

Key factors influencing Generation Z participation in Islamic mutual funds in Indonesia

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Abstract

Purpose – This study aims to examine the influence of promotion, Sharia financial literacy, and risk on the investment decision of Generation Z in Islamic mutual funds through their Bibit application.

Methodology – The study employed a quantitative approach involving 172 Generation Z respondents. Primary data were collected using questionnaires, and the analysis was conducted using structural equation modeling with partial least squares (SEM-PLS) through SmartPLS 3.2.9 to evaluate the relationships between variables.

Findings – The results indicate that promotion, Sharia financial literacy, and perceived risk have a positive and significant effect on investment intention in Islamic mutual funds. Among these variables, Sharia financial literacy showed the strongest influence, followed by perceived risk and promotion. The positive effect of perceived risk suggests that Generation Z investors who are more aware of potential risks tend to exhibit higher investment decisions, as risk awareness enhances preparedness, confidence, and informed decision-making rather than discouraging participation.

Implications – The strong effect of Sharia financial literacy underscores the importance of educational programs and financial knowledge dissemination targeted at Generation Z. Financial service providers are encouraged to enhance promotional strategies and maintain transparent risk communication to build trust and increase participation in Islamic mutual funds.

Originality – This research enriches the literature on Islamic digital investment behavior among Generation Z by integrating behavioral aspects of financial literacy and perceived risk in the context of digital investment applications. The study provides new insights into how young, technology oriented Muslim investors engage with Sharia-compliant investment platforms.

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Introduction

Islamic financial products have continued to expand in Indonesia, in line with the growing awareness of halal consumption and ethical finance among young Muslim consumers. In recent years, financial technology platforms have play a major role in accelerating access to investment instruments, including Islamic mutual funds, which are increasingly promoted as Sharia compliant and convenient investment options for the younger generation. Data from [Kustodian Sentral Efek Indonesia \(2024\)](#) show that investors aged ≤ 30 years account for 54.47% of all individuals in Indonesia, indicating that Generation Z holds a significant position in shaping future investment trends.

Islamic mutual funds are investment instruments managed in accordance with Sharia principles, avoiding elements of riba (interest), gharar (excessive uncertainty), and maisir (gambling) (Sukmayadi & Zaman, 2020). According to DSN-MUI Fatwa No. 20/DSN-MUI/IV/2001, Islamic mutual funds must ensure that both operational mechanisms and portfolio allocations comply with Islamic law. Despite this framework and increasing product availability, the total funds managed in Islamic mutual funds remain lower than those in conventional mutual funds, suggesting that public interest particularly among young investors, has not yet reached its full potential. Previous studies indicate that relatively low initial capital requirements and affordable cost structures are key factors influencing Generation Z's decision to invest in Islamic mutual funds, particularly through the use of easily accessible digital platforms, such as online investment applications (Ekuitas et al., 2025; Sunarsih & Umaaya, 2025).

One of the key factors contributing to this condition is the level of Sharia financial literacy. The national Sharia financial literacy index is recorded at 43.42%, which is significantly lower than the conventional financial literacy index of 66.64% (Otoritas Jasa Keuangan, 2024). Individuals with higher literacy levels tend to be more confident and rational when engaging in investment activities.

Another factor influencing investment decisions is the perceived risk. Perceived Risk Theory explains that individuals assess investment risk based not only on objective outcomes but also on subjective expectations regarding potential loss (Bauer, 1960; Quintal et al., 2010). However, previous studies present inconsistent findings. Some studies report that high perceived risk reduces investment interest, while others find that understanding risk can increase investor confidence, especially when decisions are made consciously, and with adequate knowledge (Ni'am, 2023).

In addition, promotion plays a strategic role in shaping the awareness and investment attitudes. In the context of behavioral finance, promotional exposure especially through digital channels can trigger herding behavior, where individuals follow trends demonstrated by peers or influencers (Shefrin & Statman, 2000). Empirical studies show that effective promotion has a positive impact on investment interest among young investors (Ni'am, 2023; Nengsих et al., 2021; Safira et al., 2024; Ernasari et al., 2025). This study offers novelty by integrating promotion, Sharia financial literacy, and perceived risk within a single empirical model, focusing on Generation Z investors using a digital Islamic investment platform (Bibit). Furthermore, this study reveals the positive role of perceived risk, indicating that risk awareness rather than risk avoidance enhances investment intention, which provides new behavioral insights into Islamic mutual fund investment decisions among young investors. Based on a nationwide survey conducted by Katadata Insight Center (KIC) in collaboration with Sisi+Zigi.id, Bibit emerged as the most preferred mutual fund investment platform in Indonesia with a usage rate of 71.9%, significantly outperforming other platforms such as Bareksa, IPOTFund, and TanamDuit (Katadata, 2022).

Given the mixed empirical results and although Generation Z dominates the number of capital market investors in Indonesia, their participation in Islamic mutual funds remains relatively low compared to conventional instruments (Kustodian Sentral Efek Indonesia, 2024; Otoritas Jasa Keuangan, 2024), indicating a behavioral gap rather than access limitations, this study aims to examine the influence of promotion, sharia financial literacy, and perceived risk on the investment decision of Generation Z in Islamic mutual funds through the Bibit application. By focusing on a digital investment platform widely used by young consumers, this study contributes to the understanding of Sharia compliant investment behavior in the era of financial technology. It is expected that the findings will provide insights for policymakers, financial educators, and investment service providers in designing strategies for enhance young investors' participation in Sharia financial markets.

