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Determinants of student investment decisions: Examining risk perception, educational information, and financial goals with perspectives from Islamic finance

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ABSTRACT

Introduction

The rapid expansion of capital market participation among students in emerging economies has increased the importance of understanding the determinants of investment decision-making. Despite growing access to financial information, many student investors still exhibit varying levels of financial literacy, risk perception, and goal orientation. Previous studies suggest that these factors influence investment behavior, yet their combined effects remain insufficiently explored, particularly within student populations and in relation to ethical considerations in Islamic finance.

Objectives

This study aims to examine the influence of risk perception, educational information, and financial goals on investment decisions among student investors. It seeks to identify which factors significantly shape decision-making behavior and to provide a more comprehensive understanding of investment behavior by integrating cognitive and motivational variables within a unified framework.

Method

The study employs a quantitative approach using a structured questionnaire distributed to 35 members of a capital market study group at a state polytechnic. Data were analyzed using Partial Least Squares Structural Equation Modeling to assess both measurement validity and structural relationships among variables. This method

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enables the evaluation of complex relationships within a relatively small sample size.

Results

The findings indicate that educational information and financial goals have a positive and statistically significant influence on investment decisions, while risk perception does not show a significant effect. The model explains a substantial proportion of variance in investment decisions, highlighting the dominant role of knowledge and goal orientation in shaping behavior among student investors.

Implications

These results suggest that improving financial literacy and promoting goal-based financial planning are essential for enhancing investment decision quality. The findings also indicate that risk perception may function as a secondary or conditional factor rather than a primary determinant, particularly among less experienced investors.

Originality/Novelty

This study contributes to the literature by integrating risk perception, educational information, and financial goals within a single empirical model and by incorporating an Islamic finance perspective to enrich the interpretation of investment behavior.

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INTRODUCTION

The past decade has witnessed a substantial transformation in the structure and accessibility of financial markets, particularly in emerging economies where retail participation has expanded rapidly. Empirical evidence shows that market liberalization, digital platforms, and financial innovation have significantly increased access to investment opportunities for individuals, including students and young investors (Bagh et al., 2025; Mladenović et al., 2020). This expansion is further reinforced by the rise of online financial ecosystems, which enable broader engagement with financial instruments and reduce entry barriers for novice investors. As a result, participation in capital markets is no longer limited to institutional actors but increasingly involves individuals with diverse backgrounds and varying levels of financial knowledge.

At the same time, the growing presence of young and student investors has drawn attention to the importance of financial literacy in shaping investment behavior. Recent studies emphasize that financial literacy, as a component of human capital, plays a critical role in improving individuals' ability to assess risk, interpret information, and make rational investment decisions (Bilivogui & Iqbal, 2025; Gidage et al., 2025; Tripathi & Kaur, 2022). However, the relationship between literacy and decision quality is not always straightforward. Evidence suggests that while higher literacy enhances knowledge and awareness, it does not automatically translate into optimal investment behavior due to the influence of psychological and contextual factors. This highlights the need to examine investment decision-making from a broader behavioral perspective.

Despite the increasing availability of financial information and educational initiatives, student investors continue to face significant challenges in making sound investment decisions. One of the primary issues lies in the complexity of risk perception, which is often multidimensional and subjectively interpreted. Empirical research indicates that individuals may perceive risk differently depending on psychological, social, and contextual factors, leading to inconsistent decision outcomes (Dinarjito, 2023; Gustiarum & Kusumawardhani, 2023). In some cases, heightened risk perception promotes cautious and rational behavior, while in others it may hinder investment participation or lead to avoidance of potentially beneficial opportunities.

In addition to risk perception, limitations in financial literacy and the presence of behavioral biases further complicate investment decisions among students. Studies show that although financial literacy can improve knowledge and attitudes, its impact on actual decision-making is often mediated by factors such as confidence, experience, and cognitive biases (Aisa, 2021; Aren & Hamamci, 2023; Makkulau et al., 2024). Behavioral tendencies such as overconfidence, herding, and emotional decision-making can distort rational evaluation, even among individuals with adequate financial knowledge. These findings suggest that addressing investment decision challenges requires a more integrated approach that goes beyond knowledge acquisition.

To address these challenges, the literature proposes several general solutions centered on financial education, access to investment information, and goal-oriented financial planning. Financial education has been widely recognized as a key mechanism for enhancing individuals' understanding of financial concepts and improving decision-making capabilities. Empirical studies demonstrate that structured literacy programs can increase investment awareness, strengthen risk assessment skills, and promote more informed decision-making (Ammer & Aldhyani, 2022; Poon et al., 2022). However, the effectiveness of such programs depends on their ability to integrate practical decision-making skills and address behavioral aspects of investing.

Access to reliable and transparent investment information also plays a crucial role in improving decision quality. The proliferation of digital platforms and financial technologies has expanded the availability of investment-related information, enabling individuals to evaluate opportunities more independently and reduce reliance on social cues or herd behavior (Basheer & Siddiqui, 2020; Gerth et al., 2021). When combined with adequate financial literacy, access to information can enhance investors' ability to interpret market signals and make strategic choices. Nevertheless, the effectiveness of information access is contingent upon individuals' capacity to process and utilize the information appropriately.

Another important solution highlighted in the literature is the role of financial goal-setting in shaping investment behavior. Financial goals provide a framework for aligning investment decisions with long-term objectives, thereby reducing impulsive or short-term decision-making tendencies. Studies indicate that individuals with clear financial goals are more likely to engage in disciplined investment practices and adopt strategies consistent with their risk tolerance and future aspirations (Bradford et al., 2023, 2025; Poon et al., 2022). Goal-setting not only enhances planning behavior but also serves as a reference point for evaluating investment options, thereby improving decision consistency.

