



Risk perception as a mediator of gold investment decisions among Muslim investors

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Abstract

Purpose – This study examines the effects of institutional trust, price spread, and religiosity on gold investment decisions among Muslim investors and investigates the mediating role of risk perception in explaining these relationships.

Methodology – A quantitative, cross-sectional research design was employed using survey data collected from 314 Muslim investors in Lombok, Indonesia. Respondents were selected through purposive sampling, and the proposed research model was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.

Findings – The results reveal that institutional trust, price spread, and risk perception have significant positive effects on gold investment decisions, with risk perception emerging as the strongest predictor of investment behavior. Institutional trust, price spread, and religiosity also significantly influence investors' risk perceptions. Furthermore, risk perception significantly mediates the relationships between institutional trust, price spread, religiosity, and gold investment decisions, indicating that institutional, market-related, and religious factors primarily affect investment behavior through investors' subjective evaluation of uncertainty.

Implications – The findings suggest that Islamic financial institutions and gold investment providers should strengthen institutional credibility, improve pricing transparency, and reinforce Sharia-compliant practices to reduce perceived investment risk and encourage greater participation in gold investment among Muslim investors.

Originality – This study extends the behavioral finance literature by integrating institutional, market-related, psychological, and religious factors into a single framework. Unlike previous studies that have examined these determinants separately or primarily in conventional financial settings, this research demonstrates that risk perception serves as the key psychological mechanism linking these factors to gold investment decisions among Muslim investors in an emerging Islamic financial market.

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Introduction

Gold has long been recognized as a relatively stable store of value and an effective hedge against inflation, market volatility, and economic uncertainty (Cui et al., 2023; Li & Umair, 2023). During periods of financial instability, investors often increase their gold holdings because of its reputation as a safe-haven asset capable of preserving wealth when other financial assets experience substantial

fluctuations (Apanovych et al., 2023; Sujit et al., 2025). The rapid expansion of digital investment platforms has further increased access to gold investment by reducing transaction costs and lowering entry barriers for retail investors (Hazirah et al., 2025; Luthfi et al., 2025).

Indonesia has experienced a similar trend, particularly in predominantly Muslim regions such as Lombok, West Nusa Tenggara (NTB). The development of digital financial services has significantly expanded public access to various investment products, including gold (Hazirah et al., 2025; Luthfi et al., 2025). However, improved accessibility has not necessarily been accompanied by a greater financial understanding. According to Otoritas Jasa Keuangan (2024), although NTB records a relatively high level of financial inclusion, its Islamic financial literacy remains comparatively low. This disparity indicates that access to investment products does not automatically translate into the ability to evaluate them. Previous studies similarly demonstrate that differences in financial knowledge and information processing lead investors to make different investment decisions despite facing identical market opportunities (Ahmed et al., 2022; Almansour et al., 2024). Consequently, identifying the factors that influence gold investment decisions among Muslim investors has become both timely and important.

Behavioral Finance Theory provides a useful perspective for understanding this phenomenon. According to Shefrin (2002), investment decisions are influenced not only by objective market information but also by psychological and behavioral factors that shape how investors interpret uncertainty and evaluate investment opportunities. Consequently, two investors exposed to identical information may make different investment decisions because they perceive probabilities and risks differently (Ahmed et al., 2022; Nguyen et al., 2025). Therefore, understanding investment behavior requires not only an examination of market conditions but also an analysis of how investors interpret and transform information into decision-making.

Institutional trust has consistently been identified as one of the most important determinants of investment behavior. Trust reduces uncertainty and strengthens investor confidence, particularly in situations characterized by information asymmetry, where investors cannot independently verify the available information (Handoyo, 2024; Mayer et al., 1995). Previous studies have shown that higher institutional trust encourages investment participation and increases investors' willingness to allocate financial resources (Hazirah et al., 2025; JinMei et al., 2025). However, the empirical findings remain inconclusive. While some studies report a direct positive relationship between institutional trust and investment decisions, others suggest that the relationship weakens or becomes insignificant after investors' perceptions of risk are incorporated into the model (Che Hassan et al., 2023; Putri & Yulianti, 2021). These inconsistent findings imply that institutional trust may influence investment decisions indirectly through investors' psychological evaluation of risk rather than through a direct behavioral effect.

Market-related factors also play an important role in investment decisions, with price spreads being one of the most influential indicators. The price spread, defined as the difference between the buying and selling prices, reflects the transaction costs incurred by investors (Amihud & Mendelson, 1986; O'Hara, 1995). Wider spreads generally reduce an asset's attractiveness because they increase transaction costs and lower expected returns (Ahmed et al., 2022; Alimukhamedov, 2024). Nevertheless, investors do not respond uniformly to changes in the price spread. Some investors continue to invest despite relatively high transaction costs, whereas others become more cautious as trading costs increase (Apanovych et al., 2023; Sujit et al., 2025). Such differences indicate that investment behavior is influenced not only by objective market indicators but also by investors' subjective evaluations of those indicators.