Literature Review

Behavioral finance

Behavioral finance emphasizes that investment decisions are shaped not only by rational analysis, but also by psychological, emotional, and social factors that influence how individuals interpret financial information (Kahneman, 1979). Within this framework, investors may exhibit herding behavior, especially the tendency to follow the decisions and actions of others when evaluating

investment choices, especially when exposed to testimonials, social media trends, or influencer endorsements (Shefrin & Statman, 2000). In the context of digital investment platforms, Generation Z is particularly susceptible to persuasive narratives that highlight success stories, trending financial topics, or simplified investment guidance. As a result, investment preferences may be influenced by perceived popularity and social reinforcement rather than by technical or fundamental evaluation. Thus, behavioral finance provides the basis for understanding how promotional exposure and social influence contribute to increasing investment intention among young investors.

Financial literacy theory

Financial literacy is widely defined as an individual's ability to understand, apply, and integrate financial knowledge in making effective economic decisions to achieve sustainable financial well-being (Huston, 2010; Remund, 2010; Walstad et al., 2010). Despite extensive scholarly attention, no single universally accepted definition of financial literacy exists; however, most studies agree that it encompasses knowledge, understanding, skills, and confidence in managing personal financial resources responsibly (Remund 2010). Remund (2010) conceptualized financial literacy across five key dimensions: financial knowledge, financial communication ability, personal financial management skills, decision-making competence, and confidence in future financial planning. Similarly, Huston (2010) emphasizes two core components of financial literacy, namely financial understanding and the ability to use financial information in decision-making processes. From a broader perspective, financial literacy extends beyond cognitive knowledge to include practical capability and self-efficacy in evaluating financial risks and opportunities within complex financial systems (Abdullah & Anderson, 2015). In the context of Islamic finance, financial literacy further incorporates an understanding of Sharia principles, such as the prohibition of riba, gharar, and maysir, and the ability to manage financial resources in a manner that is both ethically responsible and Sharia-compliant (Sarwan & Natsir, 2023).

Perceived risk theory

The concept of perceived risk originated in psychological studies and was later introduced into consumer behavior research by Bauer (1960), who emphasized the subjective nature of individuals' evaluations of uncertainty and potential loss. In consumer decision making, perceived risk refers to an individual's psychological expectation of negative outcomes that may arise from a particular choice, encompassing not only the final outcome but also the entire decision-making process (Cunningham, 1967; Quintal et al., 2010; Taylor, 1974). Perceived risk is widely recognized as a multidimensional construct that traditionally consists of performance, financial, time, safety, social, and psychological risks (Cunningham, 1967). With the advancement of digital technology, additional dimensions, such as privacy and data security risk, have emerged, reflecting growing concerns over the misuse of personal and financial information in technology-based services (Featherman & Pavlou, 2003; Yuan et al., 2021). In the investment context, perceived risk extends beyond potential financial losses to include uncertainty arising from market volatility, regulatory changes, and investors' psychological biases, all of which significantly influence investment interests and decision-making (Wolff et al., 2019; Yang & Nair, 2014). Moreover, in the digital era characterized by rapid information flows and asymmetry, heightened perceived risk may hinder individuals' willingness to participate in digital financial platforms because of concerns regarding transparency, trust, and system reliability (Cui et al., 2016; Yi et al., 2020).

Promotion

Promotion is a key element of the marketing mix that functions communicate, persuade, and remind consumers about a product or service (Simamora, 2002). It serves as a strategic tool to increase awareness and influence consumer attitudes and decision-making toward financial products, fulfilling three primary objectives: to inform, persuade, and remind in order to shape purchasing or investment behavior (Rangkuti, 2013). In the context of digital financial ecosystems such as the Bibit application, promotional activities include digital advertisements, influencer

endorsements, and financial education content play an essential role in increasing the visibility and appeal of Islamic investment instruments. The effectiveness of these promotional efforts relies on the credibility of the message, the clarity of visual communication, and the degree to which the content aligns with consumers' ethical and religious values, particularly among users seeking Sharia-compliant financial solutions.

Sharia financial literacy

Sharia financial literacy refers to an individual's ability to understand, analyze, evaluate, and manage financial information in alignment with Islamic principles (Mukmin et al., 2021). It does not only involve knowledge of financial products and services, but also the capacity to assess risks and make responsible personal financial decisions (Margaretha & Pambudhi, 2015). The Financial Services Authority (Otoritas Jasa Keuangan, 2016) emphasizes that financial literacy includes developing skills, knowledge, confidence, and behavior to improve the quality of financial decision-making. Sharia financial literacy expands this understanding by incorporating Sharia based aspects such as asset management, financial planning, social responsibility, zakat, and inheritance (Djuwita & Yusuf, 2018). Higher levels of Sharia financial literacy enable individuals to distinguish between conventional and Sharia compliant financial products, increasing their willingness to participate in Islamic financial services and strengthening the growth of the Islamic financial market (Margaretha & Pambudhi, 2015; Mukmin et al., 2021).