Empirical evidence on the combined influence of risk perception, financial literacy, and financial goals reveals a complex and nuanced relationship. While financial literacy and goal-setting generally exhibit positive effects on investment decisions, the role of risk perception remains inconsistent across studies. Some research finds that risk perception significantly influences decision-making, while other studies report non-significant or context-dependent effects (Gustiarum & Kusumawardhani, 2023; Prati et al., 2025). Moreover, these variables often interact through mediation and moderation mechanisms, with financial literacy influencing decisions indirectly through risk perception or behavioral factors. Despite these insights, most studies examine these variables in isolation or in partial combinations.

This fragmented approach reveals a clear gap in the literature. There is limited empirical work that integrates risk perception, educational information (or financial literacy), and financial goals within a single analytical framework to explain investment decision-making behavior comprehensively. Existing studies often lack standardized measurement of financial goals and fail to capture the multidimensional nature of risk perception or the distinction between objective and subjective literacy (Bai, 2023; Gerth et al., 2021; Poon et al., 2022). Furthermore, much of the evidence is based on cross-sectional data and specific regional contexts, limiting generalizability and causal interpretation. These limitations underscore the need for more integrated and context-sensitive research.

Based on these considerations, this study aims to examine the influence of risk perception, educational information, and financial goals on students' investment decisions within a unified analytical framework. By simultaneously analyzing these three variables, the study seeks to provide a more comprehensive understanding of the determinants of investment behavior among student investors. The novelty of this research lies in its integrative approach, which addresses the identified gap in the literature and contributes to the development of a more holistic behavioral finance model. The scope of the study is limited to members of a capital market study group, allowing for focused analysis while acknowledging potential contextual constraints.

LITERATURE REVIEW

The Influence of Risk Perception on Investment Decisions

Risk perception is widely recognized as a critical determinant of investment decision-making, particularly among students and young investors who often lack extensive experience in financial markets. Empirical studies indicate that risk perception is inherently multidimensional, encompassing financial, psychological, and contextual dimensions that shape how individuals evaluate uncertainty and potential outcomes (Dinarjito, 2023; Gustiarum & Kusumawardhani, 2023). However, the direct influence of risk perception on investment decisions is not always consistent. In some contexts, higher risk awareness encourages more cautious and rational decision-making, while in others it leads to hesitation or avoidance of investment opportunities, reflecting the complexity of this construct.

Moreover, the relationship between risk perception and investment decisions is often mediated or moderated by other variables such as financial literacy and behavioral factors. Studies suggest that risk perception can shape how individuals interpret financial information and apply their knowledge in decision-making processes (Ammer & Aldhyani, 2022; Pham & Le, 2023). For instance, individuals with higher literacy may better evaluate risks, but without adequate risk interpretation skills, this knowledge may not translate into optimal decisions. Consequently, risk perception functions not only as a direct predictor but also as an intermediary mechanism that influences how other factors affect investment behavior.

In addition, empirical evidence highlights significant heterogeneity in the impact of risk perception across countries and investment contexts. Differences in market structures, financial education systems, and product availability contribute to varying outcomes in how risk perception affects decision-making (Johnston-Rodriguez & Henning, 2019; Kumari et al., 2023). This variation suggests that risk perception cannot be treated as a universal determinant but must be understood within specific socio-economic and institutional environments. Therefore, a comprehensive analysis of investment behavior requires integrating risk perception with other explanatory variables.

The Influence of Educational Information on Investment Decisions

Educational information, often operationalized as financial literacy or exposure to financial education, plays a central role in shaping individuals' investment decisions. A substantial body of literature demonstrates that financial education enhances knowledge, awareness, and understanding of financial instruments, thereby providing a foundation for informed decision-making (Raza et al., 2024; Thapa & Nepal, 2015). Across diverse national contexts, students who receive structured financial education tend to exhibit higher levels of financial literacy and greater familiarity with investment concepts, which are essential for engaging in capital markets.

Beyond knowledge acquisition, educational information also influences attitudes and intentions toward investing. Empirical studies consistently find that individuals with higher financial literacy demonstrate more positive attitudes toward investment and a greater willingness to participate in financial markets (Abro et al., 2024; Dahiya et al., 2023). However, the translation of these attitudes into actual investment behavior is not always direct. Several studies emphasize that the effect of educational information is often mediated by factors such as risk perception, financial self-efficacy, and behavioral competencies, indicating that knowledge alone is insufficient to guarantee optimal decision-making outcomes.

Furthermore, the effectiveness of educational information is influenced by contextual factors, including the quality of information, market infrastructure, and product complexity. In environments where financial information is transparent and accessible, literacy is more likely to lead to prudent investment decisions (Rathakrishnan et al., 2024; Zhang & Huang, 2024). Conversely, in contexts characterized by information asymmetry or limited disclosure, the benefits of financial education may be diminished. These findings highlight the importance of integrating educational initiatives with supportive institutional frameworks to maximize their impact on investment decision-making.

The Influence of Financial Goals on Investment Decisions

Financial goals constitute an essential component of investment decision-making, as they provide direction and purpose for financial behavior. The literature indicates that clearly defined financial goals, particularly long-term objectives such as retirement planning or wealth accumulation, significantly influence individuals' investment choices and strategies (Alfando et al., 2025; Barua et al., 2018). When individuals establish explicit goals, they are more likely to adopt disciplined investment practices and align their decisions with long-term financial outcomes.