Risk perception is one of the most influential psychological determinants of investment behavior. Slovic (2000) defined risk perception as an individual's subjective assessment of the uncertainty and potential losses associated with a particular activity. In investment contexts, individuals frequently interpret identical information differently, resulting in varying levels of perceived risk and ultimately different investment decisions (Abideen et al., 2023; Almansour et al., 2024). Previous research demonstrates that perceived risk influences whether investors choose to pursue or avoid investment opportunities and may serve as an important mediating mechanism linking external factors to investment decisions (Jain et al., 2023). Institutional trust may reduce

perceived uncertainty and consequently lower perceived risk (Handoyo, 2024; JinMei et al., 2025), whereas market signals such as transaction costs and price spread may increase perceived risk (Almansour et al., 2024). Accordingly, risk perception may provide an important explanatory mechanism through which institutional trust and price spreads influence gold investment decisions.

Religious values also play an important role in shaping Muslim investors' financial decision-making. Previous studies suggest that religiosity influences attitudes toward uncertainty, financial products, and investment decisions by encouraging individuals to align their economic behavior with their religious beliefs (Juisin et al., 2023). Consequently, religiosity may influence how investors translate perceived risk into investment behavior, making it an important moderating factor in gold investment decisions (Azmat et al., 2021; Patrisia et al., 2023).

Although institutional trust, price spread, risk perception, and religiosity have each been widely investigated as determinants of investment behavior, existing studies have generally examined these variables independently and primarily within conventional financial contexts. Consequently, limited evidence explains how institutional and market-related factors are translated into gold investment decisions through psychological mechanisms, particularly among Muslim investors. Specifically, it remains unclear whether institutional trust and price spreads influence investment behavior directly or indirectly through investors' perceptions of risk. Furthermore, although religiosity is expected to shape how Muslim investors evaluate and respond to investment risk, its moderating role has rarely been examined within an integrated behavioral finance framework. These limitations indicate a significant theoretical and empirical gap in the literature.

This study addresses these research gaps by examining how institutional trust and price spread influence gold investment decisions through risk perception and by investigating the moderating role of religiosity in the relationship between risk perception and gold investment decisions among Muslim investors in Lombok, Indonesia. Drawing upon Behavioral Finance Theory, Prospect Theory, and Market Microstructure Theory, this study develops an integrated conceptual framework that explains how institutional, market-related, psychological, and religious factors jointly shape investment decisions (Kahneman & Tversky, 1979; O'Hara, 1995; Shefrin, 2002). By integrating these perspectives within a single empirical model, this study extends the behavioral finance literature by providing a more comprehensive explanation of how risk perception mediates the effects of institutional trust and price spread on gold investment decisions, while demonstrating the role of religiosity in influencing this behavioral process among Muslim investors (Abideen et al., 2023; Almansour et al., 2024).

Literature Review

Theoretical framework

This study is grounded in three complementary theoretical perspectives: Behavioral Finance Theory, Prospect Theory, and Market Microstructure Theory. Behavioral Finance Theory argues that investment decisions are not determined solely by rational evaluations of risk and return but are also influenced by psychological factors, cognitive biases, and subjective judgments that shape how investors interpret financial information (Shefrin, 2002). Extending this perspective, Prospect Theory (Kahneman & Tversky, 1979) explains that individuals evaluate potential outcomes relative to a reference point and exhibit loss aversion, whereby potential losses are perceived more intensely than equivalent gains. Consequently, investors tend to base their decisions on perceived rather than objective risks, making risk perception a critical psychological mechanism in investment decision-making. These theoretical perspectives suggest that investors' behavioral responses are driven not only by market conditions but also by their subjective interpretation of uncertainty.

Complementing these behavioral perspectives, Market Microstructure Theory explains how market characteristics influence investors' perceptions and decisions. The theory views price spread as an important market signal that reflects transaction costs, liquidity, and information asymmetry (Amihud & Mendelson, 1986; O'Hara, 1995). A wider spread generally indicates higher trading costs and greater market uncertainty, thereby reducing the expected attractiveness of investments. Within the context of gold investment, institutional trust, price spread, and religiosity represent institutional, market-related, and individual factors that jointly shape investors' perceptions of risk before influencing

their investment decisions. Accordingly, this study integrates these three theoretical perspectives to explain that gold investment decisions among Muslim investors are primarily formed through investors' subjective evaluation of uncertainty, with risk perception serving as the central mechanism linking institutional trust, price spread, and religiosity to investment behavior.

Hypotheses development

Institutional trust and gold investment decisions

Institutional trust plays a fundamental role in reducing uncertainty and facilitating investment decisions, particularly in financial markets that are characterized by information asymmetry. According to Mayer et al. (1995), trust reflects investors' confidence in the competence, integrity, and benevolence of financial institutions, enabling them to make investment decisions despite incomplete information. From the perspective of Behavioral Finance Theory, institutional trust reduces cognitive uncertainty and increases confidence in financial transactions, thereby encouraging investment participation. Previous studies have consistently shown that institutional trust positively influences investment intentions and financial decision-making (Handoyo, 2024; JinMei et al., 2025). In Islamic financial markets, this role becomes even more important because investors evaluate institutional credibility based on compliance with Sharia principles (Amaroh et al., 2024). In Indonesia, where Pegadaian Syariah and Bank Syariah Indonesia (BSI) dominate gold investment services, institutional credibility and Sharia compliance are expected to strengthen investor confidence and encourage participation in gold investment. Therefore, the following hypothesis is proposed:

H₁: Institutional trust positively influences gold investment decisions among Muslim investors.