Risk

Risk refers to an individual's subjective judgment regarding the likelihood of experiencing negative outcomes and the degree of concern associated with those outcomes (Suhir & Imam Suyadi, 2014). When consumers are unable to predict the consequences of their decisions, the decision is considered risky. In online transactions, the perceived risk becomes a key factor influencing purchase or investment decisions, as trust in technology and digital platforms plays a crucial role (McCole et al., 2010). Customer concerns about potential negative consequences such as financial loss, product failure, or privacy issues shape their perception of risk (Kim et al., 2008). Forsythe et al. (2006) identify several dimensions of perceived risk, including performance risk, financial risk, physical risk, social risk, and time risk, which together affect how individuals evaluate online products and services. These dimensions illustrate that perceived risk involves both cognitive assessment and emotional response, influencing whether consumers proceed with or avoid online purchase and investment activities (Masoud, 2013; Sumarwan et al., 2011).

Investment decision

Investment decision refers to a deliberate action or policy undertaken to allocate financial resources into one or more assets with the expectation of generating future returns (Pranyoto et al., 2020). It represents a structured process of selecting investment instruments and determining the appropriate timing to optimize expected economic benefits while managing inherent uncertainty (Aristiwati & Hidayatullah, 2021). The quality of investment decisions is strongly influenced by an investor's ability to evaluate risk-return trade-offs, as investment outcomes are shaped by market volatility, information availability, and individual judgment, before making an investment decision, investors typically go through a decision-making process that varies in duration and is affected by psychological factors, leading to differences in rational and irrational behavior among individuals (Abdinegoro et al., 2023; Agusta & Yanti, 2022; Wirayana, 2023). Fundamentally, investment decisions are based on three key considerations: the expected rate of return, the level of risk associated with the investment, and the investment time horizon, which together determine how investors allocate capital to pursue optimal returns (Pranyoto et al., 2020; Wendy, 2024).

Islamic mutual fund

Islamic mutual funds are Sharia-compliant investment instruments that pool funds from investors and allocate them to portfolios of halal financial assets that are managed by professional investment

managers. In Indonesia, mutual funds are legally defined as investment vehicles that collect public funds to be invested in securities portfolios, as regulated by Law No. 8 of 1995 on Capital Markets (Fahmi, 2015; Suryaningsih, 2019). Islamic mutual funds differ from conventional mutual funds by strictly adhering to Islamic principles, prohibiting elements of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling), and ensuring that portfolio compositions and management mechanisms comply with Sharia law. In practice, Islamic mutual funds invest in Sharia-compliant equities, sukuk, and other halal financial instruments, under the supervision of a Sharia Supervisory Board to ensure continuous compliance and purification of non-halal income (Zakiah et al., 2023). These characteristics make Islamic mutual funds an accessible and ethical investment option, particularly for Muslim investors seeking financial returns aligned with religious values, while benefiting from diversification, professional management, liquidity, and regulatory oversight by the Financial Services Authority (Otoritas Jasa Keuangan, OJK).

Generation Z

Generation Z refers to a social generation shaped not only by age cohort, but also by shared historical, social, and technological experiences that influence collective identity, values, and behavior. Generations are formed through common exposure to significant events and structural changes within a specific time period, which subsequently shape individuals' worldviews and patterns of interaction (Putra, 2016). Generation Z, generally defined as individuals born between 1997 and 2012, is widely recognized as the first generation to grow up fully immersed in digital technology, earning the label of the "internet generation" (Irfany et al., 2024). Constant exposure to the internet, social media, and mobile devices has fundamentally influenced how this generation processes information, communicates, and forms identity (Firamadhina & Krisnani, 2020). As digital natives, Generation Z demonstrates distinctive characteristics such as high multitasking ability, strong dependence on online information, and technology-driven decision-making behavior, which differentiates them from previous generations and presents new challenges and opportunities in understanding their economic and investment behavior (Putra, 2016).

Hypotheses Development

Promotion and investment decision

Promotion plays a crucial role in influencing individual investment decisions and interests, particularly within the context of Islamic mutual funds. From the perspective of behavioral finance, promotion can be associated with herding bias, where individuals tend to follow group behavior or mass promotional trends without rational analysis, thus encouraging investment interest in Islamic mutual funds (Shefrin & Statman, 2000). Effective promotion helps build awareness, foster trust, and create a positive perception of Islamic investment products, which in turn enhances investors' willingness to participate. Empirical studies by Niam (2023), Nengsih et al. (2021), Safira et al. (2024), and Ernasari et al. (2025) demonstrate that promotion has a positive influence on Generation Z's interest in investing in Islamic mutual funds. Accordingly, the more intensive and well-targeted the promotional activities are, the higher the investment interest among young investors in accordance with Islamic principles. Based on theoretical and empirical foundations, the following hypothesis is proposed:

H₁: Promotion positively influences the interest in investing in Islamic mutual funds.

Sharia financial literacy and investment decision

Sharia financial literacy refers to an individual's ability to understand, evaluate, and apply financial knowledge and skills in accordance with Islamic principles, including the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling) (Majid, 2024; Majid & Nugraha, 2022), to manage personal finances and make informed investment decisions. From the perspective of financial literacy theory, literacy reflects the level of knowledge, understanding, and competencies that enable individuals to effectively allocate financial resources and achieve sustainable economic well-being (Huston, 2010). Remund (2010) conceptualized financial literacy through five core dimensions:

financial knowledge, communication ability, financial management capability, decision-making skills, and confidence in financial planning. In the Islamic context, these dimensions are extended by the ability to distinguish between Sharia-compliant and non-compliant financial products, evaluate investment risks from ethical and religious standpoints, and select investment instruments that align with Islamic values. Theoretically, higher Sharia financial literacy reduces information asymmetry, enhances risk assessment capability, and strengthens individuals' confidence in engaging with Sharia financial products, thereby increasing their investment decisions and likelihood of making rational investment decisions. Empirical studies support this relationship, demonstrating that Sharia financial literacy has a positive and significant effect on Generation Z's decision to invest in Islamic mutual funds (Lestari et al., 2023; Rahmi et al., 2023; Subandono, 2023; Utami et al., 2024). Individuals with higher levels of Sharia financial literacy tend to exhibit more informed, confident, and long term oriented investment behavior, which reinforces their willingness to participate in Sharia-compliant financial markets. Therefore, this study proposes the following hypothesis:

H_2 : Sharia financial literacy positively influences the interest in investing in Islamic mutual funds.

