



Islamic Financial Management Behavior Mediates Sharia Financial Literacy and Investment Behavior

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Abstract

The main objective of this research is to contribute to the literature by focusing on the relationship between Islamic financial literacy and investment behavior while identifying the mediating effect of Islamic financial management behavior among millennial generations. This study adopts a quantitative research design. Data for this research were obtained through the distribution and completion of questionnaires by millennials in South Sulawesi. The questionnaire distribution took place over a span of 3 months (September–October 2023). The population in this study consists of millennials in South Sulawesi, and the sampling technique employed is purposive sampling. SmartPLS version 4 is utilized as the data analysis tool. The results of the research show that Sharia financial literacy has a positive and significant effect on Islamic financial management behavior, Islamic financial management behavior has a positive and significant effect on investment behavior, Islamic financial management behavior has a positive and significant effect in mediating the relationship between sharia financial literacy and investment behavior, and sharia financial literacy has no effect on investment behavior.

Keywords: Financial literacy; management behavior; investment; millennial generation; mediating effect

INTRODUCTION

The increase in the number of Sharia stock investors is not accompanied by a corresponding increase in the financial literacy level of the society. The Financial Services Authority (OJK, *Otoritas Jasa Keuangan*) stated that the number of capital

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market investors in South Sulawesi as of March 2023 reached 244,739, marking an 8.1% increase from the year-end 2022 position of 226,322 investors (OJK, 2023). The distribution of Sharia investors in the South Sulawesi province ranks third in terms of transaction volume, totaling 151 transactions, or when viewed from the transaction value, it amounts to IDR 246 billion in the Sulawesi and Maluku regions. The performance of the Sharia capital market is still dominated by stocks, constituting 63% of Sharia stocks, with a total of 493 transactions amounting to IDR 4,259 trillion. For the performance of Sharia Sukuk in the capital market, there were 211 transactions with a total value of IDR 3,986 trillion, while Sharia mutual funds recorded 271 transactions with a value of IDR 40.3 trillion. Indonesia has experienced positive growth, with over 95% of investors being young. Additionally, in the last ten years, the investor base has grown by 21.9% (OJK, 2022). In the meantime, South Sulawesi's financial literacy index is 36.88%, while the national financial literacy index is 49.66%, according to the findings of the National Survey on Financial Literacy and Inclusion (SNLIK) (OJK, 2023). The data indicates the low level of financial literacy in the community; however, the number of Sharia stock investors continues to increase.

The idea of financial behavior describes how human psychology affects investment choices and interactions with financial elements (Wicaksono, 2015). This research maintains the financial management behavior variable, but the researcher seeks to expand this model by adding the aspect of Sharia financial literacy as a predictor. Furthermore, Sharia components are added to financial management behavior, which is then employed as a mediating variable in the model. Financial literacy based on Sharia law can enhance an individual's knowledge and comprehension of Islamic finance principles. This covers areas of investing that are consistent with the teachings of Islam. Positive Islamic financial management behavior is typically displayed by those with a high Sharia financial literacy level. As a result, they are more inclined to make investments in accordance with Islamic financial principles (Ajzen, 1991).

So far, research on the behavior of Sharia stock investment using Islamic financial management behavior as an intervening variable has not received much attention from researchers. Nonetheless, this finding is connected to multiple investigations, such as the study conducted by Johri et al. (2023) identifying the Assessment of Users' Adoption Behavior for Stock Market Investment Through



Online Application. Korkeamäki et al. (2019) analyze foreign institutions' changing investment behavior in the Chinese stock market. Furthermore, the research conducted by Shiva et al. (2023) researched a model validation of robo-advisers for stock investment. This indicates that only this study incorporates Sharia aspects by using Islamic financial management behavior as an intervening variable and replacing the investment intention variable found in the Theory of Planned Behavior in examining the change in stock investment behavior among millennials. This is where the originality of this research lies.