Empirical studies further suggest that financial goals act as a mechanism linking financial literacy to investment behavior. For example, goal clarity has been shown to mediate the relationship between financial literacy and retirement savings, indicating that knowledge is more effectively translated into action when individuals have well-defined objectives (Alfando et al., 2025). Similarly, research on young investors demonstrates that goal-oriented frameworks encourage planning behavior, enhance financial discipline, and reduce impulsive decision-making tendencies, particularly in volatile market conditions.

Nevertheless, the impact of financial goals is not uniform across contexts. Factors such as risk perception, behavioral biases, and information availability can influence how effectively goals guide investment decisions (Bai, 2023; Zhang & Huang, 2024). In some cases, clear goals may enhance rational decision-making, while in others they may be insufficient to overcome cognitive biases or structural constraints. This variability underscores the need to consider financial goals as part of a broader framework that includes cognitive and contextual influences.

Research Gap and the Significance of the Study

Despite extensive research on risk perception, educational information, and financial goals, the literature remains fragmented in its approach to understanding investment decision-making. Most studies examine these variables in isolation or in limited combinations, without integrating them into a comprehensive analytical framework. As a result, there is a lack of consensus on how these factors interact to influence actual investment behavior, particularly among student populations (Kumari et al., 2023; Lusardi et al., 2010). Additionally, inconsistencies in measurement—such as differences in how financial literacy, risk perception, and financial goals are operationalized—further complicate cross-study comparisons and theoretical development.

This study addresses these gaps by proposing an integrated model that simultaneously examines the influence of risk perception, educational information, and financial goals on investment decisions. By combining these variables within a unified framework, the study aims to provide a more comprehensive understanding of the determinants of investment behavior. The significance of this research lies in its potential to contribute to both theoretical and practical domains, offering insights for policymakers, educators, and financial institutions seeking to improve investment decision-making among students and young investors.

Islamic Finance Perspective on Investment Decision-Making

Islamic finance conceptualizes investment decision-making within a normative ethical and legal framework derived from Sharia principles. Central to this framework are the prohibitions of riba (interest), gharar (excessive uncertainty), and maysir (gambling), alongside the requirement for asset-backed transactions and risk-sharing arrangements (Derbali et al., 2017; Hassan, 2017; Tawfik & Elmaasrawy, 2024). These principles shape both the structure of financial products and the behavior of investors by embedding ethical considerations into financial choices. Empirical studies show that Shariah-compliant screening and governance mechanisms significantly influence portfolio construction, as investors evaluate not only financial performance but also adherence to religious norms.

Furthermore, Islamic finance extends beyond technical compliance to encompass broader ethical objectives grounded in maqasid al-shariah, which emphasize justice, social welfare, and the avoidance of harm (Alhammadi et al., 2022; Mergaliyev et al., 2021; Rahim et al., 2024). This ethical orientation influences how investors assess risk and return, often integrating moral considerations into financial decision-making (Sheikh, 2025; Taufik & Rusmana, 2023; Yesuf & Aassouli, 2020). Empirical evidence suggests that investors in Islamic markets may prioritize Shariah compliance even when conventional financial indicators are comparable, indicating that ethical alignment serves as an independent determinant of investment behavior. Consequently, investment decisions in Islamic finance cannot be fully understood without considering the interplay between financial and ethical dimensions (Akguc & Al Rahahleh, 2021; Gunanto et al., 2024; Shalhoob, 2025).

Determinants of Investment Decisions in Islamic Contexts

Investment decision-making in Islamic financial markets is influenced by a combination of financial literacy, risk perception, and religiosity. Islamic financial literacy (IFL), defined as knowledge of Shariah principles, screening criteria, and governance structures, plays a crucial role in enabling investors to navigate Shariah-compliant financial instruments (Ali et al., 2025; McGregor & Alghamdi, 2024). Empirical studies indicate that higher levels of IFL are associated with more informed investment decisions and greater engagement with Islamic financial products. However, the measurement of IFL remains underdeveloped, limiting the comparability of findings across studies.

Religiosity also emerges as a significant determinant, though its effects are heterogeneous. Research demonstrates that different dimensions of religiosity, such as virtue and obligation, can influence risk-taking behavior in contrasting ways (Mahdzan et al., 2017). While some individuals exhibit conservative investment preferences aligned with ethical considerations, others may engage more actively in Shariah-compliant markets. Additionally, risk perception in Islamic finance is shaped by the concept of gharar, which introduces a qualitative dimension to risk assessment. Investors often evaluate uncertainty not only in financial terms but also in relation to religious permissibility, leading to distinct investment behaviors.

Moreover, Shariah governance mechanisms, including fatwas and oversight by Shariah boards, play a pivotal role in shaping investor confidence and decision-making. Empirical evidence suggests that transparent governance and credible certification processes enhance trust in Islamic financial products, thereby encouraging participation (Elnahas et al., 2021; Prati et al., 2025). These findings highlight the importance of institutional factors in mediating the relationship between individual characteristics and investment behavior in Islamic contexts.

The Interaction of Financial Goals and Sharia Values in Investment Behavior

Financial goals in Islamic finance are intrinsically linked to ethical and religious values, creating a distinctive framework for investment decision-making. Unlike conventional finance, where goals are primarily defined in terms of wealth maximization, Islamic finance incorporates moral objectives such as compliance with Shariah principles and the pursuit of socially responsible outcomes (Azwar & Jamaluddin, 2024; Roslee et al., 2023). Empirical studies show that explicit financial goals, particularly those aligned with long-term planning, can reinforce Shariah-compliant investment behavior among students and young investors.