Risk perception and investment decision

Risk perception plays a vital role in shaping individuals' investment behavior, especially in the presence of market uncertainty. The concept was first introduced by Bauer (1960) in consumer psychology, emphasizing the subjective nature of perceived risk as an individual's psychological expectation of potential losses or negative consequences resulting from a decision. Based on perceived risk theory, a higher perception of potential losses tends to decrease an individual's willingness to invest (Quintal et al., 2010). In the context of Islamic mutual funds, risk perception involves concerns about market fluctuations, return uncertainty, and limited understanding of Islamic investment mechanisms. Empirical findings by Ni'am (2023), Ahmed et al. (2022), Almansour et al. (2023), Sesri et al. (2025), and Sobaih and Elshaer (2023) indicate that risk perception has a negative effect on Generation Z's interest in investing in Islamic mutual funds. This implies that the higher the perceived risk, the lower the intention to invest. In line with this theoretical and empirical evidence, the proposed hypothesis is:

H_3 : Risk perception negatively influences the interest in investing in Islamic mutual funds.

Conceptual framework

Building upon the theoretical foundation discussed earlier, this study aims to examine the influence of promotion, sharia financial literacy, and perceived risk on Generation Z's investment intentions in Islamic mutual funds through the Bibit application in Indonesia. As illustrated in Figure 1, the research model explores both direct and indirect relationships among these key variables. Specifically, it investigates how promotion, sharia financial literacy, and perceived risk directly affect investment intention. In addition, the study considers potential mediating and moderating relationships that may strengthen or weaken these effects within the behavioral finance framework, particularly in the context of digital-based Islamic investment platforms such as Bibit.

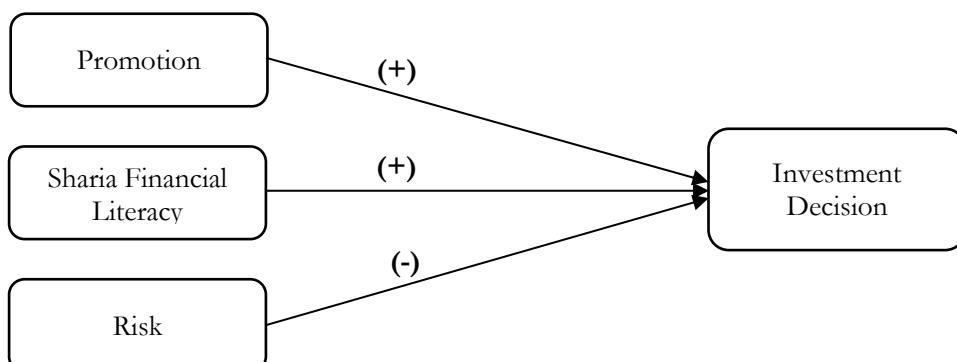


Figure 1. Research model
Source: Authors' own work

Research Methods

This study was conducted in Indonesia using an online survey administered to Generation Z respondents residing in various provinces across the country. The target population consisted of young investors who were familiar with or had prior experience using the Bibit digital investment application (2024-2025), reflecting the study's focus on fintech-based Islamic mutual fund investment behavior. Based on a nationwide survey conducted by Katadata Insight Center (KIC) in collaboration with Sisi+Zigi.id, Bibit emerged as the most preferred mutual fund investment platform in Indonesia with a usage rate of 71.9%, significantly outperforming other platforms such as Bareksa, IPOTFund, and TanamDuit, largely due to its intuitive user interface, low minimum investment requirements, and automated investment features that simplify decision-making for beginner and retail investors (Katadata, 2022).

Data were collected during the designated survey period through the distribution of an online questionnaire link, which allowed respondents to participate remotely regardless of geographical location. The questionnaire was digitally disseminated to ensure accessibility and efficiency, resulting in responses from participants with diverse regional and educational backgrounds. This online data collection approach was considered appropriate given the digital orientation of Generation Z and the context of Islamic investment platforms operating in a fully virtual environment.

This study employed a quantitative research approach using primary data collected from Generation Z respondents through online questionnaires. The sampling technique applied was purposive sampling to ensure that participants met the criteria of being Generation Z investors who were familiar with or had experience using the Bibit application (Sugiyono, 2023). One platform that plays an important role in the Islamic investment ecosystem in Indonesia is the Bibit application, which offers Islamic mutual fund investment services with a robo-advisor-based technology approach that helps novice investors determine investment choices according to their risk profile. Bibit's existence has become increasingly relevant with the growing decision of Generation Z in investing, as well as the demand for adequate Sharia financial literacy as a basis for decision making.