Price spread and gold investment decisions

According to Market Microstructure Theory, the price spread represents not only transaction costs but also an important market signal reflecting liquidity, information asymmetry, and market efficiency (Amihud & Mendelson, 1986; O'Hara, 1995). A wider price spread increases transaction costs and uncertainty regarding the fair value of an asset, thereby affecting investors' willingness to invest. Behavioral finance further suggests that investors interpret these market signals when evaluating expected returns and investment risk. Empirical studies have shown that price spread significantly influences investment behavior by shaping investors' evaluation of transaction costs and market uncertainty (Zhang et al., 2022; Bhutto et al., 2025). In the context of Islamic finance, transparent pricing is particularly important because excessive or unclear price differences may be associated with *gharar* (excessive uncertainty), making price spread both a financial and ethical consideration in investment decisions. Therefore, the following hypothesis is proposed:

H₂: Price spread positively influences gold investment decisions among Muslim investors.

Institutional trust and risk perception

Behavioral Finance Theory suggests that investors evaluate financial opportunities based on their subjective perceptions of uncertainty rather than solely on objective market information. Institutional trust reduces perceived uncertainty by strengthening confidence in the competence, integrity, and reliability of these institutions (Mayer et al., 1995). When investors believe that financial institutions operate transparently and responsibly, they are more likely to perceive investment activity as less risky. Previous studies have consistently found that institutional trust reduces perceived investment risks and encourages financial participation (Handoyo, 2024; Rahardja et al., 2023). Consequently, institutional trust is expected to shape investors' perceptions of risk before investment decisions are made. Therefore, the following hypothesis is proposed:

H₃: Institutional trust positively influences risk perception among Muslim investors.

Price spread and risk perception

According to the Market Microstructure Theory, investors use price spread as an important indicator of transaction costs, liquidity, and information asymmetry when evaluating investment

opportunities (O'Hara, 1995). A wider price spread generally signals greater market uncertainty, prompting investors to perceive higher investment risks before making financial decisions. Previous empirical studies demonstrate that transaction-cost signals and market information significantly influence investors' perceptions of risk, which subsequently affect investment behavior (Zhang et al., 2022; Li et al., 2023). Therefore, price spreads are expected to influence investors' risk perceptions by providing information about the level of uncertainty associated with gold investment. Accordingly, the following hypothesis is proposed.

H₄: Price spread positively influences risk perception among Muslim investors.

Religiosity and risk perception

Religiosity reflects the extent to which individuals internalize Islamic beliefs, values, and ethical principles in their daily lives, including financial decision-making (Usman et al. 2024). Islamic teachings encourage prudence (*ikhtiyath*), trustworthiness (*amanah*), and avoidance of *gharar* (excessive uncertainty), leading Muslim investors to evaluate financial opportunities more carefully before committing their resources. Previous studies have indicated that religiosity shapes how investors interpret financial uncertainty by providing ethical guidance in evaluating investment risk (Che Hassan et al., 2023; Juisin et al., 2023). Consequently, investors with a stronger religious commitment are expected to place greater emphasis on risk evaluation when making investment decisions. Therefore, the following hypothesis is proposed.

H₅: Religiosity positively influences risk perception among Muslim investors.

Risk perception and gold investment decisions

According to Prospect Theory (Kahneman & Tversky, 1979), investment decisions are primarily driven by individuals' subjective evaluations of uncertainty and potential gains or losses rather than by objective financial information alone. In the context of gold investment, investors interpret market information differently, leading to varying levels of perceived risk, which ultimately influences their willingness to invest. Behavioral Finance Theory similarly argues that investors' perceptions of risk play a central role in determining whether they pursue or avoid an investment opportunity (Shefrin, 2002). Previous empirical studies have consistently reported that risk perception is a significant predictor of investment behavior, influencing both investment intentions and actual investment decisions across different financial contexts (Abideen et al., 2023; Jain et al., 2023; Kumar et al., 2024). For Muslim investors, risk perception may extend beyond financial considerations to include institutional credibility and compliance with Islamic principles, making it a critical determinant of gold investment decisions. Therefore, the following hypothesis is proposed:

H₆: Risk perception positively influences gold investment decisions among Muslim investors.

Risk perception, institutional trust and gold investment decisions

Previous studies have shown that institutional trust influences investment behavior not only directly but also indirectly through investors' psychological evaluations of uncertainty and potential losses (Jain et al., 2023; Wangzhou et al., 2021). According to Behavioral Finance Theory, trust reduces perceived uncertainty by increasing confidence in the competence, integrity, and reliability of financial institutions, thereby lowering investors' perceived risk before investment decisions are made. Consequently, investors who place greater trust in financial institutions are more likely to perceive gold investment as less risky, which, in turn, encourages investment participation. This suggests that the influence of institutional trust on investment decisions is transmitted through investors' perceptions of risk rather than solely through a direct behavioral effect. Therefore, the following hypothesis is proposed:

H₇: Risk perception mediates the relationship between institutional trust and gold investment decisions.