In general, the purpose of this research is to complement previous studies that have been conducted, and there is still a research gap regarding the mediating impact of Islamic financial management behavior on Sharia stock investment behavior among the millennial generation. The particular goal of this study is to investigate how millennials' Islamic financial management practices are influenced by Sharia financial literacy with regard to investing behavior. These goals provide the foundation for the millennial generation's investment behavior. Thus, it can be stated that this research is the first designed to investigate the use of Islamic financial management behavior as an intervening variable in the behavior of stock investment among the millennial generation. This research not only provides insight for academics and practitioners in developing more effective financial literacy strategies but also has policies to increase the participation of the younger generation in the Sharia stock market through financial management in accordance with Sharia principles.

LITERATURE REVIEW

Theory of Planned Behavior

According to the Theory of Planned conduct, a person's propensity to act is impacted by their perception of behavioral control (perceived behavioral control), societal views (subjective norm), and attitude toward the conduct (Ajzen, 1991). An individual evaluates attitude toward behavior by assessing the beliefs or positive and negative feelings related to engaging in a specific behavior (Jogiyanto, 2007). Attitude toward behavior originates from the evaluation conducted by each individual, resulting in conclusions about whether the behavior is considered good or bad, positive or negative, enjoyable or unpleasant as a potential response to specific conditions and situations (Azwar, 2011).



Islamic Stocks

Indonesia's Islamic economic growth has gained popularity because the system teaches values consistent with the wisdom of local people (Budiandru et al., 2021). Islamic stocks are a form of stock investment that adheres to Islamic law principles. These principles involve prohibitions on practices such as usury, gambling, and investment in prohibited industries (such as alcohol, pork, or gambling), as well as restrictions on companies with excessive debt (leverage) or income derived from interest (IDX, 2019).

Sharia Financial Literacy

Sharia financial literacy is conceptualized as the capacity of an individual to utilize knowledge, skills, and attitudes in managing financial resources in compliance with Islamic law (Rahim et al., 2016). This research adopts the concept of Sharia financial literacy analysis, which was applied by Chen and Volpe (1998). They argue that financial literacy can be analyzed through four dimensions: general knowledge and awareness, savings and loans, insurance, and investment (Chen, 1998).

Islamic Financial Management Behavior

Financial behavior is the behavior or actions of individuals related to activities in the financial field (Xiao, 2008). Positive financial behavior can be observed through organized financial planning, management, and control activities (Hilgert et al., 2003). Financial management behavior encompasses an individual's ability to organize financial aspects such as planning, budgeting, auditing, and management. In practice, financial management behavior can be divided into three main aspects: consumption, savings, and investment. The emergence of this financial management behavior is a result of an individual's strong desire to meet living needs in line with their level of income (Kholilah & Iramani, 2013).

Investment Behavior

Investment behavior is a series of processes for formulating or making decisions related to investment issues or problems, where individuals make choices between two or more investment alternatives or as part of the process



of transforming input into output. In the context of investment decision-making, behavior plays a crucial role. It is referred to as behavior because it involves psychological factors that influence investor decisions (Fitriani & Widodo, 2020). Investment behavior encompasses the patterns of actions and decisions made by individuals or investors during the investment decision-making process. Three main factors that influence this behavior are the expected level of return, the level of risk, and the relationship between the two (Tandelilin, 2010). Investment decision-making is a process of selecting the best option from a number of available alternatives. This decision is reached after a comprehensive evaluation of all the available options. Investment decision-making is investors' most complex and challenging activity (Abidin, 2021).

