

THE ROLE OF ISLAMIC FINANCIAL LITERACY AND ISLAMIC BOARDING SCHOOL EDUCATION IN SHAPING HALAL INVESTMENT INTENTIONS: A MIXED METHOD STUDY ON ECONOMICS STUDENTS

Gilang Dwi Cahyo¹⁾, Viona Febri Liana²⁾, Mutoharoh³⁾, Tyara Yogi Wulandari⁴⁾, and Raden Ai Lutfi Hidayat⁵⁾

1), 2), 3), 4) Student in the Economic Education Study Program, Pamulang University, South Tangerang City, Indonesia

5) Lecturer in the Economic Education Study Program, Pamulang University, South Tangerang City, Indonesia

ABSTRACT

Islamic finance in Indonesia exhibits promising growth, characterized by rising youth engagement with Sharia-compliant financial products. Despite this trend, significant challenges persist regarding the level of Islamic financial literacy among university students. This study investigates the impact of Islamic financial literacy on students' interest in investing in halal instruments, with pesantren-based educational background examined as a moderating variable. Employing a mixed-methods approach, the research collected quantitative data through structured questionnaires from 200 Economics Education students at Pamulang University, supplemented by in-depth qualitative interviews with 10 informants. Quantitative data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), while thematic analysis was applied to qualitative data. The findings reveal a statistically significant positive influence of Islamic financial literacy on students' halal investment intentions. Furthermore, a pesantren educational background significantly strengthens this relationship, underscoring the pivotal role of value-based education in fostering ethical financial behavior. These results highlight the critical need for integrating targeted Islamic financial literacy programs within higher education curricula, particularly for students preparing for future roles as educators and economic drivers.

Keywords: *Islamic Financial Literacy, Halal Investment, Financial Behavior.*

INTRODUCTION

In recent years, the development of Islamic economics in Indonesia has shown significant progress, marked by encouraging trends. As the country with the largest Muslim population in the world, Indonesia holds a strategic position in the global Islamic financial

market. This growth is reflected in the increasing number of young investors opting for Sharia-compliant investment products such as Islamic stocks, sukuk, and Sharia mutual funds. The rising interest in Islamic finance aligns with growing public awareness of the importance of conducting economic activities that are not only financially beneficial but also compliant with Islamic principles. Core principles such as the prohibition of *riba* (usury), fairness in transactions, avoidance of *gharar* (uncertainty), and the promotion of ethical investment serve as the foundation for the increasing demand for Islamic financial products.

However, the relatively low level of Islamic financial literacy remains a significant challenge, particularly among the younger generation, including university students. Islamic financial literacy encompasses an understanding of fundamental Islamic economic concepts, the ability to manage personal finances according to Sharia guidelines, and knowledge of the available Sharia-compliant financial instruments. Without adequate understanding, individuals may lack the confidence to make informed financial decisions based on Islamic values.

University students represent a crucial segment of society, not only as future economic actors but also as agents of change who can influence broader financial behavior and attitudes. This role is especially important for students majoring in Economics Education, as they are expected to become educators and role models in promoting responsible and ethical financial behavior. Hence, it is essential to examine their level of Islamic financial literacy and how it affects their interest in investing in halal financial products.

This study specifically focuses on students enrolled in the Economics Education Program at Pamulang University. The selection of this population is based on their dual role as prospective educators and future economic decision-makers. The primary objective of this research is to determine the influence of Islamic financial literacy on students' interest in halal investments and to investigate whether educational background—particularly pesantren-based education—acts as a moderating variable in this relationship. Given that pesantren institutions emphasize Islamic values, such a background is presumed to reinforce Sharia-compliant financial behavior.

By exploring these relationships, this study aims to contribute to the discourse on youth financial empowerment within the framework of Islamic economics. The findings are expected to provide valuable insights for educators, policymakers, and Islamic finance practitioners in designing effective, value-based financial literacy programs for higher education settings.