The interaction between financial goals, religiosity, and Islamic financial literacy plays a crucial role in shaping investment decisions. Evidence indicates that goal clarity can mediate the relationship between knowledge and behavior, guiding investors toward choices that align with both financial objectives and religious values (Begam et al., 2024; Fidhayanti et al., 2024). Additionally, governance signals such as fatwas and Shariah certification serve as anchors that reinforce ethical considerations in decision-making, particularly for less experienced investors who rely on institutional guidance.

However, the effectiveness of goal-oriented investment behavior in Islamic contexts is influenced by various moderating factors, including market conditions, product complexity, and the availability of reliable information. While clear goals and strong religiosity can promote disciplined investment practices, they may not fully eliminate the influence of behavioral biases or structural constraints (Hardiati et al., 2024; Mahastanti et al., 2021). These findings underscore the need for integrated approaches that combine financial literacy, ethical education, and institutional support to enhance investment decision-making within Islamic finance.

METHOD

Research Design

This study adopts a quantitative research design to examine the relationships between risk perception, educational information, financial goals, and investment decisions among students. A quantitative approach is appropriate because the study aims to test hypotheses and measure the strength of relationships among clearly defined variables using statistical techniques. The design follows a causal-associative framework, which allows the researcher to identify whether independent variables significantly influence the dependent variable. This approach is consistent with behavioral finance research that emphasizes measurable constructs and empirical validation.

The study employs a cross-sectional design, meaning that data are collected at a single point in time rather than over a longitudinal period. While this design limits causal inference over time, it is suitable for capturing current perceptions, knowledge levels, and decision-making behavior among respondents. The use of structured questionnaires ensures standardization of responses, enabling statistical comparison across participants. Overall, the research design is structured to provide empirical evidence on the determinants of investment decision-making in a student population.

Population and Sample

The population of this study consists of members of the Capital Market Study Group (KSPM) at Balikpapan State Polytechnic. This group represents a relevant population because its members are actively engaged in learning about financial markets and are likely to have exposure to investment-related information and activities. Therefore, they provide an appropriate context for examining factors influencing investment decisions among young investors.

The sampling technique used in this study is saturated sampling (census), in which all members of the population are included as respondents. However, due to response availability and data completeness, the final sample consists of 35 respondents. Although the sample size is relatively small, it is considered acceptable for Partial Least Squares Structural Equation Modeling (PLS-SEM), which is designed to handle small sample sizes and complex models. The use of a focused sample enhances internal validity, although it may limit the generalizability of the findings to broader populations.

Data Collection Method

Primary data for this study were collected using a structured questionnaire distributed through an online platform (Google Forms). The questionnaire was designed to capture respondents' perceptions of risk, exposure to educational information, financial goals, and their investment decision-making behavior. The use of an online survey allows for efficient data collection and ensures accessibility for respondents, particularly within a student population accustomed to digital platforms.

The questionnaire employs a Likert scale to measure responses, typically ranging from strongly disagree to strongly agree. This scaling method enables the quantification of subjective constructs such as perception, knowledge, and attitudes, making them suitable for statistical analysis. Prior to distribution, the questionnaire was reviewed to ensure clarity, relevance, and alignment with the research objectives. This process helps reduce measurement error and enhances the reliability of the collected data.

Measurement of Variables

The study includes four main variables: risk perception, educational information, financial goals, and investment decisions. Risk perception is measured as the extent to which individuals perceive uncertainty and potential loss in investment activities. Educational information refers to the level of knowledge and access to financial education or investment-related information. Financial goals are defined as the clarity and orientation of individuals' financial objectives, particularly in relation to long-term planning. Investment decisions serve as the dependent variable and reflect the respondents' behavior in selecting and engaging with investment instruments.

Each variable is operationalized through multiple indicators adapted from prior literature in behavioral finance. The use of multi-item measures enhances construct validity by capturing different dimensions of each concept. Responses are aggregated to form composite scores, which are then used in the analysis. This approach ensures that abstract constructs are translated into measurable variables suitable for empirical testing.

Data Analysis Technique

The data analysis in this study is conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS software. PLS-SEM is selected because it is suitable for exploratory and predictive research, particularly when the model includes multiple latent variables and a relatively small sample size. This method allows simultaneous testing of the measurement model (outer model) and the structural model (inner model).

The analysis begins with the evaluation of the measurement model to assess validity and reliability. Convergent validity is examined through factor loadings and Average Variance Extracted (AVE), while discriminant validity is assessed using criteria such as the Heterotrait-Monotrait (HTMT) ratio. Reliability is evaluated using Cronbach's alpha and composite reliability. Once the measurement model meets the required thresholds, the structural model is analyzed to test the proposed hypotheses.

The structural model evaluation includes examining path coefficients, t-statistics, and p-values obtained through bootstrapping procedures. Additionally, the coefficient of determination (R^2) is used to assess the explanatory power of the model. This comprehensive analytical approach ensures that the findings are statistically robust and aligned with the study's objectives of identifying key determinants of investment decision-making.

RESULTS

Descriptive Statistics of Respondents

The analysis begins with a descriptive overview of the respondents to provide contextual grounding for the subsequent statistical findings. The study involves 35 respondents, all of whom are members of the Capital Market Study Group (KSPM) at Balikpapan State Polytechnic. This group represents a relatively homogeneous population in terms of educational background and exposure to financial markets, as members are generally engaged in learning activities related to investment and capital markets. As such, the sample is considered appropriate for examining behavioral and cognitive factors influencing investment decisions.