Sharia Financial Literacy and Investment Behavior

According to the Theory of Planned Behavior, three major elements impact an individual's decision to make an investment: their subjective beliefs about societal standards, their attitudes toward investing, and their assessments of their own ability to exercise self-control while making investments (Ajzen, 1991). The research results conducted by Rahim et al. (2016), Astiti et al. (2019), Heru (2020), Ahmad (2020), and Benjamin et al. (2024) found that there is a positive correlation between a high level of Sharia financial literacy and more active investment behavior in Islamic financial instruments. The higher an individual's Sharia financial literacy, the more likely they are to actively engage in various financial instruments that adhere to Islamic principles. Good financial literacy can provide a deeper understanding of the potential investments, risks, and benefits of Sharia finance, thereby encouraging individuals to take more proactive investment actions in accordance with Sharia principles. In light of the aforementioned reasoning, the following hypothesis is put out in this study:

H1: Sharia financial literacy has a positive and significant influence on investment behavior.

Sharia Financial Literacy and Islamic Financial Management Behavior

According to the Theory of Planned Behavior, three main elements affect an individual's decision to make an investment: their subjective beliefs about social standards, their attitudes about investing, and their assessments of their



own ability to exercise self-control when making an investment (Ajzen, 1991). The research conducted by Skrame et al. (2020), Sabastio (2024), and Wijaya et al. (2024) found that a high level of Sharia financial literacy has a positive relationship with more Islamic financial management behaviors. This means that when someone understands Sharia financial principles well, it tends to encourage financial management behaviors that align with Islamic values. In light of the aforementioned reasoning, the following hypothesis is put out in this study:

H2: Sharia financial literacy has a positive and significant influence on Islamic financial management behavior

Islamic Financial Management Behavior and Investment Behavior

According to the Theory of Planned Behavior, three primary aspects impact an individual's decision to invest: attitude, perception of behavioral control, and subjective norm. These elements have the potential to significantly influence how an investor behaves when making investments in accordance with Islamic financial principles. In other words, an individual's attitude toward Islamic investment, subjective views regarding social norms in the Islamic community, and self-control in executing investment actions can significantly contribute to making investment decisions that align with Islamic financial principles (Ajzen, 1991). The research conducted by Shahid (2016), Ramzan (2018), and Fadillah & Lubis (2024) found that Islamic financial management has a positive impact on investment behavior. This means that when someone applies the principles of Islamic financial management, it positively influences their investment behavior. In light of the aforementioned reasoning, the following hypothesis is put out in this study:

H3: Islamic financial management behavior has a positive and significant influence on investment behavior

Sharia Financial Literacy, Islamic Financial Management Behavior, and Investment Behavior

According to the Theory of Planned Behavior, three prominent aspects affect an individual's decision to invest: perceived behavioral control, attitude,



and subjective norm. These elements are crucial in determining how financial management practices are shaped in the framework of Islamic finance in line with Islamic financial principles. An individual's knowledge and comprehension of Islamic financial principles, particularly when it comes to investments that adhere to Islamic law, can be enhanced by their level of Sharia financial literacy. Good Sharia financial literacy can increase an individual's propensity to invest according to Islamic financial principles since it can lead to beneficial Islamic financial management behavior (Ajzen, 1991). In addition, the results of research conducted by Tiwari (2018), Kahn (2019), and Ali (2020) found that financial management practices function as a mediator between financial literacy and investment decisions. In light of the aforementioned reasoning, the following hypothesis is put out in this study:

H4: Sharia financial literacy has a positive and significant impact on investment behavior through Islamic financial management behavior

