sharia stock, their perception of their skill, qualification, knowledge toward investing action, and how confident in their chosen stocks in the long term. The result of the descriptive analysis of the overconfidence variable is shown in the table below.

**Table 4. 3 Descriptive Analysis - Overconfidence**

| Variable | Item | Respondent Answer | | | | | | | | | | Mean | Mean/Variabel |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | | 2 | | 3 | | 4 | | 5 | | | |
| | | Freq | % | Freq | % | Freq | % | Freq | % | Freq | % | | |
| OC | OC01 | 14 | 4.83% | 32 | 11.03% | 92 | 31.72% | 64 | 22.07% | 88 | 30.34% | 3.62 | 4.05 |
| | OC02 | 8 | 2.76% | 14 | 4.83% | 43 | 14.83% | 89 | 30.69% | 136 | 46.90% | 4.14 | |
| | OC03 | 4 | 1.38% | 6 | 2.07% | 43 | 14.83% | 110 | 37.93% | 127 | 43.79% | 4.21 | |
| | OC04 | 4 | 1.38% | 6 | 2.07% | 39 | 13.45% | 115 | 39.66% | 126 | 43.45% | 4.22 | |
| | OC05 | 5 | 1.72% | 19 | 6.55% | 74 | 25.52% | 88 | 30.34% | 104 | 35.86% | 3.92 | |
| | OC06 | 3 | 1.03% | 6 | 2.07% | 33 | 11.38% | 113 | 38.97% | 135 | 46.55% | 4.28 | |
| | OC07 | 6 | 2.07% | 19 | 6.55% | 69 | 23.79% | 89 | 30.69% | 107 | 36.90% | 3.94 | |

Note: OC = Overconfidence

The table above shows the mean of each indicator used in the Overconfidence variable and the total mean of the Overconfidence variable. With the seven indicators brought in the variable, the mean of each indicator relies on between 3.62 for the smallest and 4.28 for the highest. The smallest mean value relies on the OC01 indicators, which stated, “I think that I am an experienced investor.” In the OC01 result, most respondents choose the Likert scale at 3, with 92 respondents or 31.72% of the total respondents. This means they are unsure whether they are an experienced investor. However, in OC01, 88 respondents, representing 30.34% of the total respondents, chose the Likert scale as “strongly agree” to the statement that they think they are experienced investors. Unfortunately, this number cannot bring OC01 to have a high mean value.

The higher indicator in the Overconfidence variable is OC06 with the statement, “I think the sharia stocks of the company I like the most are good enough for long-term investment.” This indicator has a mean value of 4.28, and most respondents, 135 out of 290 or 46.55% of total respondents, chose “strongly agree” or Likert scale number 5 on this indicator. Since the respondents of this research are only those who have already chosen Sharia stock, this result indicates that the Sharia stock investors choose their stocks to keep them for an extended period. Combining all the seven indicators, the Overconfidence variable has a mean value of

4.05 from the Likert scale range of 1 to 5, which is quite high; notes that the Skala Likert of 4 means “agree” with the overconfidence factors.

### 4.3.4 Sharia Stock Financial Literacy Descriptive Analysis

Unlike the other variables using the Likert scale, the Sharia Stock Financial Literacy variable is measured using binary variables. This variable type is used since it measures financial literacy by asking respondents about their knowledge of Sharia stock. The question given is true or false question-based. They are given a statement and must choose whether it is true or false. If their answer is correct, it will be coded as 1; if the answer is false, it will be coded as 0.

To build a question, this research relies on several resources, such as the provision of Sharia stocks in Indonesia, to classify the Sharia stock and make it different from conventional stock. Furthermore, we will ask about the indexation of Sharia stocks, such as the types of products in Sharia stock issuer companies. The result of the descriptive analysis of the Sharia Stock Financial Literacy variable is shown in the table below.

**Table 4. 4 Descriptive Analysis - Sharia Stock Financial Literacy**

| Variable | Item | Respondent Answer | | | | Mean/Variable |
|---|---|---|---|---|---|---|
| | | TRUE | | FALSE | | |
| | | Freq | % | Freq | % | |
| FL | FL01 | 150 | 51.72% | 140 | 48.28% | 69.60% |
| | FL02 | 151 | 52.07% | 139 | 47.93% | |
| | FL03 | 202 | 69.66% | 88 | 30.34% | |
| | FL04 | 256 | 88.28% | 34 | 11.72% | |
| | FL05 | 254 | 87.59% | 36 | 12.41% | |
| | FL06 | 198 | 68.28% | 92 | 31.72% | |

Note: FL = Sharia Stock Financial Literacy

The table above shows the percentage of correct and false answers for each indicator and the total percentage of correct answers among all the indicators. Among all the six questions the respondents gave, the correct answer percentage was 51.72% for the lowest and 88.28% for the highest. The lowest correct percentage of the answer is at FL01 indicators, with the question “Company that listed in Indonesia Islamic Capital Market should not have a ratio of interest-based liabilities to total Assets more than 60%”. This statement should be answered by the “false” mark since the interest-based ratio of liabilities should be no more than 45%.

Therefore, the highest correct percentage is at the FL04 indicator: "Sharia issuers companies should not conduct any business activity mudharat products or services." 256 among 290 or (88.28%) respondents gave a correct answer to this question, which the correct answer is "True" as the statement given. All six questions in this variable resulted in 69.60% correct answers from all the 290 respondents in this research. With this result, the correct answered question only scored 69,6 out of 10, which means if we refer to the passing grade at majority education institution, this result still does not pass the passing grade because most of the passing grade is 70 out of 100. This means that, with the questions brought in this study, the literacy of Sharia stocks among respondents is still not quite good since the results are still slightly below 70.

### 4.3.5 Decision to Invest in Sharia Stock Descriptive Analysis

The decision to Invest in Sharia Stock is the endogen variable in the model used in this research. All the other variables are hypothesized to affect this variable. In measuring the decision-making to choose Sharia stock as their investment instrument, the author states that the respondents should be measured to determine whether they have a preference, interest, and intention to invest in Sharia stock. To measure the objective of this variable, the author uses five indicators with various dimensions: preference, interest, continuity, influence, and commitment. The result of the descriptive analysis of this variable is shown in the following table.

**Table 4. 5 Descriptive Analysis – Decision to Invest in Sharia Stock**

| Variable | Item | Respondent Answer | | | | | | | | | | Mean | Mean/Variable |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | | 2 | | 3 | | 4 | | 5 | | | |
| | | Freq | % | Freq | % | Freq | % | Freq | % | Freq | % | | |
| DC | DC01 | 5 | 1.72% | 6 | 2.07% | 34 | 11.72% | 71 | 24.48% | 174 | 60.00% | 4.389473684 | 4.250526316 |
| | DC02 | 4 | 1.38% | 7 | 2.41% | 19 | 6.55% | 76 | 26.21% | 184 | 63.45% | 4.410526316 | |
| | DC03 | 4 | 1.38% | 4 | 1.38% | 37 | 12.76% | 81 | 27.93% | 164 | 56.55% | 4.2 | |
| | DC04 | 4 | 1.38% | 6 | 2.07% | 38 | 13.10% | 86 | 29.66% | 156 | 53.79% | 4.126315789 | |
| | DC05 | 4 | 1.38% | 4 | 1.38% | 35 | 12.07% | 85 | 29.31% | 162 | 55.86% | 4.126315789 | |

Note: DC = Decision to Invest in Sharia Stock

Among all the five indicators in the Decision to Invest in Sharia Stock variable, all have a mean value between 4 and 5. The highest one is at DC02, with the mean indicator at 4.48. This indicator states, "I am interested in choosing Sharia stock." Most respondents gave a "strongly

agree" option towards this indicator, where 184 or 63.45% of respondents chose the Likert scale at five points. This indicates that compared with the other indicators, DC02, which shows the level of interest in Sharia stock, has the most significant influence on the decision to invest in Sharia stock.

Meanwhile, this variable gave us the indicators with the lowest mean value, DC04. This indicator measured "I will encourage my friends and family to invest in the Sharia stock market." DC04 measures the vision of investor action towards Sharia stock. Since this indicator resulted in the lowest mean, the intention to encourage others to choose Sharia investors is not that high if we compared it with other indicators. DC04 has a "strongly agree" answer with 156 respondents (53.79%). Furthermore, all five indicators simultaneously give a mean value for the variable with a 4.39 mean score from a Likert scale range of 1 to 5, which indicates the decision to invest in Sharia stock is relatively high. This result shows that the average answers from the respondents rely on "agree" and "strongly agree".

### 4.4 Result of Pre-Test

After collecting the data, first, the data was tested with validity and reliability in the pre-test steps using 30 samples to ensure the data was valid and reliable. This steps had to be conducted before the analysis ran with the total sample with the Partial Least Square (PLS) - Structural Equation Modelling (SEM) method. The results of pre-test is follows.

#### 4.4.1 Pre-Test Validity

In the pre-test validity test, the author carried out a smaller sample before the questionnaire was stated as valid. In the pre-test, a sample of 30 respondents was used to test the research instruments used. Instrument validity was measured using a construct validity approach to ensure the accuracy of the research instrument design. Construct validity was tested using SPSS (Statistical Package for Social Science). The correlation formula used is Pearson Correlation, known as the moment correlation formula. Pearson Correlation for social research has a threshold of significance at 0.05. A valid instrument can be seen by comparing the Pearson Correlation (r-value) obtained from SPSS output with the r-table used. Since this pre-test uses 30 respondents' samples, the t-table is based on the equation of df = N-2, where df stands for the degree of freedom, and N is the number of respondents tested. Thus, this pre-test used a

degree of freedom of 28. Referring to the r-table, the degree of freedom is 28 with a significance level of 0.05. One tail will result in an R-value of 0.3061. Therefore, we will compare the Pearson correlation from SPSS with 0.3061. If the result is above 0.3061, we can say the instrument is valid. For more manageable steps, we can also rely on the significance level. If our significance level is below 0.05, our instrument is valid. The following table shows the results of the validity test.