Descriptive statistics indicate that respondents demonstrate varying levels of familiarity with investment concepts, reflecting differences in exposure to educational information and personal experience. While most respondents have at least basic knowledge of financial instruments, their perceptions of risk and clarity of financial goals differ substantially. This variation provides a useful basis for testing the relationships among the study variables. Overall, the descriptive findings suggest that although the respondents share a common institutional context, their investment-related attitudes and behaviors are not uniform, reinforcing the relevance of examining individual-level determinants.

Measurement Model Evaluation

The first stage of the analysis focuses on evaluating the measurement model to ensure that the constructs used in the study are both valid and reliable. Convergent validity is assessed through factor loadings and Average Variance Extracted (AVE). The results show that all indicator loadings exceed the recommended threshold of 0.50, indicating that each item contributes adequately to its respective construct. Similarly, the AVE values for all variables are above 0.50, confirming that the constructs explain more than half of the variance of their indicators.

Discriminant validity testing was conducted to ensure that each indicator more strongly represents its intended construct than other constructs within the model. The cross-loading results indicate that all indicators exhibit the highest loading on their respective constructs, confirming adequate construct differentiation. To further validate these findings, the Fornell–Larcker criterion was applied by comparing the square root of the Average Variance Extracted (AVE) with inter-construct correlations.

As shown in Table 1, all constructs meet the required thresholds, with AVE values exceeding 0.50 (Education = 0.606; Financial = 0.559; Decision = 0.645; Risk = 0.666) and the square root of AVE surpassing corresponding correlations. These results demonstrate that the measurement model satisfies discriminant validity requirements, indicating that each construct is empirically distinct and reliably captures its intended concept within the model.

Table 1

Discriminant Validity Values Based on Fornell-Larcker Criteria

	AVE	**Education**	**Financial**	**Decision**	**Risk**
Education	0.606	0.778			
Financial	0.559	0.687	0.748		
Decision	0.645	0.754	0.732	0.803	
Risk	0.666	0.000	-0.035	-0.237	0.816

Source: Primary data. Authors' estimation.

Discriminant validity is further evaluated using the Heterotrait-Monotrait (HTMT) ratio as in Table 2. The HTMT values for all pairs of constructs are below the threshold of 0.90, indicating that each construct is empirically distinct from the others. This finding is important because it confirms that risk perception, educational information, financial goals, and investment decisions are conceptually and statistically separable. The absence of multicollinearity among constructs further strengthens the robustness of the measurement model.

Table 2

HTMT (Heterotrait-Monotrait Ratio) Discriminant Validity Values

	Education	**Financial**	**Decision**	**Risk**
Education				
Financial	0.709			
Decision	0.766	0.753		
Risk	0.213	0.220	0.183	

Source: Primary data. Authors' estimation.

Table 3

Composite Reliability

	Cronbach's Alpha	**Composite Reliability (rho c)**	**Description**
Education	0.953	0.958	Reliable
Financial	0.929	0.938	Reliable
Decision	0.957	0.962	Reliable
Risk	0.971	0.970	Reliable

Source: Primary data. Authors' estimation.

Reliability is assessed using Cronbach's alpha and composite reliability. All constructs exhibit values above 0.70, as in Table 3, meeting the commonly accepted criteria for internal consistency. These results indicate that the measurement instruments are stable and consistent in capturing the intended constructs. Taken together, the validity and reliability tests confirm that the measurement model is adequate for further analysis, allowing the study to proceed to the evaluation of the structural relationships among variables.

Structural Model Assessment

After confirming the adequacy of the measurement model, the analysis proceeds to the structural model to evaluate the relationships among the variables. The coefficient of determination (R^2) is used to assess the explanatory power of the model. The results indicate an R^2 value of 0.705 for the dependent variable, investment decisions, as shown in Table 4. This means that approximately 70.5% of the variance in investment decisions can be explained by the three independent variables: risk perception, educational information, and financial goals. This level of explanatory power is considered substantial, suggesting that the model provides a strong representation of the factors influencing investment decision-making within the sample.

Table 4

R^2 Values

Variable	**R Square**
Y	0.705

Source: Primary data. Authors' estimation.

The relatively high R^2 value also indicates that the selected variables capture key dimensions of investment behavior among students. However, the remaining 29.5% of unexplained variance suggests that other factors—such as behavioral biases, social influences, or market conditions—may also play a role. This highlights the complexity of investment decision-making and the potential for further research to incorporate additional variables. Overall, the structural model demonstrates good predictive capability, supporting the relevance of the theoretical framework adopted in this study.

Hypothesis Testing

The hypotheses are tested using path coefficients, t-statistics, and p-values obtained through the bootstrapping procedure as shown in Table 5. The first hypothesis (H1) examines the effect of risk perception on investment decisions. The results show a path coefficient of -0.223, with a t-statistic of 1.384 and a p-value of 0.166. Since the p-value exceeds the 0.05 significance level, the effect is not statistically significant. This indicates that risk perception does not have a meaningful influence on investment decisions among the respondents. The negative coefficient suggests a potential inverse relationship, but the lack of statistical significance means that this relationship cannot be reliably interpreted.

Table 5

Path Coefficients (Mean, Standard Deviation, and T-Value)

	Original sample (O)	**T statistics (|O/STDEV|)**	**P values**
Risk -> Decision	-0.223	1.384	0.166
Education -> Decision	0.486	3.672	0.000
Financial -> Decision	0.391	2.949	0.003

Source: Primary data. Authors' estimation.