Conceptual Model of Study

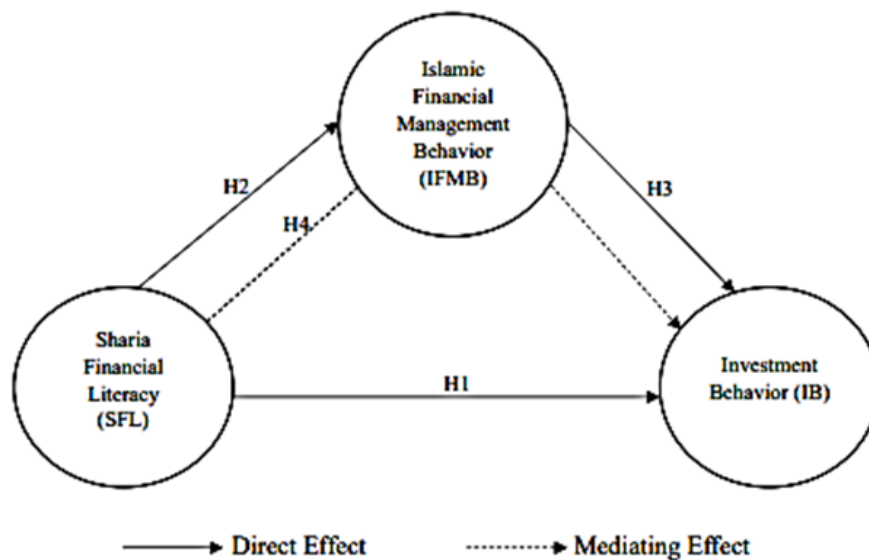


Figure 1 Conceptual model of study

Three variables make up the suggested structural model, as shown in Figure 1. Sharia Financial Literacy (SFL) is the exogenous variable in this research

study. Investment Behavior (IB) is the study's endogenous variable. Meanwhile, Islamic Financial Management Behavior (IFMB) is the study's mediating variable. In summary, this method of thinking underscores the connection between Investment Behavior (IB) and Sharia Financial Literacy (SFL), as well as the moderating influence of Islamic Financial Management Behavior (IFMB) on the millennial generation.

RESEARCH METHOD

Research Type

In this research, a quantitative approach was used to collect and analyze data regarding predictions of stock investment behavior as well as the mediating role of sharia financial management behavior among the millennial generation in South Sulawesi. A quantitative approach was chosen because it can measure variables related to investment behavior and financial management objectively and systematically. Data collected through questionnaires was analyzed using statistical techniques to identify direct and indirect relationships between Sharia financial literacy, financial management behavior, and stock investment behavior. The results of this analysis allow the creation of path models that can better explain the investigated variables.

Data Collection

The research employs a purposive sampling technique for sample selection. This technique involves selecting sample members from the population by considering specific criteria or characteristics relevant to the research objectives. Using purposive sampling, the study can choose the most relevant or representative samples to achieve more specific research goals (Sugiyono, 2009). It means that each respondent, in this case, the millennial generation in South Sulawesi, is selected based on specific criteria: (1) born in the time range of 1980-2000 or, in the year 2023, aged between 23-43 years, (2) investors in Sharia stocks, and these stocks are recorded in the ISSI stock screening on the Sharia stock website. The time used in this research was three months (September-October 2023). Respondents filled out the questionnaire online via Google Forms, which were distributed using the WhatsApp application. There were 180 responses collected on the Google Form, meaning that 180 millennial generations in South Sulawesi



filled out the questionnaire. According to Hair et al. (2014), the minimum sample requirement for multivariate analysis is ten times the number of indicators used in the study. This specific requirement has been met successfully (Kyriazos, 2018).

Data Analysis Tools

The data analysis tool used in this study is the SmartPLS version 4 application. This analysis tool is used because of its support for complex research models, minimal requirement for a large sample size, and capability to facilitate non-parametric analyses.

RESULTS AND DISCUSSION

Results

Demographic Profile of Respondents

Table 1 *Profile of Respondents*

Criteria	Categories	Code	Frequencies	Percent
Age	23 yrs to 28 yrs	1	119	66,1%
	29 yrs to 34 yrs	2	32	17,8%
	35 yrs to 39 yrs	3	27	15%
	40 yrs to 43 yrs	4	2	1,1%
Gender	Male	1	165	91,7%
	Female	2	15	8,3%
Address	City of Makassar	1	115	63,9%
	Bone Regency	2	26	14,4%
	City of Palopo	3	17	9,4%
	Sinjai Regency	4	8	4,4%
	Wajo Regency	5	6	3,3%
	Soppeng Regency	6	2	1,1%
	Gowa Regency	7	2	1,1%
	Kepulauan Selayar Regency	8	1	0,6%
	Sidrap Regency	9	1	0,6%
	Bulukumba Regency	10	1	0,6%
	Luwu Regency	11	1	0,6%
Educational Level	Bachelor's	1	144	80%
	Senior High School	2	35	19,4%
	Junior High School	3	1	0,6%