Risk perception, price spread and gold investment decisions

Similarly, Market Microstructure Theory suggests that market-related information, particularly price spread, serves as an important signal that investors use to evaluate transaction costs, market liquidity, and investment uncertainty (O'Hara, 1995). A wider price spread may increase perceived

uncertainty regarding future returns, thereby influencing investors' willingness to invest. Previous empirical studies have also demonstrated that market signals indirectly affect investment behavior by shaping investors' perceptions of risk (Jain et al., 2023; Zhang et al., 2022). Accordingly, risk perception is expected to function as a psychological mechanism through which price spreads influence gold investment decisions. Based on this reasoning, the following hypothesis is proposed. H₈: Risk perception mediates the relationship between price spread and gold investment decisions.

Risk perception, religiosity and gold investment decisions

Religiosity may also indirectly influence investment decisions through investors' perceptions of financial risk. Islamic principles encourage individuals to exercise prudence (*ikhtiyath*), uphold trustworthiness (*amanah*), and avoid excessive uncertainty (*gharar*) in financial decisions. Consequently, investors with stronger religious commitments are expected to evaluate investment opportunities more carefully by considering both financial outcomes and compliance with Islamic ethical principles. Previous studies have similarly reported that religiosity shapes financial behavior primarily through psychological mechanisms, particularly risk evaluation, rather than through a direct effect on investment decisions (Che Hassan et al., 2023; Juisin et al., 2023). Therefore, risk perception is expected to mediate the relationship between religiosity and gold-investment decisions.

H₉: Risk perception mediates the relationship between religiosity and gold investment decisions.

Research Methods

This study employed an explanatory quantitative research design to examine the relationships among institutional trust, price spread, religiosity, risk perception, and gold investment decisions among Muslim investors in Lombok, Indonesia (Sekaran & Bougie, 2016). This research design was selected because it facilitates theory testing by empirically examining the causal relationships among the proposed constructs within an integrated conceptual framework. Furthermore, the quantitative approach provides objective and statistically robust evidence for evaluating both the direct and indirect effects hypothesized in the proposed research model.

The target population comprised Muslim investors who had invested in physical or digital gold. A purposive sampling technique was employed to ensure that all respondents possessed relevant investment experience and were therefore capable of providing reliable evaluations of the constructs being investigated. A total of 314 valid responses were obtained, exceeding the minimum sample size recommended for Partial Least Squares Structural Equation Modeling (PLS-SEM). Specifically, the sample satisfied both the ten-times rule and the inverse square root method for statistical power, indicating that it was adequate for estimating the proposed structural model (Hair et al., 2021; Kock & Hadaya, 2018).

Primary data were collected using a structured questionnaire administered through online and offline survey methods between March and May 2026. Respondents were recruited from several Islamic financial and community institutions in Lombok, including Bank Syariah Indonesia (BSI), Pegadaian Syariah, Majelis Taklim, neighborhood investment groups, and Islamic study circles. Prior to the analysis, all completed questionnaires were screened to ensure data completeness, consistency, and suitability for the statistical analysis.

The measurement instruments were adapted from well-established scales and modified to reflect the context of gold investment by Muslim investors. Institutional trust was measured using six indicators adapted from Mayer et al. (1995) and McKnight et al. (2002). Price spread was measured using seven indicators based on the work of O'Hara (1995) and Stoll (1989). Risk perception was assessed using five indicators adapted from Slovic (2000), Sitkin and Pablo (1992), and Kahneman and Tversky (1979). Religiosity was measured using six indicators capturing the influence of Islamic beliefs and values on financial decision-making, whereas gold investment decisions were measured using six indicators adapted from previous studies on investment behavior and Islamic investing. All constructs were measured using a ten-point Likert scale ranging from 1 (strongly disagree) to 10 (strongly agree). The use of a ten-point scale provides greater response variability and enhances measurement precision compared with shorter response formats (Lozano et al., 2008).

The proposed research model was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4 software. PLS-SEM was selected because it is particularly suitable for prediction-oriented research, accommodates complex structural models with multiple latent constructs, and simultaneously estimates both direct and indirect relationships among variables (Hair et al., 2021). The analysis was conducted in two sequential stages: First, the measurement model (outer model) was evaluated by assessing convergent validity, internal consistency reliability, and discriminant validity. Convergent validity was established through indicator loadings and the Average Variance Extracted (AVE), with AVE values greater than 0.50 indicating adequate convergent validity (Fornell & Larcker, 1981). Internal consistency reliability was assessed using Cronbach's alpha and Composite Reliability (CR), with values above 0.70 considered acceptable (Hair et al., 2022). Discriminant validity was examined using the heterotrait–monotrait ratio (HTMT) proposed by Henseler et al. (2015). Second, the structural model (inner model) was evaluated by examining collinearity, the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), and the significance of the structural path coefficients.

Result

Respondent characteristics

Table 1 presents the demographic characteristics of the 314 Muslim investors who participated in this study in detail. Female respondents represented the majority of the sample (68.8%), whereas male respondents accounted for 31.2%. More than half of the respondents (55.7%) reported a monthly income of less than IDR 2,000,000, followed by 29.0% earning between IDR 2,000,000 and IDR 5,000,000, indicating that most participants belonged to the lower- to middle-income groups. In terms of investment experience, 56.1% had invested in gold for less than one year, whereas 23.9% and 20.1% had one to three years and more than three years of experience, respectively. Regarding educational attainment, 47.1% of respondents held a bachelor's degree, 40.4% had completed senior high school, and 12.4% had postgraduate qualifications. Civil servants constituted the largest occupational group (40.8%), followed by self-employed individuals (27.4%), traders (25.2%), and respondents in other occupations (6.7%). Digital gold was slightly more popular (54.5%) than physical gold (45.5%), suggesting that digital investment platforms have gained wider acceptance without diminishing the importance of physical gold as a preferred investment instrument among Muslim investors in Lombok.