The focus on Bibit users is theoretically and contextually justified, as Bibit is one of the most widely used digital investment platforms among young investors in Indonesia and offers both conventional and Islamic mutual fund products within a single, standardized digital interface. A structured questionnaire consisting of statements measured on a five-point Likert scale was distributed to capture respondents' perceptions of promotion, Sharia financial literacy, perceived risk, and investment intention. The use of a five-point Likert scale is methodologically justified because it provides a balanced range of response options that effectively capture variations in attitudes while remaining cognitively manageable for respondents, particularly in online surveys. Compared to a three-point scale, a five-point scale offers greater sensitivity and variability, thereby enhancing measurement reliability and statistical power. Dawes (2008) further demonstrates that five-point and seven-point Likert scales yield comparable mean scores and reliability levels, suggesting that a five-point scale is sufficient for behavioral and attitudinal research.

Structural equation modeling (SEM) with partial least squares (PLS) was used to analyze the data in this research. The SEM-PLS method was chosen because it can handle complex relationships among latent variables and test both reflective and formative constructs simultaneously (Hair Jr et al., 2021). The data analysis procedure included several stages: evaluation of the imeliasuireimeint model (outer model) to test validity and reliability, and evaluation of the structural model (inner model) to examine the relationships among variables. Reliability and validity: Were conducted using composite reliability (CR), average variance extracted (AVE), and Cronbach's alpha (CA). Furthermore, the coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2) values were examined to evaluate the explanatory power of the model. Table 1 presents the research variables, their operational definitions, and the measurement indicators used to capture each construct. Using SmartPLS 3.2.9 software, the results provided empirical evidence regarding how promotion, Sharia financial literacy, and perceived risk influence Generation Z's investment intentions in Islamic mutual funds through the Bibit application.

Table 1. Operational definition of variables

Variabel	Operational definition	Indicator
Promotion (PM)	Companies use various media such as advertising, sales promotions, salespeople, and public relations as channels to convey promotional messages, with the aim of attracting the attention and interest of the audience. (Kotler & Gertner, 2007 ; Simamora, 2002)	<ol style="list-style-type: none"> 1. Quantity of ad views on social media. 2. Quality of message delivery in ad views on promotional media. 3. Promotion reach. 4. Offering attractive gifts on purchases of certain products. 5. Making special offers within a certain period. <p>(Kotler & Keller, 2021)</p>
Sharia financial literacy (SF)	Sharia financial literacy is an extension of financial literacy with elements that are in accordance with Islamic sharia, namely activities to improve skills, knowledge, confidence that influence attitudes and behaviors to improve the quality of decision-making and be able to manage finances better and in accordance with Islamic principles and applicable religious norms. (Djuwita & Yusuf, 2018 ; Otoritas Jasa Keuangan, 2016)	<ol style="list-style-type: none"> 1. Financial literacy forms an inclusive sharia financial planning construct. 2. Financial inclusion forms an inclusive sharia financial planning construct. 3. Sharia financial literacy forms an inclusive sharia financial planning construct. 4. Financial planning forms an inclusive Islamic financial planning construct. 5. Personal finance forms an inclusive Islamic financial planning construct. 6. Household finance forms an inclusive Islamic financial planning construct. <p>(Alshater et al., 2021; Biancone et al., 2020; Khan et al., 2021; Özdemir & Selçuk, 2021)</p>
Risk (RS)	Individual assessment of risk is their subjective perception of the likelihood of an incident occurring and the extent to which they care about the consequences of such an event. (McCole et al., 2010)	<ol style="list-style-type: none"> 1. Financial risk 2. Product risk 3. Time risk 4. Delivery risk 5. Security risk 6. Social risk <p>(Sumarwan et al., 2011)</p>
Investment decision (II)	Investment decisions are about overcoming the problem of how a person should allocate funds into forms of investment that will generate profits in the future. (Pranyoto et al., 2020 ; Aristiwati & Hidayatullah, 2021)	<ol style="list-style-type: none"> 1. Return on investment, which is the amount of profit anticipated by investors in a certain period. 2. Risk, which refers to the possibility of loss on invested funds. 3. Time frame, which is the investment horizon used, either in the form of short-term or long-term investments. <p>(Pranyoto et al., 2020; Wendy, 2024)</p>

Source: Author's own work

Results

[Table 2](#) the study involved 172 respondents, which is considered adequate and methodologically appropriate for Structural Equation Modeling (SEM) analysis. Referring to the Maximum Likelihood Estimation (MLE) approach commonly applied in SEM, the recommended sample size ranges from 100 to 200 respondents to ensure reliable parameter estimation and model stability ([Ghozali, 2008](#)). In addition, [Ferdinand \(2014\)](#) suggests that the minimum sample size in SEM should be determined by multiplying five times the total number of observed indicators. In this study, the research model

consisted of 20 indicators, resulting in a minimum required sample size of 100 respondents (5×20). The final sample of 172 respondents exceeds this minimum threshold and falls within the recommended range for SEM analysis using MLE, thereby enhancing estimation accuracy and statistical robustness. Moreover, the sample was determined proportionally based on population strata to facilitate data collection and improve representativeness.