Monthly Income	Rp 2.000.000 – Rp 2.999.999	1	110	61,1%
	Rp 3.000.000 – Rp 3.999.999	2	64	35,6%
	Rp 4.000.000 – Rp 4.999.999	3	4	2,2%
	Rp 1.000.000 – Rp 1.999.999	4	2	1,1%
The Type of Sharia Stocks Owned	UNVR	1	41	22,78%
	AMMN	2	38	21,11%
	FOOD	3	27	15%
	ICBP	4	22	12,22%
	SIDO	5	20	11,11%
	BRIS	6	12	6,66%
	INDF	7	10	5,56%
	KAEF	8	7	3,89%
	KLBF	9	2	1,11%
	FAST	10	1	0,56%
The Duration of Stock Ownership	1-2 years		114	63,3%
	Less than 1 year		44	24,4%
	3-4 years		22	12,2%

(Source: Primary processed data by the authors, 2023)

The respondents' demographic details based on age, gender, address, education level, occupation, monthly income, types of Sharia stocks owned, and the duration of stock ownership are presented in Table 1. The overall dominance of respondents is within the age range of 23 to 28 years (66.1%). Regarding gender, the majority of respondents are male (91.7%). Regarding address, the majority are located in the City of Makassar (63.9%). Respondents with the highest educational level fall into the category of Bachelor's degree holders (80%). The highest percentage of respondents falls within the monthly income category of IDR2,000,000 – IDR2,999,999 (61.1%). The most commonly held type of stock by respondents is UNVR (22.78%), with the most dominant duration of stock ownership being 1-2 years (63.3%).



Validity and Reliability Test**Table 2** *The finding of the Validity Test*

Variable	Indicators	Loading Factors (λ)	Notes
Sharia Financial Literacy (SFL)	SFL1	0,789	Valid
	SFL2	0,733	Valid
	SFL3	0,731	Valid
	SFL4	0,738	Valid
	SFL5	0,822	Valid
	SFL6	0,795	Valid
	SFL7	0,769	Valid
Islamic Financial Management Behavior (IFMB)	IFMB1	0,750	Valid
	IFMB2	0,863	Valid
	IFMB3	0,791	Valid
	IFMB4	0,782	Valid
	IFMB5	0,827	Valid
	IFMB6	0,833	Valid
	IFMB7	0,789	Valid
	IFMB8	0,755	Valid
	IFMB9	0,743	Valid
Investment Behavior (IB)	IB1	0,741	Valid
	IB2	0,868	Valid
	IB3	0,790	Valid
	IB4	0,781	Valid
	IB5	0,838	Valid
	IB6	0,840	Valid
	IB7	0,775	Valid
	IB8	0,771	Valid
	IB9	0,734	Valid

(Source: Primary processed data by the authors, 2023)

Table 2 above indicates that the factor loading values (λ) for each indicator of the latent variables used exceed 0.7. This value signifies that the relationship between the latent variable and its indicators is considered valid. Thus, all of the

indicators employed in this study fit well to assess the latent variables involved, indicating the validity of the measurement tools employed.