Table 1. Respondent characteristics

	Category	Frequency	Percentage
Gender	Male	98	31.2
	Female	216	68.8
Monthly income	< IDR 2,000,000	175	55.7
	IDR 2,000,000 – 5,000,000	91	29.0
	IDR 5,000,000 – 10,000,000	36	11.5
	> IDR 10,000,000	12	3.8
Gold investment experience	< 1 year	176	56.1
	1 – 3 years	75	23.9
	> 3 years	63	20.1
Education	High school (SMA)	127	40.4
	Bachelor's (S1)	148	47.1
	Master's/Doctorate (S2–S3)	39	12.4
Occupation	Self employee	86	27.4
	Civil servant (PNS)	128	40.8
	Trader	79	25.2
	Other	21	6.7
Gold investment type	Physical gold	143	45.5
	Digital gold	171	54.5

Source: Authors' processing of primary data

Measurement model assessment

Table 2 presents the results of the measurement model assessment, including indicator reliability, internal consistency reliability, and convergent validity for all the latent constructs. The outer loadings ranged from 0.642 to 0.907, exceeding the recommended minimum threshold of 0.60, indicating that all measurement items adequately represented their respective constructs (Hair et al., 2022). Gold Investment Decision exhibited the highest indicator loadings, ranging from 0.836 to 0.899, while the remaining constructs also demonstrated satisfactory indicator reliability despite a few relatively lower loadings, such as RP1 (0.642) and PS7 (0.667), which remained above the acceptable threshold. These results confirm that all indicators contributed meaningfully to measuring their intended latent variables and were, therefore, retained for subsequent analysis.

Table 2. Outer loadings, reliability and AVE

Construct		Indicator	OL	CA	CR	AVE
Gold investment decision (GID)	GID1	I make gold one of my investment choices.	0.873	0.942	0.954	0.774
	GID2	I ensure that the gold product I choose complies with halal principles.	0.895			
	GID3	I ensure that the gold transaction contract (akad) I enter is clear and valid under sharia.	0.836			
	GID4	I realize my investment decision by purchasing gold.	0.883			
	GID5	I allocate a portion of my funds into gold as an investment asset.	0.899			
	GID6	The compliance of a gold investment with sharia principles is a consideration in my decision to invest.	0.892			
Institutional trust (IT)	IT1	I believe the gold investment provider conveys product information truthfully.	0.777	0.912	0.932	0.697
	IT2	I am confident that the gold price stated by the provider reflects the actual price.	0.765			
	IT3	I believe the provider guarantees the authenticity of the gold products offered.	0.830			
	IT4	I am confident that the provider fulfills the agreed contract (akad) in transactions.	0.828			
	IT5	I believe the provider is competent in delivering investment services.	0.894			
	IT6	I am confident that the provider delivers its services professionally.	0.905			
Price spread (PS)	PS1	The size of the spread between the buying and selling price is a consideration in my gold investment.	0.700	0.877	0.904	0.574
	PS2	The cost of liquidating gold is one of my considerations when selling gold.	0.750			
	PS3	The ease of reselling gold influences my gold investment decision.	0.756			
	PS4	I consider the gold price spread commensurate with the financial benefit obtained.	0.739			
	PS5	I consider the provider's service commensurate with the transaction cost charged.	0.854			
	PS6	I consider the provider's gold price margin to be within reasonable limits.	0.822			
	PS7	I consider that the provider states gold prices openly and transparently.	0.667			
Religiosity (RLG)	RLG1	I believe that gold investment must be carried out through halal means.	0.794	0.892	0.918	0.650
	RLG2	I strive to align my gold investment decisions with Islamic teachings.	0.762			
	RLG3	I avoid gold investments that could conflict with halal principles.	0.865			
	RLG4	I understand the correct contract (akad) in buying and selling gold.	0.843			
	RLG5	I strive to be honest in every gold transaction.	0.783			
	RLG6	I avoid actions that could harm other parties in gold transactions.	0.787			

Risk perception (RP)	RP1	I am aware that the returns on gold investment are not always certain.	0.642	0.872	0.908	0.668
	RP2	I understand that gold prices can change unexpectedly.	0.761			
	RP3	I cannot be certain when the profit from a gold investment will be realized.	0.881			
	RP4	I assess the level of loss that may occur before investing in gold.	0.865			
	RP5	I feel worried about incurring a loss when the gold price falls.	0.907			

Note. OL= outer loading; CA= Cronbach's alpha; CR= composite reliability; AVE= average variance extracted
Source: Authors' processing of primary data.

The reliability and convergent validity results further demonstrate the robustness of this measurement model. Cronbach's alpha values ranged from 0.872 to 0.942, and Composite Reliability (CR) values ranged from 0.904 to 0.954, both exceeding the recommended threshold of 0.70 and indicating high internal consistency among the measurement items. Likewise, the Average Variance Extracted (AVE) values ranged from 0.574 to 0.774, surpassing the recommended criterion of 0.50 (Fornell & Larcker, 1981), thereby confirming adequate convergent validity for all constructs. Among the constructs, Gold Investment Decision demonstrated the strongest measurement quality, with the highest Composite Reliability (0.954) and AVE (0.774), whereas Price Spread recorded the lowest AVE (0.574), although it still satisfied the recommended criterion. Overall, these findings indicate that the measurement model possesses satisfactory reliability and convergent validity, providing a sound foundation for evaluating the structural relationships among institutional trust, price spread, religiosity, risk perception, and gold investment decisions.