The second hypothesis (H2) tests the influence of educational information on investment decisions. The results reveal a positive and statistically significant relationship, with a path coefficient of 0.486, a t-statistic of 3.672, and a p-value of 0.000. This finding indicates that higher levels of educational information are associated with more active or informed investment decision-making. The strength and significance of this relationship highlight the critical role of financial knowledge and access to information in shaping investment behavior among students.

The third hypothesis (H3) examines the effect of financial goals on investment decisions. The results show a positive and significant relationship, with a path coefficient of 0.391, a t-statistic of 2.949, and a p-value of 0.003. This indicates that individuals with clearer or more defined financial goals are more likely to make structured and deliberate investment decisions. The significance of this variable underscores the importance of goal orientation in guiding financial behavior, particularly in a student context where long-term planning may influence current investment choices.

Interpretation of Findings

The results of the hypothesis testing provide several important insights into the determinants of investment decision-making among students. First, the non-significant effect of risk perception suggests that students may not rely heavily on risk evaluation when making investment decisions. This finding aligns with the possibility that limited experience or overconfidence may reduce the perceived importance of risk considerations. Alternatively, it may indicate that respondents rely more on external information or guidance rather than their own risk assessments.

Second, the strong influence of educational information confirms the central role of financial literacy in investment decision-making. Students who are more informed or exposed to financial education appear better equipped to evaluate investment opportunities and make informed choices. This finding supports the argument that improving access to financial education can enhance the quality of investment decisions, particularly among young investors who are still developing their financial capabilities.

Third, the significant effect of financial goals highlights the importance of planning and goal-setting in shaping investment behavior. Respondents with clear financial objectives are more likely to engage in purposeful investment activities, suggesting that goal clarity serves as a motivational and organizational factor in decision-making. This finding reinforces the idea that investment behavior is not only driven by knowledge but also by the presence of well-defined financial aspirations.

Overall Model Implications

Taken together, the results indicate that investment decision-making among students is primarily influenced by cognitive and motivational factors rather than by risk perception alone. Educational information and financial goals emerge as the most significant predictors, suggesting that knowledge and purpose play a more critical role than subjective risk evaluation in this context. This pattern reflects the characteristics of student investors, who may prioritize learning and future planning over immediate risk considerations.

The findings also suggest that efforts to improve investment decision-making should focus on enhancing financial literacy and encouraging goal-oriented financial behavior. While risk education remains important, it may need to be integrated with broader educational and motivational strategies to be effective. The results contribute to the growing body of literature on behavioral finance by demonstrating that the relative importance of different determinants can vary depending on the population and context under study.

DISCUSSION

The Role of Risk Perception in Investment Decisions

The findings of this study indicate that risk perception does not have a statistically significant effect on investment decisions among student investors. Although the estimated coefficient suggests a negative relationship, the absence of statistical significance implies that respondents do not rely heavily on perceived risk when making investment choices. This result suggests that students may prioritize other factors, such as knowledge and goal orientation, over subjective evaluations of uncertainty. It also reflects the possibility that limited investment experience or reliance on external information reduces the salience of risk perception in decision-making processes within this specific population.

This finding is consistent with a growing body of literature suggesting that risk perception does not always function as a direct determinant of investment behavior. Several studies argue that risk perception often acts as a mediator or moderator rather than a primary driver, particularly when individuals possess sufficient financial knowledge or clear financial goals (Elshaer & Sobaih, 2023; Salas-Velasco, 2022; Zhu & Xiao, 2022). In Islamic finance contexts, risk perception is further shaped by concepts such as gharar and religious framing, which can modify how individuals interpret uncertainty without necessarily translating into direct behavioral outcomes (Bouslama & Lahrichi, 2017; D'Alvia, 2020). Empirical evidence also shows that the influence of risk perception varies across contexts, product types, and measurement approaches (Holzmeister et al., 2020; Linciano et al., 2018; Sarah et al., 2021; Wilson et al., 2019), leading to inconsistent findings across studies.

Theoretically, this result supports the view that investment decisions are shaped by bounded rationality, where cognitive and informational factors constrain how individuals process risk. Risk perception may function as a secondary or conditional variable that becomes relevant only when supported by adequate knowledge and planning structures. Practically, this finding suggests that educational interventions should not rely solely on increasing risk awareness but should integrate risk understanding within broader financial literacy and planning frameworks. From a policy perspective, regulators and educators should emphasize structured financial education and decision-support tools rather than assuming that heightened risk perception alone will improve investment decision quality.

The Influence of Educational Information on Investment Decisions

The results demonstrate that educational information has a positive and statistically significant effect on investment decisions. This indicates that respondents with higher exposure to financial education or access to investment-related information are more likely to engage in informed and structured investment behavior. The strength of this relationship suggests that knowledge acquisition and information processing play a central role in shaping how students evaluate investment opportunities and make decisions. In this context, educational information functions as a key enabling factor that enhances decision quality and promotes active participation in financial markets.

This finding is strongly supported by empirical evidence across multiple contexts. Studies consistently show that financial literacy improves investment outcomes by enhancing individuals' ability to process information, evaluate alternatives, and make rational choices (Bai, 2023; Lou et al., 2024; Luo et al., 2023; Raut, 2020; Suresh G., 2024). The literature also identifies several mechanisms through which educational information influences behavior, including increased financial knowledge, improved self-efficacy, enhanced information search, and better risk assessment. Additionally, financial literacy has been shown to mediate the relationship between external information and investment decisions, highlighting its role as a cognitive foundation for financial behavior.