Table 2. Description of the respondent's character

Variable	Definition	Frequency	Percentage
Gender	Male	74	43,00
	Female	98	57,00
Work	Students/university students	95	55,20
	Civil servants	13	7,60
	Private employees	30	17,40
	Entrepreneurs	8	4,70
	Freelancers	26	15,10
Level of education	SMA/MA/SMK/equivalent	83	48,30
	D1/D2/D3 (diploma)	21	12,20
	S1/D4	61	35,50
	S2	7	4,10
Residence	Java (DKI Jakarta, West Java, Central Java, East Java, Banten, D.I. Yogyakarta)	84	48,8
	Sumatra (North Sumatra, West Sumatra, South Sumatra, Riau, Jambi, Bengkulu, Lampung, Bangka Belitung, Riau Islands, Aceh)	28	16,3
	Bali–Nusa Tenggara (Bali, East Nusa Tenggara)	24	14,0
	Kalimantan (West, Central, South, East, North Kalimantan)	13	7,6
	Sulawesi (South, North, Central, Southeast, West Sulawesi)	9	5,2
	Papua (Papua, Central Papua, South Papua, Papua Highlands, West Papua)	14	8,1
	Maluku	1	0,6
Monthly income	<IDR.1.000.000	20	11,60
	IDR.1.000.001 – IDR.2.999.999	59	34,30
	IDR.3.000.000 – IDR.4.999.999	56	32,60
	IDR.5.000.000 – IDR 9.999.999	32	18,60
	>IDR.10.000.000	5	2,90
Monthly expenses for investing	<IDR.100.000	24	14,00
	IDR.100.001 – IDR.500.000	65	37,80
	IDR.500.001 – IDR.1.000.000	47	27,30
	IDR.1.000.001 – IDR.2.500.000	22	12,80
	>IDR.2.500.000	14	8,10

Source: Author's own work

Therefore, the sample size employed in this study is sufficient to support valid and reliable SEM analysis, consisting of 57% female and 43% male. Most respondents were students (55.2%), with the remainder consisting of private employees, freelancers, civil servants, and entrepreneurs. In terms of education, the largest proportion had completed senior high school or equivalent (48.3%), followed by undergraduate students (35.5%). most respondents were domiciled in Central Java, totaling 28 individuals (16.3%). This indicates that the geographic distribution of respondents was largely concentrated in Central Java, reflecting it as the primary area in which data collection was most represented. Respondents generally fell into the middle-income category, with most earning between IDR 1,000,001 and IDR 2,999,999 per month (34.3%). Monthly investment allocation was also moderate, with the majority investing IDR 100,001 – IDR 1,000,000 per month, indicating that most respondents were beginner-level investors who invest with manageable financial capacity.

Table 3 shows that all indicators used in the study have high loading values above 0.70, indicating that each item meets the criteria for convergent validity according to [Chin \(1998\)](#) and is acceptable to [Ghozali \(2021\)](#). The promotion indicators show strong loadings (0.766–0.983), Sharia financial literacy indicators range from 0.801–0.877, risk indicators range from 0.791–0.825, and investment interest indicators show high loadings between 0.893–0.897, confirming that all constructs are reliable and valid for further model analysis.

Table 3. Indicators and factor loading

Construct		Indicator	Factor Loading
Promotion	PM01	The frequency of promotional advertising exposure across social media platforms.	0,983
	PM02	The clarity and effectiveness of message delivery within promotional advertising content.	0,971
	PM03	The breadth of promotional outreach to target audiences.	0,952
	PM04	The provision of incentive-based rewards is associated with the purchase of specific products.	0,766
	PM05	The implementation of time-bound promotional offers. (Kotler & Keller, 2021)	0,959
Sharia financial literacy	SF01	Financial literacy contributes to the formation of an inclusive Islamic financial planning construct.	0,816
	SF02	Financial inclusion contributes to the formation of an inclusive Islamic financial planning construct.	0,801
	SF03	Islamic financial literacy contributes to the development of an inclusive Islamic financial planning construct.	0,814
	SF04	Financial planning contributes to the establishment of an inclusive Islamic financial planning construct.	0,877
	SF05	Personal finance contributes to the development of an inclusive Islamic financial planning construct.	0,815
	SF06	Household finance contributes to the establishment of an inclusive Islamic financial planning construct. (Özdemir & Selçuk, 2021; Alshater et al., 2021; Biancone et al., 2020; Khan et al., 2021)	0,814
Risk	RS01	Financial risk	0,825
	RS02	Product risk	0,799
	RS03	Time risk	0,818
	RS04	Delivery risk	0,807
	RS05	Security risk	0,791
	RS06	Social risk (Sumarwan et al, 2011)	0,812
Investment decision	II01	Interest	0,893
	II02	Desire	0,897
	II03	Confidence (Pranyoto et al., 2020; Wendy, 2024)	0,895

Source: Authors' work

Table 4 presents the reliability and validity statistics for each construct, including Cronbach's alpha, composite reliability, and average variance extracted (AVE). The promotion construct shows a Cronbach's alpha of 0.959, composite reliability of 0.969, and AVE of 0.864, indicating a very high level of internal consistency and convergent validity. The Sharia financial literacy construct also demonstrates strong reliability, with a Cronbach's alpha of 0.905, composite reliability of 0.927, and an AVE of 0.678, confirming that the indicators are consistent in measuring the intended construct. The risk construct records a Cronbach's alpha of 0.894, composite reliability of 0.919, and AVE of 0.654, which suggests good reliability and acceptable convergent validity. Meanwhile, the Investment Interest construct shows a Cronbach's alpha value of 0.876, composite reliability of 0.924, and a relatively high AVE of 0.801, indicating that the indicators used are both reliable and capable of explaining the majority of variance in the construct. Overall, these results confirm that all constructs

in the measurement model demonstrate adequate reliability and convergent validity, as all values exceed the recommended thresholds for social science research.