Table 3 presents the results of the heterotrait–monotrait ratio (HTMT) assessment used to evaluate the discriminant validity of the measurement model. The HTMT values ranged from 0.779 to 0.929, indicating varying degrees of correlation among the latent constructs. Most construct pairs exhibited HTMT values below the conservative threshold of 0.90, suggesting that the constructs were empirically distinct and possessed satisfactory discriminant validity (Henseler et al., 2015). Although the HTMT value between Risk Perception and Gold Investment Decision (0.929) slightly exceeded the recommended threshold of 0.90, it remained below the more liberal criterion of 0.95, indicating that the two constructs are still sufficiently distinguishable and do not pose a serious discriminant validity concern. Overall, the HTMT results demonstrate that the measurement model achieves acceptable discriminant validity, supporting the distinctiveness of the latent constructs and confirming their suitability for subsequent structural model analysis.

Table 3. Heterotrait–Monotrait ratio

Construct	GID	IT	PS	RLG	RP
Gold investment decision (GID)	-				
Institutional trust (IT)	0.802	-			
Price spread (PS)	0.806	0.779	-		
Religiosity (RLG)	0.784	0.898	0.807	-	
Risk perception (RP)	0.929	0.804	0.866	0.844	-

Source: Authors' processing of primary data.

Collinearity was assessed using the Variance Inflation Factor (VIF) to examine the presence of multicollinearity among the study variables. At the indicator level, all VIF values were below the recommended threshold of 5.0, with the highest value recorded at 4.257, indicating that multicollinearity was not a concern. Similarly, the structural model exhibited inner VIF values of up to 3.767, which also fell below the acceptable threshold of 5.0. As suggested by Kock and Hadaya (2018), inner VIF values can be used to assess full collinearity and indicate potential common method bias. Although several inner VIF values slightly exceeded the more conservative benchmark of 3.3, all values remained well below 5.0, suggesting that neither multicollinearity nor common method bias poses a significant threat to the validity of the study's findings.

Structural model assessment

The structural model was evaluated using the coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2_{predict}), out-of-sample predictive performance (PLSpredict), and model fit index. The results indicate that the model explains 77.0% of the variance in Gold Investment Decision ($R^2 = 0.770$) and 70.1% of the variance in Risk Perception ($R^2 = 0.701$), demonstrating substantial explanatory power for both endogenous constructs (Hair et al., 2022). The effect size (f^2) analysis revealed that Risk Perception exerted a large effect on Gold Investment Decision ($f^2 = 0.438$), while Price Spread had a medium effect on Risk Perception ($f^2 = 0.280$). In contrast, the remaining relationships exhibited small to negligible effect sizes, including Institutional Trust $\rightarrow$ Gold Investment Decision ($f^2 = 0.062$), Price Spread $\rightarrow$ Gold Investment Decision ($f^2 = 0.036$), Religiosity $\rightarrow$ Risk Perception ($f^2 = 0.097$), Institutional Trust $\rightarrow$ Risk Perception ($f^2 = 0.023$), and Religiosity $\rightarrow$ Gold Investment Decision ($f^2 = 0.000$), indicating that these predictors contributed relatively limited incremental explanatory power.

The model's predictive capability was further evaluated using PLSpredict. The positive Q^2_{predict} values for both endogenous constructs (Gold Investment Decision = 0.658; Risk Perception = 0.691), as well as for all corresponding indicators, confirm that the model possesses satisfactory predictive relevance. Furthermore, the Root Mean Squared Error (RMSE) values generated by the PLS-SEM model were lower than those of the benchmark linear model (LM) for the majority of indicators, indicating moderate out-of-sample predictive power in accordance with the guidelines proposed by Shmueli et al. (2019). Finally, the model demonstrated an acceptable overall fit, with a Standardized Root Mean Square Residual (SRMR) value of 0.084, which is below the recommended threshold of 0.10 for PLS-SEM, indicating that the proposed model adequately represents the observed data.

Table 4 presents the results of the structural model and the hypothesis testing. The findings indicate that all proposed direct relationships are positive and statistically significant at the 5% significance level, providing empirical support for all hypothesized paths. Institutional trust has a significant positive effect on gold investment decisions ($\beta = 0.220$, $t = 3.982$, $p < 0.001$) and Risk Perception ($\beta = 0.151$, $t = 2.157$, $p = 0.031$), suggesting that greater trust in financial institutions enhances investors' confidence while simultaneously influencing their perception of investment risk. Similarly, Price Spread exerts a significant positive influence on both Gold Investment Decision ($\beta = 0.158$, $t = 2.587$, $p = 0.010$) and Risk Perception ($\beta = 0.445$, $t = 8.432$, $p < 0.001$), indicating that market-related information represented by price spread plays an important role in shaping investors' risk assessments and subsequent investment decisions.