From a theoretical perspective, this result reinforces behavioral finance models that emphasize the importance of information processing and cognitive capacity in decision-making. Educational information enhances individuals' ability to interpret complex financial environments, thereby reducing uncertainty and improving decision outcomes. Practically, the findings underscore the importance of integrating financial education into academic curricula and investment training programs, particularly for students. From a policy standpoint, the results suggest that expanding access to financial education and improving the quality of information environments can significantly enhance investment participation and decision quality among young investors.

The Influence of Financial Goals on Investment Decisions

The findings of this study reveal that financial goals have a positive and significant influence on investment decisions. Respondents who demonstrate clearer and more structured financial objectives are more likely to engage in deliberate and consistent investment behavior. This suggests that goal orientation plays a critical role in guiding decision-making by providing direction, motivation, and a framework for evaluating investment options. Financial goals appear to function as an organizing mechanism that aligns knowledge and behavior, enabling individuals to translate abstract financial concepts into concrete actions.

This result is consistent with prior research emphasizing the importance of goal-setting in financial decision-making. Empirical studies indicate that financial goals mediate the relationship between financial literacy and investment behavior, serving as a bridge between knowledge and action (Harahap et al., 2022; Irfan et al., 2025; Lontchi et al., 2022; Looney et al., 2008). Goal-oriented frameworks encourage long-term planning, disciplined saving, and strategic investment choices, particularly among young and novice investors. Furthermore, the literature suggests that explicit goals can moderate the influence of risk perception by shifting attention from short-term uncertainty to long-term outcomes, thereby stabilizing decision-making processes.

Theoretically, these findings support models that emphasize goal-directed behavior and planning as central components of financial decision-making. Financial goals provide a temporal structure that shapes how individuals perceive risk and evaluate opportunities, reinforcing the importance of future-oriented thinking. Practically, the results highlight the need for financial education programs to incorporate goal-setting components, such as retirement planning and investment targeting. From a policy perspective, encouraging goal-based financial planning through educational initiatives and financial products can enhance investment engagement and improve long-term financial outcomes.

Interaction of Risk Perception, Educational Information, and Financial Goals

The combined findings of this study suggest that investment decision-making is shaped by the interaction of multiple factors, with educational information and financial goals playing dominant roles, while risk perception exerts a more limited direct influence. This pattern indicates that decision-making among students is not driven by a single factor but rather by a system of interrelated variables. Educational information provides the cognitive foundation, financial goals offer motivational direction, and risk perception operates as a contextual factor that may influence decisions indirectly.

This interpretation aligns with empirical research that highlights mediation and moderation relationships among these variables. Studies show that financial literacy can influence investment decisions through pathways such as risk perception, self-efficacy, and information processing (Barone et al., 2025; Che Hassan et al., 2024; Pandey & Utkarsh, 2024; Rahmawati & Rahayu, 2024; Sinulingga et al., 2023; Zhu & Xiao, 2022). Similarly, financial goals can mediate the relationship between literacy and behavior, while risk perception may moderate how individuals respond to information and goals. In Islamic finance contexts, these interactions are further shaped by religiosity and governance signals, which influence how risk and information are interpreted and applied.

From a theoretical standpoint, these findings support an integrated behavioral framework in which investment decisions are the result of cognitive, motivational, and contextual interactions. This perspective moves beyond single-variable explanations and emphasizes the importance of holistic models. Practically, the results suggest that effective financial education should combine literacy, goal-setting, and risk management components. Policymakers should also consider designing interventions that address these factors simultaneously, ensuring that educational programs, regulatory frameworks, and financial products support coherent and informed decision-making.

Discussion from an Islamic Finance Perspective

The findings of this study can be interpreted within the framework of Islamic finance, which integrates ethical, legal, and financial dimensions in investment decision-making. The non-significant effect of risk perception suggests that respondents may not explicitly evaluate risk in conventional terms; instead, their understanding of uncertainty may be implicitly shaped by broader considerations such as permissibility and ethical compliance. In Islamic finance, risk is not merely a quantitative concept but is closely related to *gharar*, which emphasizes the avoidance of excessive uncertainty (Mohd Noh et al., 2024; Mohd Noor et al., 2018). Therefore, the absence of a significant relationship may indicate that students do not yet internalize Islamic risk principles in a structured or measurable way.

Empirical evidence in Islamic finance literature shows that risk perception often operates through religious and ethical framing rather than as an independent determinant of behavior (Abdelrahman, 2025; Abdul Khir & Mohamed, 2023). Studies suggest that concepts such as *gharar* and *barakah* introduce qualitative dimensions of risk that differ from conventional financial models. In many cases, these perceptions influence decision-making indirectly, interacting with financial literacy and religiosity rather than directly predicting investment behavior (Baihaqqi & Prajawati, 2023; Fauzi & Rafik, 2024; Hastuti, 2025). This aligns with findings that risk perception in Islamic contexts is frequently mediated by knowledge of Sharia principles and trust in governance mechanisms, rather than functioning as a standalone variable.

The significant role of educational information in this study is highly consistent with the concept of Islamic financial literacy (IFL), which emphasizes knowledge of Sharia-compliant financial practices. Islamic finance literature highlights that investors require not only general financial knowledge but also specific understanding of prohibited elements such as *riba*, *gharar*, and maysir (Alhejaili, 2025; Asia & Semaun, 2025). Higher levels of IFL are associated with greater participation in Sharia-compliant investments and more informed decision-making. Thus, the strong effect of educational information observed in this study reinforces the importance of integrating Islamic financial education into broader financial literacy initiatives, particularly for student investors.