**Table 3. 3 Pre-Test Validity Result**

| Variables | Abbrv | Indicators | r-value | r-table | Result |
|---|---|---|---|---|---|
| Herding Behaviour | HB01 | Other investor's decisions towards choosing sharia stock have an impact on your investment decisions | 0.767 | 0.3061 | Valid |
| | HB02 | Other investor's decisions to buy and sell Sharia stocks have an impact on your investment decisions | 0.862 | 0.3061 | Valid |
| | HB03 | Other investors' decisions on Sharia stock volume transactions have an impact on your investment decisions | 0.900 | 0.3061 | Valid |
| | HB04 | You usually react quickly to changes in other investor decisions and follow their reactions to the Sharia stock market | 0.724 | 0.3061 | Valid |
| Overconfidence | OC01 | I think that I am an experienced investor | 0.629 | 0.3061 | Valid |
| | OC02 | I feel more confident in Sharia stock over non-sharia stock | 0.486 | 0.3061 | Valid |

| | | | | | |
|---|---|---|---|---|---|
| | OC03 | I believe that my skills and knowledge of investing in Sharia stock market can help me to outperform the market | 0.823 | 0.3061 | Valid |
| | OC04 | I feel qualified to make an investment decision | 0.772 | 0.3061 | Valid |
| | OC05 | I think that I have complete knowledge of the sharia stock market | 0.836 | 0.3061 | Valid |
| | OC06 | I think the sharia stocks of the company I like the most are good enough for long-term investment | 0.783 | 0.3061 | Valid |
| | OC07 | I am confident of my ability to do better than others in picking stocks | 0.616 | 0.3061 | Valid |
| Religiosity | RG01 | I completely understand the five pillars of faith in Islam | 0.720 | 0.3061 | Valid |
| | RG02 | I strive to meet the regulations of Islam despite being hard | 0.924 | 0.3061 | Valid |
| | RG03 | I strive to meet the regulations of Islam, despite being costly | 0.858 | 0.3061 | Valid |
| | RG04 | I understand entirely other fundamental principles of Islam | 0.848 | 0.3061 | Valid |
| | RG05 | The purpose of my life is to meet my religious needs | 0.906 | 0.3061 | Valid |
| Decision to invest in sharia stock | DC01 | With the given investment opportunities, I would prefer to invest in Islamic stock rather than conventional stock | 0.881 | 0.3061 | Valid |
| | DC02 | I am interested in choosing Sharia stock | 0.857 | 0.3061 | Valid |

| | | | | | |
|---|---|---|---|---|---|
| | DC03 | I will invest in the Sharia stock market frequently | 0.897 | 0.3061 | Valid |
| | DC04 | I will encourage my friends and family to invest in the Sharia stock market | 0.939 | 0.3061 | Valid |
| | DC05 | I will invest in the Sharia stock market shortly | 0.781 | 0.3061 | Valid |

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

From the table above, all the indicators from the four variables mentioned above resulted in valid r-values using Pearson Correlation, noting that all the r-values obtained from SPSS are above the r-table value. Therefore, we can say all the indicators above are valid and can be continued to the next step. For the Sharia Stock Financial Literacy variable, we run a filtering with the data since this data is a dichotomous variable. For the "true" question (FL02, FL04, FL05), those who answer the "Right" answer will be coded as 1 as the genuinely correct answer, and the "False" answer chosen will be coded as 0. For the "false" question (FL01, FL03, FL06), the respondents who answer "false" in the question will be coded as 1, and those who answer "right", which is actually the wrong answer, will be coded as 0. With this way of coding, the actual "right" will be coded as 1, and the wrong answer will be coded as 0. After all the data had been converted, we ran a validity test using Pearson correlation with the same reference value as the r-table. The result shows as below.

**Table 3. 4 Pre-Test Validity Result 2**

| Variable | Abbrv | Question | r-value | r-table | Result |
|---|---|---|---|---|---|
| Sharia stock Financial Literacy | FL01 | A company listed in the Indonesian Islamic Capital Market should not have a ratio of interest-based liabilities to total Assets of more than 60%. (False) | 0.664 | 0.3061 | Valid |
| | FL02 | Listed Islamic Capital Company should have a ratio of interest income and other non-Islamic | 0.420 | 0.3061 | Valid |

| | | | | | |
|---|---|---|---|---|---|
| | | income to total revenue of no more than 10%.<br>(True) | | | |
| | FL03 | All Indonesian companies classified as Sharia issuers are listed in the Jakarta Islamic Index (JII).<br>(False) | 0.762 | 0.3061 | Valid |
| | FL04 | Sharia issuers companies should not conduct any business activity with mudharat products or services.<br>(True) | 0.386 | 0.3061 | Valid |
| | FL05 | Companies that offer products or services containing maysir and gharar will not be considered sharia issuers.<br>(True) | 0.354 | 0.3061 | Valid |
| | FL06 | The leader of the company determines a provision regarding haram production, distribution, transaction goods, and services that are forbidden for Sharia stock issuers.<br>(False) | 0.825 | 0.3061 | Valid |

Note: FL = Sharia Stock Financial Literacy

The table above also shows that all the indicators/questions in the Sharia Stock Financial Literacy variable pass the validity test since the Pearson Correlation value that was obtained from the data proceeded, resulting in a value above 0,3061. Thus, all the indicators above can be used for the next data processing step.

### 4.4.2 Pre-Test Reliability

Reliability is defined as the extent to which the scale chosen by the respondent provides consistent research results if the measurements are repeated in the future (Malhotra & Birks, 2015). Reliability testing can be carried out by looking at Cronbach's Alpha. A Cronbach Alpha between 0.60 and 0.80 for the Likert scale measurement is classified as reliable data. Furthermore, the Cronbach Alpha between 0.80 and 1.00 is classified as reliable data. For the binary variable, the measurement will refer to the Kuder Richardson 20 (KR20) coefficient, and the KR20 coefficient above 20 has to obtain a value above 0.50 to be classified as a good indicator. In the SPSS, a Cronbach Alpha and KR20 result is obtained using a similar step. The Cronbach Alpha obtained with the dichotomous variable can be understood as the KR20. Thus, we proceed with the reliability test with 30 samples of the respondent as the pre-test and obtain a value as below.

**Table 3. 5 Pre-Test Reliability Result**

| Variables | Cronbach's Alpha Variable | Abbrv | Cronbach's Alpha Item | Cut Off | Result |
|---|---|---|---|---|---|
| Herding Behaviour | 0.825 | HB01 | 0.806 | 0.6 | Reliable |
| | | HB02 | 0.738 | 0.6 | Reliable |
| | | HB03 | 0.706 | 0.6 | Reliable |
| | | HB04 | 0.855 | 0.6 | Reliable |
| Overconfidence | 0.822 | OC01 | 0.818 | 0.6 | Reliable |
| | | OC02 | 0.848 | 0.6 | Reliable |
| | | OC03 | 0.768 | 0.6 | Reliable |
| | | OC04 | 0.782 | 0.6 | Reliable |
| | | OC05 | 0.764 | 0.6 | Reliable |
| | | OC06 | 0.779 | 0.6 | Reliable |
| | | OC07 | 0.816 | 0.6 | Reliable |
| Religiosity | 0.904 | RG01 | 0.915 | 0.6 | Reliable |
| | | RG02 | 0.863 | 0.6 | Reliable |
| | | RG03 | 0.882 | 0.6 | Reliable |
| | | RG04 | 0.883 | 0.6 | Reliable |
| | | RG05 | 0.865 | 0.6 | Reliable |

| | | | | | |
|---|---|---|---|---|---|
| Decision to invest in sharia stock | 0.909 | DI01 | 0.882 | 0.6 | Reliable |
| | | DI02 | 0.888 | 0.6 | Reliable |
| | | DI03 | 0.876 | 0.6 | Reliable |
| | | DI04 | 0.862 | 0.6 | Reliable |
| | | DI05 | 0.938 | 0.6 | Reliable |
| Sharia Stock Financial Literacy | 0.619 | FL01 | 0.557 | 0.5 | Reliable |
| | | FL02 | 0.642 | 0.5 | Reliable |
| | | FL03 | 0.477 | 0.5 | Not Reliable |
| | | FL04 | 0.618 | 0.5 | Reliable |
| | | FL05 | 0.652 | 0.5 | Reliable |
| | | FL06 | 0.431 | 0.5 | Not Reliable |

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

The reliability test result is shown in the table above. Using Cronbach's Alpha with the threshold of 0.6 and KR 20 with the minimum score required of 0.5, the test result with almost all the indicators pass the threshold, except FL03 and FL06. The result above shows that FL03 only has a KR20 value of 0.477, and FL06 only has 0.431, below the minimum requirement of 0.5. However, the result of those two indicators is unreliable; we still consider putting those two indicators at the entire test in the next step, considering the pre-test result is still not too far from the minimum level.

### 4.5 Research Instrument Analysis

In this step, we will conduct the main analysis of this research to determine its statistical results. However, we will run the robustness test first to ensure that the model and data fulfill all the necessary assumptions. The research instrument analysis can be seen in the picture below.

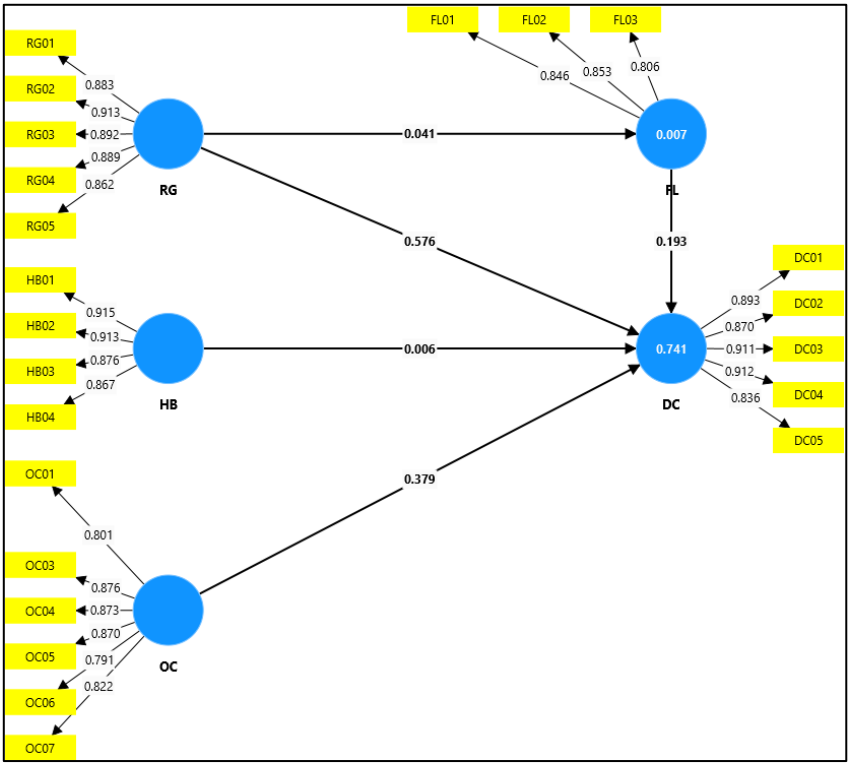


**Figure 4. 10 PLS Algorithm Output**

The picture above shows the result of the PLS algorithm through Smart PLS software with the final indicators used. The number at the outer model reflects the loading factor of each indicator, and the number inside the blue circle, as a latent variable, reflects the R2 value. Below, we will discuss more about research instrument analysis.

### 4.5.1 Validity Test

A validity test is needed to determine whether all the items in the research instrument can be used to measure the relationship between the variables studied (Hair et al., 2014). The validity of an item on the instrument indicates whether there is a relationship between the item and the total item score. Only valid items are suitable for use in research. Valid items can be identified by carrying out a significant coefficient test on the total item score; then, the item is valid.

Malhotra and Birks (2015) stated that several variables may be correlated in a study, so they must be reduced. Therefore, factor analysis is a procedure that is widely used to reduce and summarize data. In this research, the critical statistic will measure the sample adequacy of factor loading values in the component matrix. The PLS Algorithm option obtained Factor

loading from Smart PLS 4 software. Factor loading shows a simple correlation between variables and factors. The questionnaire is valid if the factor loading value is ≥0.7 (Malhotra & Birks, 2015). The following table displays the validity test results of this research questionnaire.