Table 3 Findings of the Reliability Test

Variables	Composite Reliability	Cronbach's Alpha	AVE	Notes
Sharia Financial Literacy (SFL)	0,910	0,885	0,591	Reliable
Islamic Financial Management Behavior (IFMB)	0,939	0,926	0,630	Reliable
Investment Behavior (IB)	0,939	0,926	0,631	Reliable

(Source: Primary processed data by the authors, 2023)

The values of Composite Reliability > 0.7 , Cronbach's Alpha > 0.6 , and AVE values > 0.5 are shown for Sharia Financial Literacy (SFL), Islamic Financial Management Behavior (IFMB), and Investment Behavior (IB) in Table 3 above. These claims show that every construct in the employed model satisfies the requirements for discriminant validity and is therefore regarded as reliable.

Goodness of Fit Test

The index used to assert that the model used is adequate is the SRMR, with an expected value of < 0.10 . The Goodness of Fit test results for the study's suggested model, using Smart-PLS Version 4 software, yielded an SRMR value of $0.076 < 0.10$, indicating a good fit for the proposed model.

R-Square Value

The R-Square value obtained from the Inner Model testing results with SmartPLS Version 4 software's assistance for the Islamic Financial Management Behavior (IFMB) variable is 0.408 (40.8%). This means that the value indicates that Islamic Financial Management Behavior (IFMB) can be explained by the Sharia Financial Literacy (SFL) variable by 40.8%, while other factors not included in this study have an impact on the remaining 59.2%. The R-Square score of 0.408 is



classified as a moderate category. Thus, it can be concluded that these variables are suitable for use in the study because the majority of the Islamic Financial Management Behavior (IFMB) variable is explained by the Sharia Financial Literacy (SFL) variable. As for the Investment Behavior (IB) variable, it is 0.983 (98.3%). This means that 98.3% of Sharia Financial Literacy (SFL) can explain Investment Behavior (IB) with the mediation of Islamic Financial Management Behavior (IFMB), While additional factors not included in this study account for the remaining 1.7%. The R-Square value of 0.983 is classified into the strong category. This provides an overview that these variables are suitable for use in this study because the majority of the Investment Behavior (IB) variable can be explained by the Sharia Financial Literacy (SFL) variable through the mediation of the Islamic Financial Management Behavior (IFMB) variable.

Hypothesis Test

Table 4 Findings of Hypothesis Test

No.	Causality Relationship	Parameter Coefficient	Standard Error	T-Statistic	P-Values	Output
A	"Direct effect" toward investment behavior					
1	Sharia Financial Literacy (SFL) => Investment Behavior (IB)	-0,082	0,050	1,625	0,104	Rejected
2	Islamic Financial Management Behavior (IFMB) => Investment Behavior (IB)	0.982	0,014	68,998	0,000	Accepted
B	"Direct effect" toward Islamic Financial Management Behavior (IFMB)					
1	Sharia Financial Literacy (SFL) => Islamic Financial Management Behavior (IFMB)	0,566	0,116	4,896	0,000	Accepted
C	"Mediating effect" of Islamic Financial Management Behavior toward Investment Behavior					



1	Sharia Financial Literacy (SFL) => Islamic Financial Management Behavior (IFMB) => Investment Behavior (IB)	0,556	0,114	4,876	0,000	Accepted
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(Source: Primary processed data by the authors, 2023)

Table 4 above demonstrates that although H1 was not statistically determined to have a positive and significant effect, the direct effects (H2 and H3) were shown to be positive and significant. In the meantime, it was determined statistically that the indirect effect (H4) was significant and positive. They were significant given that they adhered to the t-value of greater than 1.96 (Jöreskog & Sörbom, 1989).

Discussion

The Influence of Sharia Financial Literacy (SFL) on Investment Behavior (IB)

The correlation between the variables of Investment Behavior (IB) and Sharia Financial Literacy (SFL) yielded a path coefficient of -0.082, a T-statistic value of 1.625 (< 1.96), and a P-Value of 0.104 (significant if $\alpha \leq 0.05$). Thus, it can be concluded that Sharia financial literacy has no discernible impact on investing behavior.