Similarly, the significant influence of financial goals can be interpreted through the lens of *maqasid al-shariah*, which emphasizes the achievement of social welfare, justice, and long-term well-being. In Islamic finance, financial goals are not limited to wealth maximization but include ethical and socially responsible objectives (Asmar et al., 2023; Dirie et al., 2023; Franzoni & Ait Allali, 2018). The presence of clear financial goals may therefore reflect not only economic planning but also alignment with religious values. Empirical studies suggest that when financial goals are framed within ethical and religious contexts, they can guide investment behavior toward Sharia-compliant choices and reduce impulsive or speculative actions.

From a practical and policy perspective, these findings highlight the need for a more integrated approach to financial education in Islamic contexts. Educational programs should combine conventional financial literacy with Islamic principles, including Sharia screening, ethical considerations, and governance awareness. Policymakers and financial institutions should also strengthen transparency in Sharia compliance, ensuring that investors have access to clear and reliable information about financial products. By aligning financial literacy, goal-setting, and ethical values, such initiatives can foster more responsible and sustainable investment behavior among students, contributing to the broader objectives of Islamic finance.

CONCLUSION

This study set out to examine the influence of risk perception, educational information, and financial goals on investment decisions among student investors. The findings reveal that educational information and financial goals significantly influence investment decision-making, while risk perception does not exhibit a statistically significant effect. These results indicate that students rely more on knowledge acquisition and goal-oriented planning than on subjective evaluations of uncertainty when making investment choices. The discussion further suggests that investment behavior in this context is shaped by cognitive and motivational factors, where information processing and future-oriented thinking play central roles.

The study contributes to the behavioral finance literature by demonstrating that the relative importance of determinants may vary across populations, particularly among students with limited investment experience. By integrating three key variables within a single analytical framework, this research highlights the importance of combining financial literacy and goal-setting in explaining investment decisions. Additionally, the findings provide empirical support for the view that risk perception may function as a secondary or conditional factor rather than a primary driver. The inclusion of an Islamic finance perspective further enriches the analysis by showing how ethical considerations and Sharia principles may influence investment behavior.

In practical terms, the study underscores the importance of enhancing financial education and promoting goal-based financial planning among young investors.

Policymakers and educators should prioritize programs that integrate financial literacy, planning skills, and ethical awareness to improve investment decision quality. The study also opens avenues for further research by suggesting the need to explore additional variables, such as behavioral biases, social influences, and institutional factors. Overall, the findings provide a meaningful contribution to understanding investment decision-making in a student context and offer insights for improving financial behavior in emerging investor groups.

Limitation of the Study

This study has several limitations that should be acknowledged when interpreting the findings. First, the sample size is relatively small, consisting of only 35 respondents from a single institutional setting. While Partial Least Squares Structural Equation Modeling (PLS-SEM) is suitable for small samples, the limited number of participants may reduce the statistical power and generalizability of the results. Additionally, the use of a homogeneous sample—students from a single capital market study group—may restrict the variability of responses and limit the applicability of the findings to broader populations, such as professional investors or individuals from different socio-economic backgrounds.

Second, the study employs a cross-sectional design, which captures data at a single point in time. This design limits the ability to establish causal relationships or observe changes in investment behavior over time. Furthermore, the reliance on self-reported questionnaire data introduces the potential for response bias, including social desirability bias and subjective interpretation of survey items. The measurement of constructs such as risk perception and financial goals may also vary depending on respondents' understanding, which could affect the accuracy of the results. These limitations suggest that the findings should be interpreted with caution and within the context of the study's methodological constraints.

Recommendations for Future Research

Future research should address the limitations of this study by employing larger and more diverse samples to enhance the generalizability of the findings. Expanding the sample to include students from multiple institutions, as well as non-student populations, would provide a more comprehensive understanding of investment decision-making across different demographic groups. In addition, future studies could adopt longitudinal designs to examine how investment behavior evolves over time and to better establish causal relationships among variables. Such approaches would allow researchers to capture dynamic changes in financial literacy, risk perception, and goal-setting processes.

Further research is also needed to explore additional variables and more complex relationships within the investment decision-making framework. For example, incorporating behavioral factors such as overconfidence, herding behavior, and emotional influences could provide deeper insights into decision-making processes. Studies could also investigate mediation and moderation effects among variables, particularly the role of risk perception as an intermediary factor. Moreover, future research could further integrate Islamic finance perspectives by examining the role of religiosity, Islamic financial literacy, and Sharia governance in shaping investment behavior. These directions would contribute to the development of more comprehensive and context-sensitive models of investment decision-making.

Author Contributions

Conceptualization	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.	Resources	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.
Data curation	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.	Software	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.
Formal analysis	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.	Supervision	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.
Funding acquisition	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.	Validation	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.
Investigation	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.	Visualization	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.
Methodology	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.	Writing – original draft	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.
Project administration	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.	Writing – review & editing	T.I., D.H.S., N.M.K., D.R.A., N.V.O., & R.

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Informed Consent Statement

Informed consent was obtained before respondents filled out the questionnaire for this study.

Data Availability Statement

The data presented in this study are available on request from the corresponding author.

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Conflicts of Interest

The authors declare no conflicts of interest.

Declaration of Generative AI and AI-Assisted Technologies in the Writing Process

During the preparation of this work the authors used ChatGPT, DeepL, Grammarly, and PaperPal in order to translate from Bahasa Indonesia into American English, and to improve clarity of the language and readability of the article. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the published article.

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