**Table 4. 6 Factor Loading Output**

| Variables | Indicator | Factor Loading | Conclusion |
|---|---|---|---|
| Herding Behaviour | HB01 | 0.915 | Valid |
| | HB02 | 0.913 | Valid |
| | HB03 | 0.876 | Valid |
| | HB04 | 0.867 | Valid |
| Overconfidence | OC01 | 0.778 | Valid |
| | OC02 | 0.692 | Invalid |
| | OC03 | 0.877 | Valid |
| | OC04 | 0.850 | Valid |
| | OC05 | 0.858 | Valid |
| | OC06 | 0.793 | Valid |
| | OC07 | 0.795 | Valid |
| Religiosity | RG01 | 0.883 | Valid |
| | RG02 | 0.913 | Valid |
| | RG03 | 0.892 | Valid |
| | RG04 | 0.889 | Valid |
| | RG05 | 0.862 | Valid |
| Sharia Stock Financial Literacy | FL01 | 0.783 | Valid |
| | FL02 | 0.750 | Valid |
| | FL03 | 0.772 | Valid |
| | FL04 | 0.685 | Invalid |
| | FL05 | 0.610 | Invalid |
| | FL06 | 0.593 | Invalid |
| The decision to invest in sharia stock | DC01 | 0.894 | Valid |
| | DC02 | 0.870 | Valid |
| | DC03 | 0.912 | Valid |
| | DC04 | 0.911 | Valid |

| | | | |
|---|---|---|---|
| | DC05 | 0.836 | Valid |

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

In the results of the table above, it is known that several indicators are invalid because the resulting values are below the minimum standard. Some indicators are invalid because they have a loading factor of less than 0.6, indicating a correlation between the indicators, so it is necessary to retest them by removing the invalid indicators. The deleted indicators are OC02, FL04, FL05, and FL06 since all indicators have a loading factor below 0.7, which is invalid. After those indicators were deleted, we ran the validity test once more and obtained the new result as follows.

**Table 4. 7 Factor Loading Output 2**

| Variables | Indicator | Factor Loading | Conclusion |
|---|---|---|---|
| Herding Behaviour | HB01 | 0.915 | Valid |
| | HB02 | 0.913 | Valid |
| | HB03 | 0.876 | Valid |
| | HB04 | 0.867 | Valid |
| Overconfidence | OC01 | 0.801 | Valid |
| | OC03 | 0.876 | Valid |
| | OC04 | 0.873 | Valid |
| | OC05 | 0.870 | Valid |
| | OC06 | 0.791 | Valid |
| | OC07 | 0.822 | Valid |
| Religiosity | RG01 | 0.883 | Valid |
| | RG02 | 0.913 | Valid |
| | RG03 | 0.892 | Valid |
| | RG04 | 0.889 | Valid |
| | RG05 | 0.862 | Valid |
| Sharia Stock Financial Literacy | FL01 | 0.846 | Valid |
| | FL02 | 0.853 | Valid |
| | FL03 | 0.806 | Valid |
| | DC01 | 0.893 | Valid |

| | | | |
|---|---|---|---|
| Decision to invest in sharia stock | DC02 | 0.870 | Valid |
| | DC03 | 0.911 | Valid |
| | DC04 | 0.912 | Valid |
| | DC05 | 0.836 | Valid |

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

The output table above shows that all indicators that were retested obtained results greater than 0.6. The validity test results show that all research instrument items are valid. Thus, the items can now be used for the next step.

### 4.5.2 Discriminant Validity (Cross Loadings)

This study measured discriminant validity by analyzing the cross-loading factor values used to determine whether the construct had adequate discriminants. To be said to be valid, the targeted construct must be greater than the loading value with other constructs. A construct must have a more excellent value from the measurement results of that construct than other constructs. The loading value of a construct greater than other constructs that are not measured indicates that the data and indicators are reliable. The discriminant validity results of the PLS algorithm were obtained and shown below, where each construct is colored green. This table shows that each construct has a factor loading with a more excellent value for each construct, so the data can be said to be reliable.

**Table 4. 8 Discriminant Validity Output**

| | DC | FL | HB | OC | RG |
|---|---|---|---|---|---|
| DC01 | 0.893 | 0.118 | 0.461 | 0.579 | 0.745 |
| DC02 | 0.870 | 0.133 | 0.390 | 0.549 | 0.725 |
| DC03 | 0.911 | 0.116 | 0.467 | 0.638 | 0.689 |
| DC04 | 0.912 | 0.152 | 0.518 | 0.668 | 0.723 |
| DC05 | 0.836 | 0.020 | 0.460 | 0.668 | 0.652 |
| FL01 | 0.086 | 0.846 | 0.006 | -0.038 | 0.064 |
| FL02 | 0.122 | 0.853 | 0.033 | -0.021 | 0.039 |
| FL03 | 0.097 | 0.806 | -0.017 | -0.069 | 0.105 |
| HB01 | 0.486 | 0.041 | 0.915 | 0.584 | 0.435 |
| HB02 | 0.483 | 0.030 | 0.913 | 0.626 | 0.426 |
| HB03 | 0.449 | -0.014 | 0.876 | 0.604 | 0.383 |
| HB04 | 0.436 | -0.032 | 0.867 | 0.575 | 0.359 |
| OC01 | 0.483 | -0.029 | 0.552 | 0.801 | 0.358 |

| | | | | | |
|---|---|---|---|---|---|
| OC03 | 0.659 | -0.038 | 0.582 | 0.876 | 0.562 |
| OC04 | 0.640 | -0.041 | 0.527 | 0.873 | 0.510 |
| OC05 | 0.565 | -0.037 | 0.597 | 0.870 | 0.468 |
| OC06 | 0.639 | -0.026 | 0.511 | 0.791 | 0.517 |
| OC07 | 0.500 | -0.098 | 0.618 | 0.822 | 0.361 |
| RG01 | 0.683 | 0.089 | 0.372 | 0.457 | 0.883 |
| RG02 | 0.695 | 0.041 | 0.377 | 0.458 | 0.913 |
| RG03 | 0.690 | 0.059 | 0.395 | 0.474 | 0.892 |
| RG04 | 0.685 | 0.070 | 0.398 | 0.511 | 0.889 |
| RG05 | 0.783 | 0.110 | 0.448 | 0.579 | 0.862 |

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

### 4.5.3 Reliability Test

Reliability testing is a statistical test to prove the accuracy and consistency of indicators in measuring latent variables (Malhotra & Birks, 2015). Reliability is also a convergent validity indicator (Hair et al., 2014). In this research, reliability testing was carried out using Cronbach Alpha, composite reliability (CR) and average variance extracted (AVE) results were examined. A latent variable is said to be reliable if the variable has each construct having a Cronbach's Alpha ≥ 0.70, Composite Reliability (CR) ≥ 0.70, and Average Variance Extracted (AVE) ≥ 0.50. The results of the reliability test can be seen in the following table.

**Table 4. 9 Reliability Test Output**

| Latent Variable | Cronbach's Alpha | Composite Reliability (CR) | Average Variance Extracted (AVE) | Interpretation |
|---|---|---|---|---|
| Herding Behaviour (HB) | 0.915 | 0.918 | 0.798 | Reliable |
| Overconfidence (OC) | 0.916 | 0.923 | 0.705 | Reliable |
| Religiosity (RG) | 0.933 | 0.935 | 0.789 | Reliable |
| Sharia Stock Financial Literacy (FL) | 0.784 | 0.790 | 0.698 | Reliable |
| The decision to invest in sharia stock (DC) | 0.930 | 0.931 | 0.783 | Reliable |

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

The reliability test shown in the table above showed that all the variables passed the reliability test since they all obtained a value for each measurement above the minimum value required. For Cronbach's Alpha measurement, the value has to be above 0.7, and the lowest variable is Sharia Stock Financial Literacy with Cronbach's Alpha 0.784, which is still above 0.7. For Composite Reliability (CR), where the value must be above 0.7, the lowest CR value is at Sharia Stock Financial Literacy with a CR value of 0.790, which is still above 0.7. Finally, for the Average Variance Extracted (AVE) value above 0.5, the lowest value is at Sharia Stock Financial Literacy with an AVE value of 0.698. Although Sharia Stock Financial Literacy got the lowest value of all the measurements, the value is still above the minimum required value and can still be considered reliable. Thus, all five variables are reliable and consistently measure the same research at different times and places.

### 4.5.4 Multicollinearity Statistic Test (VIF)

The statistical collinearity test is carried out to determine whether the model and variables used have multicollinearity problems or whether there is a strong intercorrelation between constructs. The VIF test is carried out on the inner model to test the collinearity of the model constructs used to interpret the path coefficients. The VIF value that does not indicate multicollinearity is <5 because if the VIF value is more than 5, it indicates collinearity between constructs (Hair et al., 2017). The VIF inner model test is explained in the following table.

**Table 4. 10 Multicollinearity Test Output**

| Exogen Variable | Endogen Variable | |
|---|---|---|
| | Sharia Stock Financial Literacy (FL) | The decision to invest in sharia stock (DC) |
| Herding Behaviour (HB) | - | 1.840 |
| Overconfidence (OC) | - | 2.170 |
| Religiosity (RG) | 1.000 | 1.507 |
| Sharia Stock Financial Literacy (FL) | - | 1.024 |

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, HB = Herding Behaviour, OC = Overconfidence

The results of the VIF inner model test, which can be seen in the matrix table above, show that all path analyses used are free from multicollinearity problems because all variables have VIF values below 5. Thus, the test will continue with the model fit test.

### 4.5.5 Goodness of Fit Test

A goodness of fit (GOF) test was carried out to assess the estimated model's quality by comparing the dependent variable's actual value with the value predicted by the estimated model (Hair et al., 2014). The results of the GOF test can be seen in the following table.

**Table 4. 11 Goodness of Fit Test Output**

| Indicator | Fit Measure | Saturated Model | Estimated Model | Implication |
|---|---|---|---|---|
| Standardized Root Mean Square Residual (SRMS) | <0.10 | 0.056 | 0.062 | Fit |
| d ULS | >2.000 | 0.879 | 1.066 | Not fit |
| d_G | >0.90 | 0.415 | 0.445 | Not fit |
| Normed Fit Index (NFI) | >0.90 | 0.875 | 0.865 | Not fit |

From several goodness of fit test indicators, the results show that the model fits the SRMS measurements, and the model does not reach the fit standards at other measurement levels. Since the model fit indices the judging on how well a hypothesized model structure fits with the empirical data, a poor fit can be caused by the inadequate sample size. Nevertheless, aside increase the number of samples, adjustments to fix the poor fit result can be made to the model being carried out to increase the goodness of fit. However, in PLS-SEM, the goodness of fit test provides little added value in testing model suitability because PLS-SEM focuses on predictions rather than explanatory modelling (Hair et al., 2017). Therefore, Hair advises against using goodness of fit tests routinely. For this reason, research can still be continued without having to improve the fit of the model used.

### 4.5.6 Path Coefficient

The path coefficient test is used to determine the significance of the relationship and the influence of the relationship between research variables. To see the significance, we can refer to the p-value and t-value of each path. The path coefficient test determines the direction of the relationship between the influence of the relationship between research variables. If the original sample value/β coefficient is positive, it can be said that the relationship between the variables is positive. If the original sample value/β coefficient is negative, then it can be said that the relationship between the variables is negative. The results of the bootstrapping analysis of the model used in this research can be seen in the following image.