The inner model test findings show that the millennial generation's investment behavior is not much impacted by Sharia financial knowledge. This implies that the millennial generation's investment habits remain unchanged even as Sharia financial literacy rises. Stated differently, the comprehension and awareness of Sharia principles do not exert a substantial influence on the choices made by individuals regarding their investments. Field observations prove that there are some millennials who invest in stocks, but their knowledge of stocks is very low. They invest simply to fulfill academic obligations and not for investment purposes as intended. This phenomenon illustrates that even though Sharia financial literacy is very low, they still choose to invest in Sharia stocks.



Additionally, despite having good Sharia financial literacy, millennials do not actively invest in Sharia stocks. Millennials are more inclined to choose alternative investments suitable for market conditions. In this context, millennials consider Sharia financial literacy not to be a relevant or essential factor in making investment decisions. Millennials are more influenced by other factors such as personal financial goals, market conditions, or recommendations from financial experts.

The Theory of Planned Behavior asserts that three primary elements influence an individual's investment behavior: attitude, subjective norm, and perceived behavioral control. The findings of the aforementioned studies contradict the theory from Ajzen (1991). Additionally, this study's results conflict with those of Rahim et al. (2016), Astiti et al. (2019), Heru (2020), Ahmad (2020), and Benjamin et al. (2024) research. It discovered a favorable correlation between more active investment behavior in Islamic financial instruments and a high level of Sharia financial literacy. The results of this research are in line with research conducted by Handayani et al. (2021), Roemanasari et al. (2022), and Ahmed et al. (2024), which found that Islamic financial literacy did not have a significant effect on investment behavior.

The Influence of Sharia Financial Literacy (SFL) on Islamic Financial Management Behavior (IFMB)

The correlation between the variables of Islamic Financial Management Behavior (IFMB) and Sharia Financial Literacy (SFL) yielded a path coefficient of 0.566, a T-statistic value of 4.896 (> 1.96), and a P-Value of 0.000 (significant if $\alpha < 0.05$). Thus, it may be concluded that Islamic financial management conduct is greatly influenced by Sharia financial literacy.

The inner model test results show that Islamic financial management behavior is positively and significantly impacted by Sharia financial literacy. This suggests that better Islamic financial management practices follow from a rise in Sharia financial literacy. Put differently, having a solid grasp of the fundamentals of Islamic finance can influence financial management practices in a natural way. Efforts to improve Sharia financial literacy can be specifically adapted to the needs of populations predisposed to use Islamic financial principles in stock transactions by thoroughly understanding the relationship between Sharia



financial literacy and Islamic financial management behavior. This can be a foundation for developing more effective education strategies and policies to support sustainable Islamic financial management behavior.

The results of the aforementioned studies are consistent with the Theory of Planned Behavior, which holds that three primary factors – attitude, subjective norm, and perceived behavioral control – influence an individual's investment behavior (Ajzen, 1991). The results of this study are also consistent with the research conducted by Skrame et al. (2020), Sabastio (2024), and Wijaya et al. (2024), who found that a high level of Sharia financial literacy is positively related to more Islamic financial management behavior.

The Influence of Islamic Financial Management Behavior (IFMB) on Investment Behavior (IB)

The association between the variables of Investment Behavior (IB) and Islamic Financial Management Behavior (IFMB) yielded a path coefficient of 0.982, a T-statistic value of 68.998 (> 1.96), and a P-value of 0.000 (significant if $\alpha < 0.05$). Consequently, it may be concluded that Islamic financial management practices have a favorable and considerable impact on investing behavior.

The inner model test findings show that the millennial generation's investment behavior is positively and significantly influenced by Islamic financial management practices. This implies that the millennial generation's investment behavior will rise in tandem with improvements in Islamic financial management practices. This research provides strong evidence that Islamic financial values can motivate millennials to engage in investment activities. It demonstrates that Islamic financial principles, such as justice, transparency, and sustainability, are key factors guiding millennials towards investment.