Table 4. Construct reliability and validity

	CA	rho_a	rho_c	AVE
Promotion	0,959	0,979	0,969	0,864
Sharia financial literacy	0,905	0,907	0,927	0,678
Risk	0,894	0,897	0,919	0,654
Investment decision	0,876	0,876	0,924	0,801

Note: CA: Cronbach's alpha, rho_a: Composite reliability, rho_c: Composite reliability; AVE: Average variance extracted

Source: Authors' work

Table 5 presents the discriminant validity results using the Fornell-Larcker criterion. The square root of the average variance extracted (AVE) is displayed on the diagonal and should be higher than the correlation values with other constructs to confirm discriminant validity. The promotion construct shows a diagonal value of 0.930, which is greater than its correlations with Sharia financial literacy (0.120), Risk (0.041), and investment interest (0.426), indicating strong discriminant validity. Similarly, the Sharia financial literacy construct has a diagonal value of 0.823, higher than its correlations with promotion (0.120), risk (0.184), and investment interest (0.709). The risk construct also demonstrates adequate discriminant validity, with a diagonal value of 0.809, exceeding its correlations with promotion (0.041), Sharia financial literacy (0.184), and investment Interest (0.567). Finally, the investment interest construct has the highest diagonal value of 0.895, which is greater than its correlations with all other constructs. Overall, these results confirm that each construct in the model possesses adequate discriminant validity, as the square root of AVE values are consistently higher than the inter-construct correlation values.

Table 5. Fornell-Larcker criterion

	1	2	3	4
Promotion	0,930			
Sharia financial literacy	0,120	0,823		
Risk	0,041	0,184	0,809	
Investment decision	0,426	0,709	0,567	0,895

Source: Authors' work

Table 6 shows that the variables having a significant influence on investment intention in Islamic mutual funds through the Bibit application are promotion ($\beta = 0.337$, $T = 8.067$, $p = 0.000$), Sharia financial literacy ($\beta = 0.586$, $T = 11.596$, $p = 0.000$), and perceived risk ($\beta = 0.445$, $T = 8.580$, $p = 0.000$). Among these variables, Sharia financial literacy has the strongest effect, followed by perceived risk and promotion. These findings indicate that a higher level of Sharia financial literacy significantly increases Generation Z's awareness, understanding, and confidence to invest in Sharia-compliant financial instruments.

Table 6. Path coefficients

Variables	β	t-Stat	p-Values	Conclusion
Promotion → Investment decision	0,337	8,067	0,000	Supported
Sharia financial literacy → Investment decision	0,586	11,596	0,000	Supported
Risk → Investment decision	0,445	8,580	0,000	Supported

Source: Authors' work

The strong positive relationship between Sharia financial literacy and investment intention emphasizes the importance of financial education programs that integrate Sharia principles to enhance investors' competence and ethical awareness. Meanwhile, the positive and significant

influence of promotion suggests that effective marketing strategies particularly those delivered through digital platforms such as Bibit play an essential role in shaping Generation Z's investment decisions. Furthermore, perceived risk, although generally expected to have a negative association, shows a positive and significant relationship in this model, indicating that Generation Z investors may perceive risk as a challenge or opportunity rather than a deterrent when investing in Islamic mutual funds. Overall, these results provide empirical support for the research hypotheses, confirming that promotion, Sharia financial literacy, and perceived risk are crucial determinants influencing investment decision among Generation Z investors.

Discussion

The results show that the promotion variable has a positive and significant effect on Generation Z's decision to invest in Sharia mutual funds on the Bibit app. This finding confirms that promotion is one of the factors that can provide a real boost young prospective investors. Marketing strategies carried out through various digital channels, collaborations with influencers, and the delivery of decision and easy-to-understand information have proven to shape more positive perceptions and attitudes towards Sharia investment products. These conditions make Generation Z feel more confident and decide to start investment activities because they gain strong exposure to the benefits and conveniences offered by the Bibit app. These findings are also in line with the Behavioral Finance approach (Shefrin & Statman, 2000), particularly the phenomenon of herding bias, which is the tendency of individuals to follow the behavior of others in making financial decisions. Promotions that feature testimonials, trends, or the success of other investors can strengthen Generation's Z psychological urge to invest, even though these decisions are not always based on in-depth rational analysis. The results of this study are consistent with the findings of Ni'am (2023), Nengsih et al. (2021), and Safira et al. (2024), who stated that promotions have a significant effect on increasing the investment decisions of the younger generation.

Ernasari et al. (2025) also emphasize that social media plays a major role in encouraging investment promotion, thereby strengthening the younger generation's decision to invest their capital. The similarity of these research results shows that effective promotion through education, digital campaigns, and narratives of other investors' success can create awareness and increase investment intention. The consistency of these findings confirms that promotions play a key role in increasing Generation Z's investment decisions. Targeted promotion not only builds a positive image of investment products but also strengthens psychological aspects such as confidence and positive attitudes towards investment behavior. Thus, effective promotional strategies can be important instruments for increasing the participation of the younger generation in Sharia mutual funds.