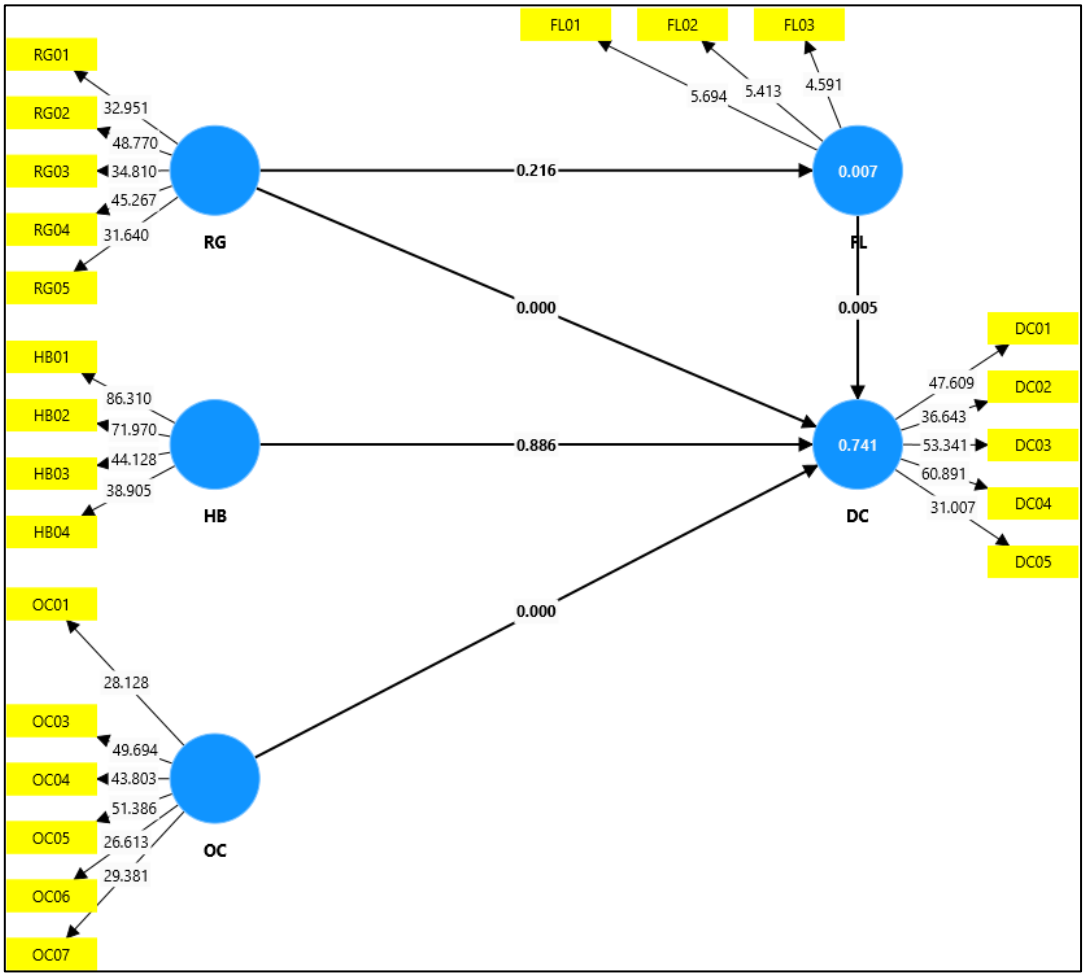


**Figure 4. 11 Bootstrapping Output**

In the inner model, the number that connects the constructs is the p-value for each path. The relationship between variables can be significant if the p-value is less than 0.1 or the t-statistic is above 1,645 (one-tailed). The results of hypothesis testing obtained from data processing using SmartPLS software will be presented for a more complete explanation. First, a direct path coefficient analysis (direct effect) will be carried out with the results in the following table.

**Table 4. 12 Direct Effect Statistical Result**

| Hypothesis | *Path* | *β Coefficient (Original sample)* | *t-statistic* | *p-Value* | Conclusion |
|---|---|---|---|---|---|
| **1** | **RG -> DC** | 0.576 | 11.834 | 0.000 | Significant |
| **2** | **FL -> DC** | 0.193 | 2.838 | 0.005 | Significant |
| **3** | **RG -> FL** | 0.041 | 1.237 | 0.216 | Not Significant |
| 5 | **HB -> DC** | 0.006 | 0.143 | 0.886 | Not Significant |
| 6 | **OC -> DC** | 0.379 | 6.590 | 0.000 | Significant |

Source: Primary Data, 2024

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock, HB = Herding Behaviour, OC = Overconfidence

The table above shows the result of hypotheses 1, 2, 3, 5, and 6 as direct effect analysis. From the result above, we have 3 out of 5 significant results, which are hypotheses 1, 2, and 6, since the t-statistic of those paths is above 1.645 or the p-value is below 0,1. Specifically, the p-value of all three hypotheses is below 0,01, which means we can accept the hypothesis with a confidence level of 99%. Unfortunately, we found that hypotheses 3 and 5 do not have significant results since the t-value is below 1.645 or the p-value is above 0.1. Thus, we rejected hypothesis 3 and 5.

After knowing the result of the direct effect, we move to observe the result of the indirect effect. The model used in this study has one path of indirect effect on hypothesis 4. In this hypothesis, there is a path from Religiosity, which gives an impact to the Decision to Invest in Sharia Stock, with the mediation effect of Sharia Stock Financial Literacy. The result of the indirect effect is shown by the following table.

**Table 4. 13 Indirect Effect Statistical Result**

| Hypothesis | *Path* | *β Coefficient (Original sample)* | *t-statistic* | *p-Value* | Conclusion |
|---|---|---|---|---|---|
| **4** | **RG -> FL -> DC** | 0.008 | 1.153 | 0.249 | Not Significant |

Source: Primary Data, 2024

Note: RG = Religiosity, FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock

With the result of hypothesis 4, unfortunately, this path of indirect effect cannot give a significant result. This means that the mediation role of Sharia Stock Financial Literacy cannot impact Religiosity's decision to invest in Sharia Stocks. The t-statistic value knows the insignificant result with 1.153 (below 1.645), and the p-value is with the result of 0.249 (above 0.1).

### 4.5.7 R-Square Result

The value of the coefficient of determination, or R2, shows the amount of variation in endogenous variables that exogenous variables can explain. The following are the evaluation results for each endogenous variable.

**Table 4. 14 R-Square**

| Latent Variable | R square | R square adjusted |
|---|---|---|
| Sharia Stock Financial Literacy (FL) | 0.007 | 0.004 |
| Decision to Invest in Sharia Stock (DC) | 0.741 | 0.737 |

Note: FL = Sharia Stock Financial Literacy, DC = Decision to Invest in Sharia Stock

Since our model has two endogenous variables, Sharia Stock Financial Literacy (FL) and Decision to Invest in Sharia Stock (DC), the model has two different outputs of R2. There are also two different R2, which are R2 and R2 adjusted. In this case, we will focus on the number

of R2 adjusted because the number of R2 adjusted has been adjusted with the number of variables used in the model.

The $R^2$ adjusted for the Sharia Stock Financial Literacy resulted in a 0.004 or 0.4% value. This number is relatively small because the exogenous variable that made the Sharia Stock Financial Literacy is only one variable, which is religiosity. Thus, this condition is insufficient to create a good number of $R^2$. The result shows that Religiosity can explain only 0.4% as the factor that created Sharia Stock Financial Literacy, as another 99.6% is affected by another factor not observed in this study. However, the result of the $R^2$ from Sharia Stock Financial Literacy is not our primary $R^2$ value because the $R^2$ reflecting all the variables in the model relies on the Decision to invest in the Sharia Stock variable.

For the Decision to Invest in Sharia Stock, success obtained an R2 value of 0.737. This means that all the exogenous variables explain 73.7% of the factors that affected the decision. Meanwhile, other factors not observed in this study explain another 26.3%.

### 4.6 Hypothesis Test Result

Six hypotheses within this study were observed to determine the statistical effect. As shown before, the author derived the hypothesis explanation from the path coefficient result below.

#### 4.6.1 Hypothesis 1 Testing – Religiosity to Decision to Invest in Sharia Stock

Hypothesis 1 is a path to explain that religiosity should have a significant and positive effect on the decision to invest in Sharia stock. This path gives a significant result since it has a p-value of 0.000 and a t-statistic of 11.934, which means the path is significant with a confidence level of 99%. Thus, the coefficient of this path is 0.576, becoming the most significant coefficient compared to any other path in the model. These results indicate that among all the variables used in the model to explain the decision to invest in Sharia stock, the religiosity variable has the most significant effect, with the effect being up to 0,576. With this result, we conclude that hypothesis 1 succeeded to **reject null hypothesis**.

This result is in line with our hypothesis. It gives a similar result to our reference that religiosity can lead individuals to choose an Islamic economic behaviour and adhere to the Sharia ideology (Abbas et al., 2020). Since religiosity measures how individuals follow Islamic teachings, they are more likely to prefer investing in financial products that align with their religious beliefs and values. Their sharia value will prohibit them from business investments

involved in activities such as gambling, alcohol, tobacco, conventional finance, and any other business that does not adhere to Islamic principles. Thus, if some Muslims want to invest in a stock market, religiosity becomes an essential factor that creates a desire to choose Sharia stocks over conventional ones.

### 4.6.2 Hypothesis 2 Testing – Sharia Stock Financial Literacy to Decision to Invest in Sharia Stock

Hypothesis 2 is how Sharia Stock Financial Literacy should affect the Decision to Invest in Sharia Stock. The statistical results significantly affect this path, with a t-statistic of 2.838 and a p-value of 0.005. With this result, the path is significant with a confidence level of 99% since the p-value obtained is below 0.01. This hypothesis testing gives a coefficient value of 0.193, which means the effect of Sharia Stock Financial Literacy on the decision to invest in Sharia Stock is 0.193. With this result, we would like to say that hypothesis 2 succeeded to **reject null hypothesis**.

The result found in this study is in line with our reference study by (Alharbi et al., 2022), who had observed before and told that financial literacy awareness influenced by religiosity has a positive relation, which means that higher religiosity will increase the awareness of financial literacy. With the founding of this research, the author specifically found that the relationship between Sharia Stock Financial Literacy and the Decision to Invest in Sharia Stock also happened in the context of the Sharia Stock Market. This means that the better the understanding of financial literacy among the Sharia stock investors is, the more likely they are to choose Sharia stock rather than the conventional stock. Individuals with higher Sharia financial literacy have a better understanding of the principles and guidelines governing Sharia-compliant investments. This knowledge helps them decide about investing in stocks that adhere to Islamic financial rules, such as avoiding businesses involved in interest-based transactions, gambling, or other prohibited activities. Therefore, good Sharia financial literacy provides investors with the knowledge to assess the Sharia compliance of stocks. This leads investors to avoid non-compliant stocks and mitigate the risks associated with investing in companies that do not align with their religious beliefs.

### 4.6.3 Hypothesis 3 Testing – Religiosity to Sharia Stock Financial Literacy

In hypothesis 3, this research finds out how religiosity affects Sharia stock financial literacy. The statistical results show that the relation is insignificant since the t-statistic is only 1,237, below the minimum requirement of 1.645, and the p-value is 0.216, above 0.1. Thus, we can say that religiosity did not affect Sharia stock financial literacy. With this result, hypothesis 3 **do not reject null hypothesis**.

This finding gives a different result from our reference, which says religiosity will have an impact on shaping Sharia stock financial literacy (Alharbi et al., 2022). In response to this result, the author try to find out how religiosity failed to impact Sharia stock financial literacy. We found that Otoritas Jasa Keuangan (OJK) in Indonesia has a study on how religiosity does not significantly affect Islamic financial products (Sekaryuni et al., 2020). Based on the study, it is caused by the perception of Sharia financial products and lack of awareness towards Sharia financial literacy. Furthermore, the Focus Group Discussion by OJK shows that the utilitarian respondents who mainly perceived the financial products based on sought benefits will not be affected by religiosity to create financial literacy, even though they are Muslim (Sekaryuni et al., 2020). Furthermore, insignificant results between religiosity and Sharia stock financial literacy indicate the different fundamental aspects between religiosity and financial literacy. Investing in Sharia-compliant stocks requires specialized knowledge beyond general religious beliefs and practices. The principles and guidelines governing Sharia-compliant investments are complex. They may require specific financial education and training, which may not be directly related to the religiosity level of the person.