Table 4. Hypothesis testing

	Koef.	T stat	P value
Institutional trust $\rightarrow$ Gold investment decision	0.220	3.982	0.000
Institutional trust $\rightarrow$ Risk perception	0.151	2.157	0.031
Price spread $\rightarrow$ Gold investment decision	0.158	2.587	0.010
Price spread $\rightarrow$ Risk perception	0.445	8.432	0.000
Religiosity $\rightarrow$ Risk perception	0.316	4.416	0.000
Risk perception $\rightarrow$ Gold investment decision	0.581	8.640	0.000

Source: Authors' processing of primary data.

Among all structural relationships, Risk Perception exhibits the strongest positive effect on Gold Investment Decision ($\beta = 0.581$, $t = 8.640$, $p < 0.001$), highlighting its central role in explaining investment behavior among Muslim investors. In addition, Religiosity has a significant positive effect on Risk Perception ($\beta = 0.316$, $t = 4.416$, $p < 0.001$), suggesting that religious values influence how investors evaluate uncertainty and potential investment outcomes. Comparing the standardized path coefficients, the strongest relationship is observed between Risk Perception and Gold Investment Decision, followed by Price Spread and Risk Perception, whereas the effects of Institutional Trust on both endogenous constructs are relatively weaker but remain statistically significant. Overall, these findings demonstrate that both institutional and market-related factors

influence gold investment decisions directly and indirectly through investors' perceptions of risk, supporting the proposed behavioral framework.

Mediation analysis

Table 5. Indirect effects

	Koef.	T stat	P value
Institutional trust → Risk perception - Gold investment decision	0.088	2.058	0.040
Price spread → Risk perception- Gold investment decision	0.259	5.694	0.000
Religiosity → Risk perception - Gold investment decision	0.184	4.150	0.000

Source: Authors' processing of primary data.

Table 5 presents the results of the indirect effects analysis, demonstrating that Risk Perception significantly mediates the relationship between the exogenous variables and the Gold Investment Decision. The indirect effect of institutional trust on gold investment decisions through risk perception was positive and statistically significant ($\beta = 0.088$, $t = 2.058$, $p = 0.040$), indicating that institutional trust influences investment decisions not only directly but also by shaping investors' perceptions of risk. Similarly, Price Spread exerts a significant indirect effect through Risk Perception ($\beta = 0.259$, $t = 5.694$, $p < 0.001$), representing the strongest mediating effect among the proposed relationships. In addition, Religiosity has a significant positive indirect effect on Gold Investment Decision via Risk Perception ($\beta = 0.184$, $t = 4.150$, $p < 0.001$), suggesting that religious values influence investment behavior by affecting how Muslim investors perceive investment risk. Overall, these findings confirm the mediating role of Risk Perception in linking institutional, market-related, and religious factors to gold investment decisions, thereby supporting the proposed mediation hypotheses.

Discussion

The findings identify risk perception as the most influential determinant of gold investment decisions among Muslim investors, as evidenced by the largest standardized path coefficient. This result supports Prospect Theory (Kahneman & Tversky, 1979), which posits that investment decisions are driven primarily by individuals' subjective evaluation of uncertainty and potential losses rather than by objective financial outcomes alone. Investors who perceive gold investments as involving lower levels of uncertainty are more likely to allocate their financial resources to this asset. This finding is consistent with previous studies demonstrating that perceived risk is a key predictor of investment behavior across different financial contexts (Ahmed et al., 2022; Kumar et al., 2024). However, the present study extends the existing literature by showing that, within the context of Muslim investors in Lombok, risk perception encompasses not only financial considerations but also institutional credibility and compliance with Islamic principles. Consequently, investment decisions are shaped by a broader evaluation process in which financial, institutional, and religious considerations jointly influence investors' perceptions of risk.

The results further demonstrate that institutional trust exerts significant positive effects on both risk perception and gold investment decisions, indicating that trust functions as both a direct and an indirect determinant of investment behavior. This finding is consistent with the trust framework proposed by Mayer et al. (1995), which argues that trust reduces perceived vulnerability by increasing confidence in the competence, integrity, and reliability of institutions. In the context of Sharia-compliant gold investments, institutional trust reflects investors' confidence in transaction security, product authenticity, transparency, and adherence to Islamic financial principles. The significant direct effect on investment decisions suggests that trust extends beyond merely reducing uncertainty; it also serves as a positive signal of investment quality that encourages participation in the market. These findings corroborate those of Handoyo (2024), who reported that institutional trust enhances investment participation by reducing perceived risk, while further demonstrating that trust remains an important predictor of investment decisions even after accounting for psychological mechanisms such as risk perception.

Price spread also exhibits significant direct and indirect effects on gold investment decisions, with the strongest influence occurring through risk perception. This finding supports the Market Microstructure Theory (O'Hara, 1995), which views the bid-ask spread as an important market signal reflecting transaction costs, liquidity, and market efficiency. A wider price spread increases investors' perceptions of uncertainty regarding investment outcomes, thereby reducing their willingness to invest. The results are consistent with Zhang et al. (2022), who found that transaction cost signals influence investor behavior by shaping the perceived investment risk. However, in the context of Islamic finance, the implications extend beyond conventional market efficiency. Muslim investors may interpret unusually wide or non-transparent price spreads as indicators of excessive uncertainty (*gharar*), thereby strengthening the relationship between market information and perceived investment risks. This finding highlights that market signals are interpreted not only from an economic perspective but also through the lens of Islamic principles.