The analysis shows that Sharia financial literacy has a positive and significant effect on Generation Z's decision to invest in Islamic mutual funds in the Bibit app. These findings illustrate that the better individuals understand the principles, mechanisms, and characteristics of Islamic investment instruments, the greater their tendency to engage in investment activities. Adequate knowledge makes prospective investors feel more confident in assessing the benefits, risks, and suitability of products for their financial needs. This condition helps increase confidence and decision-making abilities, thereby encouraging Generation Z to invest more actively in Islamic mutual funds. These results are also relevant to the concept of Financial Literacy Theory proposed by Huston (2010), which explains that financial literacy not only includes understanding financial information but also the ability to apply it in effective financial decision-making. Individuals with good financial literacy tend to be better able to plan, manage, and evaluate their finances rationally, thereby minimizing errors in economic decision making.

Generation Z, which has broad access to digital information, is expected to utilize this financial knowledge to make wise and long-term investment decisions. Thus, high financial literacy is an important foundation for shaping responsible financial behavior and improving sustainable financial well-being, in accordance with the principles of understanding and use in Huston's (2010) theory. The findings of this study are consistent with the results of Subandono (2023), Rahmi et al. (2023), and Lestari et al. (2023), who state that financial literacy has a positive effect on the

investment decisions of the younger generation. In terms of investment intention in Sharia fintech, this result is strengthened by [Majid \(2024\)](#), and [Majid and Nugraha \(2022\)](#) focused on securities crowdfunding.

[Utami et al. \(2024\)](#) also emphasized that financial literacy is an important mediator between financial attitudes and investment intentions, showing that financial understanding strengthens individuals' confidence in investing. Thus, Sharia financial literacy not only increases the cognitive capacity of the younger generation in understanding investment products, but also strengthens psychological aspects such as self-confidence, the ability to control decisions, and balance in facing risks. This indicates that Sharia financial literacy plays a central role in shaping Generation Z's investment decisions regarding Islamic mutual funds.

Furthermore, the results show that risk perception has a positive and significant effect on Generation Z's decision to invest in Sharia mutual funds on the Bibit app. This finding indicates that a good understanding of the various types of investment risk enables individuals to better assess potential profits while considering possible losses. Comprehensive risk assessment helps prospective investors form the belief that investment decisions can be made in a more measured and rational manner. This condition encourages Generation Z to be more prepared and confident in starting to invest in Sharia mutual funds. This finding is also in line with [Bauer's \(1960\)](#) view, which introduced perceived risk theory in the realm of consumer behavior, where risk is understood not only as potential objective losses, but also as individuals' subjective perceptions of the uncertainty of a decision. In the context of investment, this shows that risk perception cannot be separated from psychological and cognitive aspects in assessing opportunities and threats.

Generation Z, as a digital native, is considered more adaptive in interpreting the risks that arise in the era of fast information, because they have modern consumer behavior skills. They can independently access, process, and assess investment data. Thus, good risk awareness makes investment decisions more rational, mature, and consistent with the principles of uncertainty management in the theory of consistency. These results are in line with [Badriatin et al. \(2022\)](#) and [Lubis et al. \(2022\)](#), who found that risk perception has a significant positive influence on the investment decisions of the younger generation. The results of the study by [Bastomi and Sudaryanti \(2024\)](#) also confirm that understanding risk does not always reduce decisions but can actually strengthen the intention to invest because individuals feel more prepared to face potential losses that may occur. Thus, risk perception has been proven to be an important factor that strengthens perceived behavioral control and understanding of the risk-return balance within a portfolio framework. This makes Generation Z more confident and motivated to invest in Sharia mutual funds, as they feel capable of managing investment challenges using a rational approach that aligns with Sharia principles.

Conclusion

The results of this study demonstrate that promotion, Sharia financial literacy, and perceived risk have a positive and significant influence on Generation Z's investment decisions in Islamic mutual funds through the Bibit application. Among the three determinants, Sharia financial literacy emerged as the most dominant factor, followed by perceived risk and promotion. This finding underscores the critical role of financial knowledge and Sharia understanding in shaping informed and confident investment behavior among young investors. Generation Z individuals, who possess a stronger understanding of Sharia financial principles and investment mechanisms, tend to exhibit higher confidence, rationality, and long-term orientation when forming investment intentions. Moreover, the positive effect of perceived risk indicates that risk awareness does not necessarily discourage participation. Instead, it enhances preparedness and perceived control over investment decisions. Promotional activities, particularly those delivered through digital channels, social media, and influencer-based communication, further reinforce positive perceptions and reduce the psychological barriers to entry. Collectively, these findings suggest that improving Sharia-based financial literacy, ensuring transparent risk communication, and implementing effective promotional strategies are essential for increasing trust, engagement, and participation in Islamic mutual fund investments among Generation Z.

Despite its contributions, this study has several limitations and practical implications, which suggest directions for future research. The analysis was limited to Generation Z respondents and focused on a single digital investment platform, which may restrict the generalizability of the findings to other generations or Islamic investment platforms. In addition, the geographical distribution of respondents was not fully balanced across regions as participation was more concentrated in certain areas. The research model was confined to promotion, Sharia financial literacy, and perceived risk, while other relevant factors such as trust, social influence, income level, investment experience, and perceived usefulness were not examined. From a practical perspective, these findings imply that Islamic fintech providers should prioritize strengthening Sharia-based financial education, transparent risk communication, and targeted digital promotion to enhance young investors' confidence and participation. Future studies should incorporate additional behavioral and technological variables, compare multiple Islamic investment platforms, and involve more diverse demographic groups to provide a more comprehensive understanding of Islamic investment behavior in the digital finance ecosystem.

Author contributions

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