Furthermore, this result also might be affected because the religious person is not always an expert in economics or an expert investors. The key principles of Sharia stocks such as avoiding interest-bearing instruments, investing in ethical and socially responsible companies, and prohibiting speculation, are fundamental to Sharia finance and do not necessarily depend on the investor's personal religious devotion. Financial literacy, in general, is more closely tied to factors such as education level, access to financial information, and overall financial awereness, rather than religiosity (Annamaria & Mitchell, 2014). This means, individuals with a specific financial literacy knowledge have an understanding a sharia-compliant investment options, regardless of their personal religious beliefs or practices.

### 4.6.4 Hypothesis 4 Testing – Mediating Effect of Sharia Stock Financial Literacy between Religiosity and Decision to Invest in Sharia Stock

This hypothesis becomes the only indirect effect in the model, where we proposed that the relationship between religiosity and the decision to invest in Sharia stocks is mediated by Sharia stock financial literacy. This means that religiosity will affect a person's Sharia stock financial literacy and then affect their decision to invest in Sharia stocks. The statistical result shows an insignificant relation between religiosity and the decision to invest in Sharia Stocks if it is mediated by Sharia stock financial literacy since the t-statistic value is only 1,153, below 1.645. The p-value is 0.249, above the maximum significant value of 0.1. This result does not align with our hypothesis, and we stated that hypothesis 4 **do not reject null hypothesis.**

The insignificant mediating effect in this hypothesis has the same rationale as hypothesis 3 with the insignificant result of religiosity to Sharia stock financial literacy. Since hypothesis 3 is not significant in giving a bridge from religiosity towards Sharia stock financial literacy, financial literacy also cannot become the mediating variable between religiosity and the decision to invest in Sharia stocks. The exciting result is on hypotheses 1 and 2, which found that religiosity and Sharia stock financial literacy significantly affect the decision to invest in Sharia stock, respectively. These results indicate that although religiosity and Sharia stock financial literacy positively impact the decision-making to invest in Sharia stocks, religiosity and Sharia stock financial literacy do not have a significant correlation. This means, religiosity can directly influence investment decisions in Sharia-compliant stocks, regardless of financial literacy levels. Investors with stronger religious beliefs may choose Sharia stocks primarily based on religious principles, rather than relying on their financial knowledge. Investors interested in Sharia-compliant investments may rely more on guidance from financial advisors, Islamic scholars, or Sharia boards, rather than their own financial literacy (Madaan & Singh, 2019). The expertise provided by these sources can directly shape investment decisions, reducing the mediating role of individual financial literacy.

With the result from hypothesis 1 to hypothesis 4, we found an interesting result on how religiosity failed to bring people a better financial literacy towards Sharia stocks. However, with good religiosity, they still choose Sharia stocks over conventional ones. Thus, this can be a gap for the following research on how religiosity can affect themselves to choose Sharia stocks if it is not caused by good financial literacy. Otherwise, the following study can use a

different measurement to observe Sharia stock financial literacy since this research uses question-based measurement to determine whether the respondents have good financial literacy.

### 4.6.5 Hypothesis 5 Testing – Herding Behaviour to Decision to Invest in Sharia Stock

Herding behaviour, as one of the financial behaviour factors, is hypothesized to affect the decision to invest in Sharia stock directly. However, the statistical results obtained for this research did not match the expected results. The result for hypothesis 5 is insignificant since the t-statistic is only 0.143, below the minimum required value of 1.645, and the p-value is 0,886, which is above 0.1. With this result, the Herding Behaviour does not affect the Decision to Invest in Sharia Stock. Thus, hypothesis 5 **do not reject null hypothesis.**

Herding behaviour aims to prove whether the irrational factors of financial behaviour impact a person's decision to invest in Sharia stock. However, the results show that the influence of other investors is not an essential factor in attracting people to choose Sharia stocks. Before the statistical equation runs, this insignificant result indicates whether we see the mean value of the Herding Behaviour variable. Herding behaviour has a mean value of 3.057, while the decision to invest in Sharia Stock has a mean value of 4.25. The gap in the mean value from these two variables indicates the different effects and insignificant results. Thus, we know that the insignificant result is caused by the small perception of Herding Behaviour in the context of Sharia Stock.

In response to the insignificant result of Herding Behaviour, this can happen due to heightened awareness and understanding of investment risks among the workforce, leading to a more independent and informed decision-making process (Albert, 2024). This may affected by many financial institutions and Islamic finance experts provide Sharia advisory and screening services to help investors identify suitable Sharia-compliant stocks, which can reduce the reliance on her behavior as investors can make more informed decisions based on the guidance provided by these specialized services. As a result, this circumstance leads to higher overconfidence factors of the investors and decreases the effect of herding behaviour.

### 4.6.6 Hypothesis 6 Testing – Overconfidence in the Decision to Invest in Sharia Stock

Another irrational factor that may affect the decision to invest in Sharia stock is overconfidence, which is one of the factors in financial behaviour. The statistical result shows

that the relation between overconfidence and the decision to invest in Sharia stock resulted in the t-statistic at 6.590, which is above 1.645, and the p-value at 0,000, which is below 0,1, which indicates a significant result. This result confirmed that in the context of the Sharia stock market, investors' overconfidence factors can create a decision to invest in Sharia stock. Furthermore, we conclude that hypothesis 6 succeeded to **reject null hypothesis**.

The significant result of the relation of overconfidence to the decision to invest in Sharia stock proves our hypothesis and gives conformity to the past study. Overconfidence that comes from inside investors may create the overestimation of their knowledge and skill to make investment decisions. As the past study, this research also reveals that investors with excess confidence in their knowledge and skills in responding to the market tend to make investment decisions with more impulsive strategies, less rational, and significantly ignore risk (Febri Ramadhan Sudirmana et al., 2024). This result also shows how investors trust Sharia stocks and no doubt choose them as their investing instrument.

### 4.7 Discussion of the Results

The discussion of the results of this research will convey the relationship between research variables and show what is the most significant influence on the endogenous variables. The discussions are as follows.

#### 4.7.1 Influence of Religiosity on Decision to Invest in Sharia Stocks

Religiosity is an essential factor in deciding to invest in Sharia stocks, considering both of them are handed adherence to religious beliefs and practices. The presence of Sharia stocks allows Muslim investors to be involved in the stock market not only to seek a return but also to promote the Sharia financial ecosystem. To prove the connection between religiosity and the decision to invest in Sharia stocks, this study measured how well the religiosity of investors used their perception of the fundamental aspects of Islam. The results significantly influence religiosity and the decision to invest in Sharia stock. This is proven by the statistical result, in which the relationship between Religiosity and the Decision to Invest in Sharia Stocks shows a t-statistic at 11.834 and p-values of 0.000 with a beta coefficient of 0.573. Compared to the other path, the t-statistic and the coefficient of this path become the most significant value, which means religiosity becomes the most important variable in this model to shape the decision to invest in Sharia stocks. With this result, this research have a similar result to our

reference that religiosity can lead individuals to choose an Islamic economic behaviour and adhere to the Sharia ideology (Abbas et al., 2020).

To know which factors of religiosity bring the most influence, we can see the factor loading for each indicator. The statistical result shows the highest factor loading located at the RG02 indicators, which measure the effort of the investors to meet the regulation of Islam despite being hard. This means their effort to keep the Islamic values builds their religiosity more significantly than other factors such as spending money related to religiosity purpose, understanding the fundamental principles of Islam, and putting Islamic values as their purpose in life. Their effort to strive for the Islamic way of life leads the investors to choose Sharia stocks rather than conventional stocks. Furthermore, other factors except RG02 give a similar value of factor loading, which means all of those indicators have a similar impact on building religiosity.

### 4.7.2 Sharia Stock Financial Literacy on Decision to Invest in Sharia Stocks

Sharia stock financial literacy helps investors better understand the principles and guidelines of Islamic finance that govern Sharia-compliant investments. This knowledge allows investors to make more informed decisions about the suitability and alignment of Sharia stocks with their religious beliefs and investment objectives. Good financial literacy on Sharia stocks also educates investors on screening criteria and the selection process for identifying Sharia-compliant stocks. Thus, this knowledge enables investors to recognize and access the appropriate Sharia-compliant investment options, which can increase their confidence and willingness to invest in these stocks. Those rationales are proven by the statistical results of this study, where Sharia stocks financial literacy has a positive and significant impact on the decision to invest in Sharia stocks with a 99% confidence level. In conclusion, this result is similar with our reference by Raut (2020) where financial literacy has a positive impact with intention to invest in the stock market.

In the final model, there are only 3 indicators of financial literacy that pass the assumption test. These 3 indicators give a similar value of factor loading, which means all of those indicators have a similar power to determine the financial literacy of Sharia stocks. However, if we rely on the descriptive analysis, Many more respondents give a correct answer to FL03 items, with the percentage of the actual answer being 69,66%. Notes that FL03 asks investors for information regarding Sharia stock indexes in Indonesia. Even though the percentage of correct

answers is still below 70%, however, the statistical results show a significant influence between Sharia stock financial literacy and the decision to choose Sharia stocks. The statistical results show that the level of financial literacy on Sharia stocks is in line with the preference for choosing Sharia stocks.

### 4.7.3 Religiosity to Sharia Stocks Financial Literacy

Religiosity and Sharia Stock Financial Literacy bring a similar ideology related to the awareness of adherents to Islamic provisions. Intense religiosity could acquire the motivation of a strong desire to ensure their financial activities are aligned with their religious principles. Thus, good religiosity could lead to a good stock of financial literacy. However, the result of this study does not show a significant correlation between religiosity and Sharia stock financial literacy. This result brings a different output from the previous studies, which found that religiosity positively influences Sharia financial literacy towards financial providers (Alharbi et al., 2022; Johana et al. Alwi, 2014).

It may happen because of a different perception of religious persons toward Sharia stock financial literacy. It may happen for the utilitarian respondents who have good financial literacy even though they do not have a good religiosity value (Sekaryuni et al., 2020). This possibility implies that a religious person does not necessarily have good Sharia financial knowledge, and *vice versa.* That is also a different motivation for those with a high interest in religious values and those interested in learning more about Sharia financial knowledge.

Furthermore, this result also might be affected because the religious person is not always an expert in economics or an expert investors. The key principles of Sharia stocks such as avoiding interest-bearing instruments, investing in ethical and socially responsible companies, and prohibiting speculation, are fundamental to Sharia finance and do not necessarily depend on the investor's personal religious devotion. Financial literacy, in general, is more closely tied to factors such as education level, access to financial information, and overall financial awereness, rather than religiosity (Annamaria & Mitchell, 2014). This means, individuals with a specific financial literacy knowledge have an understanding a sharia-compliant investment options, regardless of their personal religious beliefs or practices.