The results of the aforementioned studies are consistent with the Theory of Planned Behavior, which holds that three primary factors – attitude, subjective norm, and perceived behavioral control – influence an individual's investment behavior. These elements may influence investment behavior in the context of Islamic finance in a way that is consistent with Islamic financial principles (Ajzen, 1991). The results of this study are consistent with research conducted by Shahid (2016), Ramzan (2018), and Fadillah & Lubis (2024), which found that Islamic



financial management has a positive impact on investment behavior through Sharia financial literacy and financial risk tolerance.

The Influence of Sharia Financial Literacy (SFL) on Islamic Financial Management Behavior (IFMB) Mediated by Investment Behavior (IB)

Through the mediation of Islamic Financial Management Behavior (IFMB), the link between Sharia Financial Literacy (SFL) and Investment Behavior (IB) yielded a path coefficient of 0.556, a T-statistic value of 4.876 (> 1.96), and a P-value of 0.000 (significant if $\alpha < 0.05$). Thus, it can be concluded that Islamic financial management conduct acts as a mediator between Sharia financial literacy and investing behavior, with the latter being positively and significantly influenced.

Through Islamic financial management practices, the results of the inner model test show that Sharia financial literacy significantly and favorably influences investing behavior. This suggests that financial literacy based on Sharia law influences an individual's financial management according to Islamic standards rather than directly influencing investment decisions. Subsequently, this Islamic financial management behavior then impacts investment decisions. This can be interpreted as knowledge of Sharia financial principles providing a foundation for individuals to manage their finances in line with Islamic values. In this context, Islamic financial management behavior acts as an intermediary or mediator connecting Sharia financial literacy with investment behavior. Therefore, improving Islamic financial management behavior is crucial as it can support the investment behavior of the millennial generation.

The aforementioned research findings align with the Theory of Planned Behavior, which postulates that three primary aspects impact an individual's investment behavior: attitude, perceived behavioral control, and subjective norm. These elements influence financial management behavior in the context of Islamic finance management in a way that is consistent with Islamic financial principles. Islamic financial principles, particularly those pertaining to investments compliant with Islamic law, can be better understood by people with sharia financial literacy. Individuals with good Sharia financial literacy tend to exhibit positive Islamic financial management behavior, ultimately increasing their inclination to engage in investments aligned with Islamic financial principles (Ajzen, 1991). The results



of this research are in line with research conducted by Tiwari (2018), Kahn (2019), and Ali (2020), which found that financial management practices function as a mediator between financial literacy and investment decisions.

CONCLUSION

The proposed model in this study, aimed at understanding the investment behavior of the millennial generation, has functioned effectively and addressed the research questions. Although the research results indicate that Sharia financial literacy does not influence investment behavior in Sharia stocks among millennials, the findings derived from this study are highly valuable. It reveals that Sharia stock investments, thus far, have been primarily driven by academic requirements rather than religious considerations, highlighting a high market opportunity. Another noteworthy finding is that Islamic financial management conduct is positively and significantly impacted by Sharia financial literacy. Investment behavior is so positively and significantly impacted by Islamic financial management practices. Furthermore, the relationship between investment behavior and Sharia financial literacy might be mediated by Islamic financial management practices. As a result, millennials' investment behavior in Sharia stocks is rooted in their approach to money management rather than being merely informed by academic theory with no real-world applicability.

Despite the fact that this study effectively illustrated how Islamic financial management practices mediate the association between millennials' investment behavior and Sharia financial literacy, there seem to be a number of limitations that should be taken into account by future studies. Addressing these limitations is crucial for improving the robustness of the research findings. One notable limitation is the geographic scope; we focused solely on examining the millennial generation. Therefore, it is essential to conduct further research on the geographic characteristics of the community in general, as the results may vary based on different geographic contexts. Therefore, we advise future researchers to explore and expand the scope of research to gain a more comprehensive and representative understanding of Islamic stock investment behavior in various geographic or cultural locations.



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