The analysis further reveals that religiosity has a significant positive effect on risk perception, while its influence on gold investment decisions occurs indirectly through the mediating role of risk perception. This suggests that religious values primarily shape the cognitive evaluation of investment risk rather than directly determining investment behavior. Muslim investors with stronger religious commitment appear to evaluate investment opportunities more carefully by considering Islamic principles such as *ikhtiyath* (prudence), *amanah* (trustworthiness), and the avoidance of *gharar* (excessive uncertainty). These findings support previous studies by Che Hassan et al. (2023) and Juisin et al. (2023), which emphasize that religiosity influences financial decision-making through psychological mechanisms rather than through direct behavioral effects. The absence of a direct effect indicates that religiosity alone may not be sufficient to motivate investment decisions; instead, its influence depends on how religious values shape investors' perceptions of uncertainty and financial risk.

The mediation analysis further reinforces the pivotal role of risk perception within the proposed research model. Risk perception significantly mediates the relationships between institutional trust, price spread, and religiosity and gold investment decisions, confirming that institutional, market-related, and religious factors influence investment behavior primarily by altering investors' perceptions of uncertainty and potential losses. Among the indirect effects, the mediation of the price spread through risk perception was the strongest, followed by religiosity and institutional trust, indicating that market-related information exerts the greatest indirect influence on investment decisions through psychological evaluation. These findings extend Behavioral Finance Theory by demonstrating that Muslim investors' investment decisions are not determined solely by objective market information or institutional conditions but emerge through a cognitive process in which external market signals, institutional credibility, and religious values are integrated into individual risk assessments before behavioral decisions are made. Consequently, risk perception represents the central psychological mechanism linking institutional, market, and religious factors to gold investment decisions, providing a more comprehensive explanation of investment behavior in the context of Islamic finance.

Conclusion

This study examined the effects of institutional trust, price spread, and religiosity on gold investment decisions among Muslim investors, with risk perception as the mediating mechanism. The findings demonstrate that institutional trust, price spread, and risk perception each exert significant positive effects on gold investment decisions, while institutional trust, price spread, and religiosity significantly influence investors' perceptions of risk. Furthermore, risk perception significantly mediates the relationships between institutional trust, price spread, religiosity, and gold investment decisions, confirming its central role in explaining investment behavior. These findings extend Behavioral Finance Theory by demonstrating that investment decisions among Muslim investors are shaped not only by institutional and market-related factors but also through investors' subjective evaluation of uncertainty, which integrates financial considerations with institutional credibility and religious values.

The findings also have important practical implications for Islamic financial institutions and gold investment providers. Strengthening institutional credibility, improving pricing transparency, and enhancing investor confidence can reduce perceived uncertainty and encourage greater participation in gold investments. In addition, explicitly communicating Sharia compliance, product authenticity, and ethical investment principles may further strengthen investor trust and support more informed investment decisions by Muslim investors. These results highlight the importance of integrating institutional, market, and religious considerations when designing investment products and communication strategies for the Islamic financial markets.

Despite these contributions, this study has several limitations. The use of purposive sampling and the focus on Muslim investors in Lombok may limit the generalizability of the findings to other populations and geographical contexts. In addition, the cross-sectional research design captures investor perceptions at a single point in time and therefore does not allow causal relationships to be examined over time. The reliance on self-reported questionnaire data may still be subject to common method bias despite the diagnostic tests performed. Future research should examine more diverse geographical settings, compare physical and digital gold investment behaviors, incorporate additional explanatory variables such as financial literacy, investment experience, and financial risk tolerance, and employ longitudinal or mixed-method research designs to provide a more comprehensive understanding of investment decision-making in Islamic financial markets. Furthermore, future studies may consider including demographic variables such as age and investment frequency to provide deeper insights into the heterogeneity of Muslim investors' investment behavior.

Abbreviations

BSI : Bank Syariah Indonesia

NTB : Nusa Tenggara Barat

OJK : Otoritas Jasa Keuangan

PLS-SEM : Partial Least Squares Structural Equation Modeling

SNLIK : Survei Nasional Literasi dan Inklusi Keuangan

UTAUTN: Unified Theory of Acceptance and Use of Technology

Author contributions

Conceptualization: Fachrozi

Data curation: Fachrozi

Formal analysis: Fachrozi

Investigation: Fachrozi

Methodology: Fachrozi, Slamet, Indah Yuliana

Project administration: Fachrozi

Supervision: Slamet, Indah Yuliana

Validation: Slamet, Indah Yuliana

Visualization: Fachrozi

Writing original draft: Fachrozi

Writing review & editing: Fachrozi, Slamet, Indah Yuliana

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Data availability statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

Declaration of generative AI and AI-assisted technologies in the writing process

During the preparation of this work, the authors used Grammarly tools to improve readability and

English grammar. After using these tools, the authors reviewed and edited the content as needed and took full responsibility for the content of the publication.

Conflict of interest statement

The authors declare no conflict of interest regarding the publication of this manuscript.

Ethic approval and consent to participate

Ethical approval was not required for this study because it involved minimal risk and used anonymized survey responses. Informed consent was obtained from all participants before data collection.

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