However, this finding opens a gap for the following research to observe the relationship between religiosity and Sharia financial literacy, especially on stocks. To answer all the

possibilities of the significant result, it must be detailed which factors from religiosity and which factors from Sharia financial literacy correlate. In this study, we cannot define the specific factors of those two variables since the author takes religiosity and Sharia stock financial literacy in general, and we do not only use those two variables in the model. However, these findings answer the challenge from the study by Rehman & Mia (2024) to make more observations related to religiosity and Sharia financial literacy to answer the influence of religiosity on Sharia financial literacy, although the results of this study are not significant.

### 4.7.4 The Mediating Effects of Sharia Stock Financial Literacy to Influence Religiosity to Decision to Invest in Sharia Stocks

In the previous discussion, we found insignificant results from religiosity that influence Sharia stock's financial literacy. Unfortunately, the insignificant result does not stop there since the mediating effect between religiosity and the decision to invest in Sharia stocks through financial literacy also results in insignificant statistical results. However, it gives a rationale if the relationship between the exogenous and mediating variable is insignificant, resulting in an insignificant indirect effect between the exogenous and endogenous variables. Thus, the problem of the insignificant mediating effect between religiosity and the decision to invest in Islamic stock mediated by Sharia stock financial literacy is due to the insignificant influence between religiosity and Sharia stock financial literacy.

This result is similar to the study by Suherman et al. (2022), which also showed the insignificant mediating effect of financial literacy between religiosity and investment decisions. This insignificant influence might also be affected because the investors interested in Sharia-compliant investments may rely more on guidance from financial advisors, Islamic scholars, or Sharia boards, rather than their own financial literacy (Madaan & Singh 2019). The expertise provided by these sources can directly shape investment decisions, reducing the mediating role of individual financial literacy. Investors with strong religious beliefs may place more emphasis on the familiarity and perceived trustworthiness of Sharia-compliant financial investing instruments products. Rather than relying solely on their own financial literacy to evaluate these options.

However, as discussed in the previous section, without mediating effect, religiosity has a positive and significant influence on the decision to invest in Sharia stock. Thus, the

relationship between those three variables is direct-only mediation since it gives a significant result on direct effect and an insignificant result on indirect effect.

### 4.7.5 Herding Behaviour to Decision to Invest in Sharia Stocks

Herding behaviour in this study is to observe how other investors influence decision-making when investing in Sharia stocks. However, the descriptive analysis found that the herding behaviour Likert scale results are insufficient. The mean of herding behaviour variables is 3.82 using a Likert scale range between 1 to 5, being the only variable with a variable mean below 4. Furthermore, between all four indicators in herding behaviour, HB04 resulted in the lowest mean, with a value of 3.75. HB04 itself measures how the respondents respond to other investors' decisions. Meanwhile, the highest mean is located in HB02 with a value of 3.88, which measures how other investors' decisions on buying and selling stocks have an impact on determining the investing action of the respondents. With this low mean of descriptive analysis, herding behaviour could not give significant value to the decision to invest in Sharia stocks. With this result, this study got a different result to the reference literature that said there is a significant effect from herding behaviour to investment decision (Yaser Almansour & Ahmad Arabyat, 2017; Yousef Areiqat et al., 2019).

However, this is not the only research that has found that herding behaviour does not significantly affect investment decisions. In response to these results, various factors possibly answer the question of how herding behaviour cannot positively impact investment decisions. Since our study focuses on Sharia stocks as one of the Sharia financial instruments, there is a possibility that people cannot be affected by other investors due to the Sharia value. In response to the insignificant result of Herding Behaviour, this can happen due to heightened awareness and understanding of investment risks among the workforce, leading to a more independent and informed decision-making process (Tavakoli et al., 2011). In addition, Tavakoli explores that such factors as government policies, calculation of risk and economic variables and the financial statement performance bring the well-informed that leads to independent investors. These factors increase the confidence level of the investors which makes the investors tend to trust themselves rather than follow the others. This idea leads to significant results in hypothesis 6 where overconfidence gave a significant result, remains the insignificant result of herding behaviour towards the decision-making in choosing Sharia stocks in hypothesis 5.

Furthermore, awareness and understanding can also be correlated with the strong commitment to Islamic principles and values to comply with Sharia guidelines, which makes their investment decisions tend to be driven by the need to ensure Sharia-compliant investment rather than being influenced by the actions of other investors. With this result, this study shows that Sharia-compliant investing may be guided by a set of principles and guidelines that are distinct from conventional investing, where investors interested in Sharia stocks may be more focused on aligning their investments with these religious and ethical considerations, rather than simply following the herd behavior.

### 4.7.6 Overconfidence in Decision to Invest in Sharia Stocks

Overconfident investors may believe they have a deeper understanding of Sharia investment principles and the stock market. This overestimation of their knowledge can lead them to make investment decisions in Sharia stocks without adequately considering the complexities involved. Thus, overconfident investors may place excessive trust in their judgment and intuition when choosing Sharia-compliant investment opportunities. To observe the relationship, this study measures the overconfidence behaviour of Sharia stock investors and whether this variable significantly influences the decision to invest in Sharia stocks.

The descriptive analysis results of overconfidence show that the respondents have quite a great perception of overconfidence. The overconfidence variables' mean value is 3.58 from the 5 range Likert scale. The lowest indicator is OC01 with a mean value of 2.83, and the items sound “I think that I am an experienced investor”. This means that most respondents are still not confident enough to consider themselves experienced investors. This might related to the lowest result of the Sharia stock's financial literacy.

From the factor loading results, among six indicators used in the overconfidence variable, the highest factor loading is at OC03, with a factor loading value of 0.877. OC03 measures the confidence in their skills and knowledge to make them outperform in the market. This measurement becomes the most influential indicator in shaping the output of the overconfidence variable. The result indicates that investors' perception of their analytical skills can lead them to over-rely on their ability and may underweight the importance of factors such as economic conditions and industry dynamics when evaluating Sharia stocks. Meanwhile, the most minor factor loading is located at OC06, which measures the company's confidence that they choose whether it is good enough in the long term, with the factor loading value at 0,793.

Overall, the results on how overconfidence significantly influences decision-making to invest in Sharia stocks over herding behaviour show that Sharia stock investors tend to believe in themselves with their ability and skills rather than respond to other investors' actions. In conclusion, this hypothesis comes up with similar result with the reference which said a significant and positive relation between overconfidence and investment decision (Febri Ramadhan Sudirmana et al., 2024; Yousef Areiqat et al., 2019).

# CHAPTER V
# CONCLUSION

## 5.1 Conclusion

This research examines the irrational factors that influence investors' decision-making when choosing Sharia stocks, with the growing importance of the emergence of Sharia stocks as an investment option that adheres to Islamic principles. Unlike conventional stocks, Sharia stocks should have more irrational factors since they must adhere to Islamic provisions. This idea and concept bring us to observe irrational factors using the variable of financial behaviour, combined with religiosity and Sharia stock's financial literacy. Since the idea is to observe irrational factors from the Sharia stocks, we only consider the irrational-based variable from the financial behaviour grand theory. Thus, we choose to test herding behaviour and overconfidence. Moreover, to provide a more comprehensive result, we also combine that variable with religiosity in one model since religiosity is also captured as an irrational factor outside the behavioural finance grand theory. Furthermore, we also put the mediating effect of financial literacy of Sharia stock between religiosity and investment division towards Sharia stocks.

The result of this study gives an exciting finding. First, the variable outside the financial behaviour grand theory, which are religiosity and Sharia stock financial literacy, provides a significant and positive result in affecting the decision to invest in Sharia stock, respectively. However, religiosity does not significantly impact Sharia stock financial literacy. This may happen because Investing in Sharia-compliant stocks requires specialized knowledge beyond general religious beliefs and practices. The principles and guidelines governing Sharia-compliant investments are complex. They may require specific financial education and training, which may not be directly related to the religiosity level of the person. And then, since the direct effect of religiosity does not impact Sharia stock financial literacy, the same result also happened in the indirect/mediating effect of Sharia stock financial literacy to mediate the religiosity towards the decision to invest in Sharia stocks.

The two factors from the financial behaviour grand theory, herding behaviour and overconfidence, have different results. As the hypothesis made, the overconfidence variable success positively and significantly impacts decision-making to invest in Sharia stock. However, the different results are brought by herding behaviour since it does not significantly

affect the decision to invest in Sharia stocks. This result may happen due to heightened awareness and understanding of investment risks among the workforce, leading to more independent and informed decision-making. Furthermore, awareness and understanding can also be correlated with the strong commitment to Islamic principles and values to comply with Sharia guidelines, which makes their investment decisions tend to be driven by the need to ensure Sharia-compliant investment rather than being influenced by the actions of other investors.

Overall, this study shows how irrational behaviour drives the decision-making process to invest in Sharia stocks in the case of Indonesian investors. Although Sharia stock may have more excellent irrational factors than the conventional ones, there is still a factor, such as Herding behaviour, that cannot give a significant result. Thus, great religiosity is also not correlated with good financial literacy toward Sharia stocks, even though Sharia stock financial literacy can give significant results towards the decision to invest in Sharia stocks.

### 5.2 Suggestion

Although this research focuses on financial behaviour, however, we only focus on a few variables from the financial behaviour grand theory since we observe truly irrational factors. Therefore, the following study can use other variables from financial behaviour to observe rational and irrational factors that shape decision-making to invest in Sharia stocks. Furthermore, there is a possibility of modifying the measurement of the variable. For instance, this study still uses a real measurement commonly used in financial behaviour without combining it with the Sharia principle aspects. This may be the reason why herding behaviour cannot have a significant effect on decision-making when investing in Sharia stocks. The following study can arrange herding behaviour indicators with the Islamic principle measurement, such as the effect of other person religiosity and their action to choose Sharia stocks to shape my determination towards Sharia stock. A deep study is needed to observe the fit and optimal measurement to combine the Sharia principle with the financial behaviour measurement.

Furthermore, the following research can also use a different measurement to observe Sharia stock financial literacy. Since this study uses a questioned-based measurement with a binary variable, there is no way to determine the level of understanding of Sharia stock financial literacy. We only know whether the respondents know about Sharia stocks, as the questionnaire

offered them questions. Next, research can develop a new model of questions or use different measurements to measure financial literacy.

The interesting finding is also that religiosity cannot have a significant effect on Sharia stock financial literacy. Although Sharia stock financial literacy seems to be part of religiosity as well, good religiosity does not necessarily result in good financial literacy. This may have happened due to different measurements used in this study. At the same time, religiosity is measured from the perception using a Likert scale, and financial literacy is measured using question-based answers. Although the respondents felt that they had good religiosity, we came to different results when we tested their Sharia financial literacy. Thus, the following study can implement a different measurement, such as using question-based measurement to measure religiosity, so we know the respondents' religiosity level.

### 5.3 Research Contribution

For academic contributions, this research provides a model where we observe the irrational factors that shape the decision to invest in Sharia stock. Besides merely using the factors from financial behaviour, we combine the model with religious factors and Sharia stock's financial literacy factors, which use question-based measurement. With this measurement type, we offer a proper knowledge of Sharia stock financial literacy among investors. This research combines a Likert scale with the binary variable in one model. The research, hopefully, can give more horizons for study in irrational finance behaviour, especially in the Sharia stock market. Therefore, this research brings insight for academicians, researchers, and educational institutions to intensify financial literacy initiatives through collaboration to enhance financial literacy among investors, mainly focusing on understanding the principles of Sharia-compliant investing and its implications. This collaborative effort can contribute to developing a more inclusive financial literacy landscape on Sharia stocks.

For the practical contribution, this research provides scientific factors related to the irrational factors to answer what variables affect and do not affect decision-making to invest in Sharia stock. This can be useful for several parties, such as the government and the practitioner of promotor of the Sharia stocks. For instance, this study shows that overconfidence significantly affect emerging decision-making when choosing Sharia stocks. Thus, this result can become a guideline for arranging a regulatory framework for the government to introduce or enhance the regulations that promote and accommodate overconfidence through various facilities and

policies. The government can take a role in increasing investor confidence in Sharia stocks. The proof that overconfidence has a significant effect on the decision-making to choose Sharia stocks urges the government to enhance the integrity and efficiency of the Sharia stock market in order to decrease asymmetric information, mitigate risk, and give accurate information to investors. With good integrity of the Sharia stock market, it is expected that it will be able to optimize investor confidence in Sharia stocks. Besides forming regulations that encourage transparency in the stock market, the government can intensify campaigns to increase public awareness that builds trust in Sharia setocks, as well as help investors make better-informed decisions and reduce reliance on incomplete or biased information. This initiative is expected to be able to accommodate the financial behaviour factors to optimize the decision-making factors on choosing Sharia stocks

For the religiosity factors, the government can cooperate with religious authorities such as Dewan Syariah Nasional - Majelis Ulama Indonesia (DSN MUI) to promote Sharia aspects and literacy of stocks as well as provide ethical guidance on investments align with Sharia principles, to enhance the awareness of Indonesia investors to consider Sharia stocks. Furthermore, the government and DSN MUI can arrange more clear rules and guidance towards Sharia stock compliance to accommodate the needs of religious investors. This becomes an issue, primarily to accommodate a different Sharia perception of Sharia stocks. This strategy is useful in decreasing the negative assumption about Sharia aspects of Sharia stocks. With the awareness initiative and clear Sharia regulatory framework, the government has an opportunity to optimize religious persons to accommodate them in becoming Sharia stock investors. Furthermore, financial institutions and investment advisors play a crucial role in educating and empowering investors, including those interested in Sharia-compliant options. This institutional support and guidance can help bridge the gap between religiosity and financial literacy, making Sharia stocks accessible to a wider range of investors.

Besides that, to improve financial literacy in society government should do National Financial Education. In preparation for the Financial Literacy Curriculum in Schools, the Ministry of Education and Culture will work with the Financial Services Authority (OJK) to integrate financial literacy into the primary to secondary education curriculum. This program will include teaching about money management, savings, investment, and debt management. Training Program for Teachers and Educators: The government will provide special training for teachers and educators so that they can teach financial literacy effectively.

## 5.4 Research Limitation

The first limitation of this research is the obstacle to reaching out to the Sharia stock investors. Although there is a 136,418 population of Sharia stock investors, the author struggles to reach out to the population. The investor's contact number is confidential, meaning the author cannot obtain the information from other parties. Thus, the questionnaire only spread to various online platforms and social media with the screening questions to filter the Sharia and non-Sharia stock investors. It would be good if this research were conducted by the Indonesia Stock Exchange (IDX) since they can reach out to the investors.

Second, there is a limitation that should be considered when interpreting its result due to the measurement of the variable used in this study. Establishing indicators for irrational behaviour variables in this study is built from past literature that does not focus on the Sharia aspects. Thus, the indicators are modified to fulfil the needs and objectives of this research. The modified indicators are overconfidence, herding behaviour, and decision-making variables. Thus, three out of six indicators used in the Sharia stock financial literacy are omitted due to not passing the validity test results. Therefore, the Sharia stock financial literacy is only measured using three indicators: two indicators from the advanced-level questions and one from medium-level questions. These conditions could lead to different results of statistical output, which also affects the significance test and makes this research suffer from omitted variable bias.

Third, this study's data was self-reported via an online survey. The respondents self-answered the questionnaire based on their perceptions. This method has the possibility for the respondents to misunderstand questions or influence results, such as answering based on their desired answers, resulting in biased answers. Third, this study's data was self-reported via an online survey. The respondents self-answered the questionnaire based on their perceptions. This method has the possibility for the respondents to misunderstand questions or influence results, such as answering based on their desired answers, resulting in biased answers.

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# Appendix

## Appendix 1 – Research Questionnaire (in Bahasa Indonesia)

Bapak & Ibu yang terhormat, perkenalkan saya Martha Purna Syiva, mahasiswa program Master dari Fakultas Ekonomi dan Bisnis - Universitas Islam Internasional Indonesia. Saat ini kami sedang melakukan penelitian ilmiah akademis dalam rangka mempelajari faktor irasional yang mempengaruhi keputusan dalam membeli saham syariah pada investor di Indonesia.

Terkait dengan kegiatan penelitian akademis tersebut, apabila Bapak & Ibu pernah membeli saham yang terdaftar di Indeks Saham Syariah Indonesia (ISSI), kami memohon kesediaan Bapak & Ibu untuk berkenan mengisi kuesioner ini berdasarkan pendapat pribadi Bapak & Ibu sekalian. Daftar emiten yang terdaftar di ISSI dapat diketahui melalui klik pada tautan berikut: Daftar Saham Syariah

Seluruh data yang diperoleh akan dijaga kerahasiaannya dan hanya akan digunakan untuk kepentingan penelitian ilmiah akademis di Universitas Islam Internasional Indonesia.

Kami ucapkan terima kasih yang sebesar-besarnya atas kesediaan waktu dari Bapak & Ibu sekalian dalam berpartisipasi dalam kegiatan penelitian akademis ini.

Hormat Saya,
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### Section 1: Screening Question

1. Apakah Anda pernah membeli saham dari emiten yang termasuk dalam Indeks Saham Syariah Indonesia (ISSI) dalam 6 bulan terakhir?
   a. Ya
   b. Tidak
2. Berapa lama Anda telah menjadi investor saham syariah?
   a. < 2 tahun
   b. 2 – 4 tahun
   c. > 4 tahun
3. Dalam enam bulan terakhir, berapa kali frekuensi Anda dalam melakukan pembelian dan/atau penjualan saham syariah?
   a. 1 – 3 kali
   b. 4 – 6 kali
   c. 7 – 9 kali

d. > 9 kali

4. Sebutkan di antara saham syariah yang pernah Anda beli

_____

Section 2: Main Question

Pada bagian ini, Anda akan diberikan pernyataan mengenai faktor yang mungkin mempengaruhi pengambilan keputusan Anda dalam memilih saham. Anda dapat memberikan jawaban menggunakan skala likert dengan definisi sebagai berikut:

1 = Sangat Tidak Setuju

2 = Tidak Setuju

3 = Netral

4 = Setuju

5 = Sangat Setuju

**Herding Behaviour Variable**

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Keputusan investor lain untuk memilih saham syariah mempengaruhi keputusan investasi saya | | | | | |
| Keputusan investor lain dalam membeli dan menjual saham syariah mempengaruhi keputusan investasi saya | | | | | |
| Keputusan investor lain terhadap volume transaksi saham syariah berdampak pada keputusan investasi saya | | | | | |
| Saya biasanya bereaksi cepat terhadap perubahan keputusan investor lain dan mengikuti reaksi mereka terhadap pasar saham syariah | | | | | |

**Overconfidence Variable**

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Saya merasa bahwa saya adalah investor berpengalaman | | | | | |
| Saya merasa lebih percaya pada saham syariah dibandingkan saham non syariah | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Saya percaya bahwa keterampilan dan pengetahuan saya dalam berinvestasi di pasar saham syariah dapat membantu saya untuk memilih saham syariah yang tepat | | | | | |
| Saya merasa diri saya layak untuk membuat keputusan investasi | | | | | |
| Saya merasa saya memiliki banyak pengetahuan tentang pasar saham syariah | | | | | |
| Saham-saham syariah dari perusahaan yang paling saya preferensikan adalah saham yang bagus untuk investasi jangka panjang | | | | | |
| Saya yakin dengan kemampuan saya untuk melakukan yang lebih baik daripada orang lain dalam memilih saham | | | | | |

**Section 3: Main Question**

Pada bagian ini, Anda akan diberikan pernyataan mengenai kondisi yang mungkin menggambarkan diri Anda. Silahkan memberikan jawaban menggunakan skala likert dengan definisi sebagai berikut:
1 = Sangat Tidak Setuju
2 = Tidak Setuju
3 = Netral
4 = Setuju
5 = Sangat Setuju

**Religiosity Variable**

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Saya memahami sepenuhnya lima rukun iman dalam Islam | | | | | |
| Saya berusaha keras memenuhi aturan Islam, meski sulit | | | | | |
| Saya berusaha memenuhi aturan Islam, meski harus mengeluarkan banyak biaya | | | | | |
| Saya memahami sepenuhnya prinsip-prinsip fundamental dalam Islam | | | | | |
| Tujuan hidup saya adalah untuk mengikuti aturan keagamaan | | | | | |

**Decision to Invest in Sharia Stock Variable**

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Dengan adanya peluang investasi yang ada, saya lebih memilih berinvestasi pada saham syariah dibandingkan saham non syariah | | | | | |
| Saya tertarik untuk memilih saham syariah | | | | | |
| Saya akan sering berinvestasi di pasar saham syariah | | | | | |
| Saya akan mendorong teman dan keluarga saya untuk berinvestasi di pasar saham syariah | | | | | |
| Saya akan berinvestasi di pasar saham syariah dalam waktu dekat | | | | | |

**Section 4: Main Question**

Pada bagian ini, akan ada beberapa pernyataan terkait literasi mengenai saham syariah. Silahkan pilih jawaban (Benar/Salah) yang paling tepat terkait dengan pernyataan yang diberikan.

**Sharia Stock Financial Literacy Variable**

| | Benar | Salah |
|---|---|---|
| Perusahaan yang terdaftar di Indeks Saham Syariah tidak boleh memiliki rasio kewajiban berbasis bunga terhadap total aset lebih dari 60% | | |
| Emiten saham syariah wajib memiliki rasio pendapatan bunga dan pendapatan non-Islam lainnya terhadap total pendapatan tidak lebih dari 10% | | |
| Seluruh perusahaan Indonesia yang tergolong emiten saham syariah terdaftar di Jakarta Islamic Index (JII) | | |
| Perusahaan emiten syariah tidak boleh melakukan kegiatan usaha yang mengandung mudharat | | |

| | | |
|---|---|---|
| Perusahaan yang menawarkan produk atau jasa yang mengandung gharar dan maysir tidak akan dianggap sebagai emiten syariah | | |
| Ketentuan dan batasan mengenai produksi, distribusi, perdagangan dan/atau penyediaan barang atau jasa haram yang dilarang untuk dilakukan oleh emiten saham syariah ditetapkan oleh pimpinan perusahaan | | |

**Section 5: Respondent Profile**

Silahkan mengisi data diri Anda dengan sebenar-benarnya. Seluruh data yang diberikan hanya akan digunakan untuk kepentingan penelitian dan terjaga kerahasiaannya.

1. Jenis Kelamin
    a. Laki-laki
    b. Perempuan
2. Rentang Usia
    a. <21 tahun
    b. 21-25 tahun
    c. 26-30 tahun
    d. 31-35 rahun
    e. 36-40 tahun
    f. >40 tahun
3. Status Pernikahan
    a. Menikah
    b. Belum/Tidak Menikah
4. Pendidikan Terakhir
    a. SD/sederajat
    b. SMP/sederajat
    c. SMA/sederajat
    d. Diploma (D1/2/3)
    e. Sarjana (S1) / Diploma 4 (D4)
    f. Magister (S2)

g. Doktor (S3)

5. Pekerjaan Anda saat ini
   a. Pelajar/Mahasiswa
   b. Pegawai Negeri Sipil
   c. Pegawai Swasta
   d. Profesional
   e. Wirausahawan
   f. Akademisi
   g. Pensiunan
   h. Ibu Rumah Tangga
   i. Lainnya (harap diisi)
6. Provinsi Anda berasal

   _____
7. Rentang pengeluaran Anda per bulan
   a. < Rp5.000.000
   b. Rp5.000.000-Rp7.500.000
   c. Rp7.500.000-Rp10.000.000
   d. > Rp10.000.000
8. Nomor handphone (opsional, untuk pengundian hadiah)

   _____
9. Nama/Inisial (opsional)

   _____

## Appendix 2

## Pre-Test Validity Test

### Herding Behaviour Validity Pre-Test

**Correlations**

| | | HB01 | HB02 | HB03 | HB04 | HBTOT |
|---|---|---|---|---|---|---|
| HB01 | Pearson Correlation | 1 | .696** | .602** | .244 | .767** |
| | Sig. (1-tailed) | | .000 | .000 | .097 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 |
| HB02 | Pearson Correlation | .696** | 1 | .707** | .444** | .862** |
| | Sig. (1-tailed) | .000 | | .000 | .007 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 |
| HB03 | Pearson Correlation | .602** | .707** | 1 | .605** | .900** |
| | Sig. (1-tailed) | .000 | .000 | | .000 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 |
| HB04 | Pearson Correlation | .244 | .444** | .605** | 1 | .724** |
| | Sig. (1-tailed) | .097 | .007 | .000 | | .000 |
| | N | 30 | 30 | 30 | 30 | 30 |
| HBTOT | Pearson Correlation | .767** | .862** | .900** | .724** | 1 |
| | Sig. (1-tailed) | .000 | .000 | .000 | .000 | |
| | N | 30 | 30 | 30 | 30 | 30 |

**. Correlation is significant at the 0.01 level (1-tailed).

### Overconfidence Validity Pre-Test

**Correlations**

| | | OC01 | OC02 | OC03 | OC04 | OC05 | OC06 | OC07 | OCTOT |
|---|---|---|---|---|---|---|---|---|---|
| OC01 | Pearson Correlation | 1 | -.012 | .523** | .378* | .434** | .198 | .499** | .629** |
| | Sig. (1-tailed) | | .474 | .002 | .020 | .008 | .147 | .002 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| OC02 | Pearson Correlation | -.012 | 1 | .335* | .331* | .347* | .437** | -.068 | .486** |
| | Sig. (1-tailed) | .474 | | .035 | .037 | .030 | .008 | .360 | .003 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| OC03 | Pearson Correlation | .523** | .335* | 1 | .649** | .633** | .631** | .318* | .823** |
| | Sig. (1-tailed) | .002 | .035 | | .000 | .000 | .000 | .043 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| OC04 | Pearson Correlation | .378* | .331* | .649** | 1 | .495** | .754** | .321* | .772** |
| | Sig. (1-tailed) | .020 | .037 | .000 | | .003 | .000 | .042 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| OC05 | Pearson Correlation | .434** | .347* | .633** | .495** | 1 | .617** | .591** | .836** |
| | Sig. (1-tailed) | .008 | .030 | .000 | .003 | | .000 | .000 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| OC06 | Pearson Correlation | .198 | .437** | .631** | .754** | .617** | 1 | .344* | .783** |
| | Sig. (1-tailed) | .147 | .008 | .000 | .000 | .000 | | .031 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| OC07 | Pearson Correlation | .499** | -.068 | .318* | .321* | .591** | .344* | 1 | .616** |
| | Sig. (1-tailed) | .002 | .360 | .043 | .042 | .000 | .031 | | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| OCTOT | Pearson Correlation | .629** | .486** | .823** | .772** | .836** | .783** | .616** | 1 |
| | Sig. (1-tailed) | .000 | .003 | .000 | .000 | .000 | .000 | .000 | |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 | 30 |

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

**Religiosity Validity Pre-Test**

**Correlations**

| | | RG01 | RG02 | RG03 | RG04 | RG |
|---|---|---|---|---|---|---|
| RG01 | Pearson Correlation | 1 | .552** | .328* | .735** | |
| | Sig. (1-tailed) | | .001 | .038 | .000 | |
| | N | 30 | 30 | 30 | 30 | |
| RG02 | Pearson Correlation | .552** | 1 | .874** | .641** | |
| | Sig. (1-tailed) | .001 | | .000 | .000 | |
| | N | 30 | 30 | 30 | 30 | |
| RG03 | Pearson Correlation | .328* | .874** | 1 | .592** | |
| | Sig. (1-tailed) | .038 | .000 | | .000 | |
| | N | 30 | 30 | 30 | 30 | |
| RG04 | Pearson Correlation | .735** | .641** | .592** | 1 | |
| | Sig. (1-tailed) | .000 | .000 | .000 | | |
| | N | 30 | 30 | 30 | 30 | |
| RG05 | Pearson Correlation | .555** | .797** | .774** | .727** | |
| | Sig. (1-tailed) | .001 | .000 | .000 | .000 | |
| | N | 30 | 30 | 30 | 30 | |
| RGTOT | Pearson Correlation | .720** | .924** | .858** | .848** | |
| | Sig. (1-tailed) | .000 | .000 | .000 | .000 | |
| | N | 30 | 30 | 30 | 30 | |

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

## Decision-Making Validity Pre-Test

**Correlations**

| | | DI01 | DI02 | DI03 | DI04 | DI05 | DITOT |
|---|---|---|---|---|---|---|---|
| DI01 | Pearson Correlation | 1 | .975** | .716** | .810** | .458** | .881** |
| | Sig. (1-tailed) | | .000 | .000 | .000 | .005 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |
| DI02 | Pearson Correlation | .975** | 1 | .705** | .757** | .426** | .857** |
| | Sig. (1-tailed) | .000 | | .000 | .000 | .009 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| DI03 | Pearson Correlation | .716** | .705** | 1 | .830** | .651** | .897** |
| | Sig. (1-tailed) | .000 | .000 | | .000 | .000 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |
| DI04 | Pearson Correlation | .810** | .757** | .830** | 1 | .695** | .939** |
| | Sig. (1-tailed) | .000 | .000 | .000 | | .000 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |
| DI05 | Pearson Correlation | .458** | .426** | .651** | .695** | 1 | .781** |
| | Sig. (1-tailed) | .005 | .009 | .000 | .000 | | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |
| DITOT | Pearson Correlation | .881** | .857** | .897** | .939** | .781** | 1 |
| | Sig. (1-tailed) | .000 | .000 | .000 | .000 | .000 | |
| | N | 30 | 30 | 30 | 30 | 30 | 30 |

**. Correlation is significant at the 0.01 level (1-tailed).

**Sharia Stock Financial Literacy Validity Pre-Test**

**Correlations**

| | | FL01 | FL02 | FL03 | FL04 | FL05 | FL06 | FLTOT |
|---|---|---|---|---|---|---|---|---|
| FL01 | Pearson Correlation | 1 | -.063 | .463** | -.094 | .069 | .613** | .664** |
| | Sig. (1-tailed) | | .370 | .005 | .310 | .358 | .000 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| FL02 | Pearson Correlation | -.063 | 1 | .098 | .239 | .088 | .247 | .420* |
| | Sig. (1-tailed) | .370 | | .304 | .102 | .322 | .094 | .010 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| FL03 | Pearson Correlation | .463** | .098 | 1 | .175 | .043 | .671** | .762** |
| | Sig. (1-tailed) | .005 | .304 | | .178 | .411 | .000 | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| FL04 | Pearson Correlation | -.094 | .239 | .175 | 1 | .288 | .147 | .386* |
| | Sig. (1-tailed) | .310 | .102 | .178 | | .061 | .218 | .018 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| FL05 | Pearson Correlation | .069 | .088 | .043 | .288 | 1 | -.015 | .354* |
| | Sig. (1-tailed) | .358 | .322 | .411 | .061 | | .468 | .027 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 |
| FL06 | Pearson Correlation | .613** | .247 | .671** | .147 | -.015 | 1 | .825** |
| | Sig. (1-tailed) | .000 | .094 | .000 | .218 | .468 | | .000 |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| FLTOT | Pearson Correlation | .664** | .420* | .762** | .386* | .354* | .825** | 1 |
| | Sig. (1-tailed) | .000 | .010 | .000 | .018 | .027 | .000 | |
| | N | 30 | 30 | 30 | 30 | 30 | 30 | 30 |

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

## Reliability Pre-Test

## Herding Behaviour Reliability Pre-Test

### Reliability Statistics

| Cronbach's Alpha | N of Items |
|---|---|
| .825 | 4 |

### Item-Total Statistics

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|
| HB01 | 9.53 | 7.706 | .591 | .806 |
| HB02 | 9.53 | 7.292 | .755 | .738 |
| HB03 | 9.97 | 6.378 | .799 | .706 |
| HB04 | 9.97 | 7.689 | .494 | .855 |

## Overconfidence Reliability Pre-Test

### Reliability Statistics

| Cronbach's Alpha | N of Items |
|---|---|
| .822 | 7 |

### Item-Total Statistics

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|
| OC01 | 22.43 | 19.151 | .458 | .818 |
| OC02 | 21.10 | 20.783 | .283 | .848 |
| OC03 | 21.33 | 17.678 | .737 | .768 |
| OC04 | 21.43 | 19.082 | .686 | .782 |

| | | | | |
|---|---|---|---|---|
| OC05 | 21.67 | 17.402 | .753 | .764 |
| OC06 | 21.07 | 18.892 | .698 | .779 |
| OC07 | 21.97 | 19.620 | .455 | .816 |

**Religiosity Reliability Pre-Test**

**Reliability Statistics**

| Cronbach's Alpha | N of Items |
|---|---|
| .904 | 5 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|
| RG01 | 18.03 | 10.723 | .594 | .915 |
| RG02 | 18.33 | 8.023 | .859 | .863 |
| RG03 | 18.27 | 9.168 | .765 | .882 |
| RG04 | 18.27 | 9.995 | .772 | .883 |
| RG05 | 18.17 | 9.247 | .849 | .865 |

**Decision-Making Reliability Pre-Test**

**Reliability Statistics**

| Cronbach's Alpha | N of Items |
|---|---|
| .909 | 5 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|
| DI01 | 17.00 | 11.448 | .821 | .882 |
| DI02 | 16.97 | 11.620 | .787 | .888 |
| DI03 | 17.23 | 10.599 | .833 | .876 |
| DI04 | 17.33 | 10.437 | .900 | .862 |
| DI05 | 17.60 | 10.455 | .614 | .938 |

**Sharia Stock Financial Literacy Reliability Pre-Test**

**Reliability Statistics**

| Cronbach's Alpha | N of Items |
|---|---|
| .619 | 6 |

**Item-Total Statistics**

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Cronbach's Alpha if Item Deleted |
|---|---|---|---|---|
| FL01 | 3.17 | 1.316 | .397 | .557 |
| FL02 | 2.67 | 1.678 | .164 | .642 |
| FL03 | 3.20 | 1.200 | .554 | .477 |
| FL04 | 2.57 | 1.771 | .218 | .618 |
| FL05 | 2.63 | 1.757 | .115 | .652 |
| FL06 | 3.27 | 1.168 | .677 | .421 |