METHODS

This study employed an explanatory quantitative design with a mixed-methods approach. The primary focus was to investigate the causal relationship between Islamic financial literacy and students' interest in halal investment, with pesantren-based educational background serving as a moderating variable. While the quantitative component was used to test hypotheses and relationships between variables, qualitative data were included to enrich the interpretation of statistical findings by exploring students' subjective motivations and understanding of Sharia-compliant financial behavior.

The target population consisted of approximately 1,000 students enrolled in the Economics Education Program at Pamulang University. A total of 200 respondents were selected using stratified random sampling, ensuring representation of both pesantren and non-pesantren educational backgrounds to enable moderation analysis. Additionally, 10 informants were purposively selected for in-depth interviews based on their experience with Islamic finance and diverse educational backgrounds.

Quantitative data were collected using a Likert-scale questionnaire (1 = Strongly Disagree to 5 = Strongly Agree), with items developed from prior research and expert input, followed by a pilot test for clarity and reliability. The qualitative data were obtained through open-ended interviews designed to explore financial decision-making from a Sharia perspective. The operational definitions and measurement indicators of each variable are summarized in Table 1.

Table 1. Operationalization of Research Variables

Variable	Sub-Variable / Indicator	Sample Question Item	Scale
Islamic Financial Literacy	Understanding of Islamic economic principles (riba, gharar, maisir)	I understand that riba is prohibited in Islamic finance	Likert 1–5
	Skills in managing finances based on Islamic values	I can manage my finances in accordance with Islamic values	Likert 1–5
	Knowledge of Islamic financial products (e.g., sukuk, Sharia mutual funds)	I am familiar with Sharia-compliant investment products such as sukuk	Likert 1–5

Halal Investment Interest	Interest in halal-based investment products	I am interested in investing in Sharia-compliant stocks	Likert 1–5
	Intention to invest according to Islamic principles	I plan to invest in halal financial instruments in the near future	Likert 1–5
	Willingness to make investment decisions based on Sharia compliance	I prefer investment products aligned with Islamic values	Likert 1–5
Educational Background	Type of prior education (pesantren / non-pesantren)	What was your high school background? (1 = pesantren, 0 = non-pesantren)	Nominal (Dummy)

Quantitative data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS software, evaluating both outer and inner models through reliability (composite reliability), convergent validity ($AVE > 0.50$), discriminant validity, and bootstrapping procedures to test the significance of hypotheses.

Meanwhile, qualitative data from in-depth interviews were analyzed using thematic analysis, identifying recurring themes related to motivation, understanding, and perceived barriers in adopting halal investment practices. Ethical clearance was ensured by informing all participants about the study's purpose and their right to withdraw at any time. Informed consent was obtained prior to data collection, and all respondent identities were kept confidential, with data used solely for academic purposes.

RESULTS AND DISCUSSION

Low Level of Islamic Financial Literacy Among Students

The descriptive analysis of 200 respondents revealed a gender distribution dominated by female students (64%) compared to male students (36%). Only 15% had a pesantren-based educational background, with the remaining 85% coming from general or secular schools. Most students were in their third or fourth year of study, representing an academically mature group.

However, the average score for Islamic financial literacy was only 2.89 out of 5, indicating a generally low level of understanding regarding core Islamic financial concepts

such as *riba*, *gharar*, and Sharia-compliant financial products. Despite this, students' average score for halal investment interest was relatively high at 3.76, reflecting a favorable attitude toward Sharia-compliant finance, even among those with limited literacy.

Structural Model Findings and the Role of Pesantren Background

The PLS-SEM analysis confirmed that the measurement model satisfied validity and reliability thresholds, including outer loading (>0.70), AVE (>0.50), and composite reliability (>0.80). The structural model demonstrated that Islamic financial literacy had a significant positive effect on halal investment interest ($\beta = 0.534$, $t = 9.421$, $p < 0.001$), even when the overall level of literacy was low. This implies that any increase in financial literacy—however modest—can significantly enhance students' inclination toward halal investments.

Moreover, the pesantren educational background moderated this relationship positively ($\beta = 0.198$, $t = 2.467$, $p = 0.014$), meaning students with pesantren experience showed a stronger linkage between literacy and behavior. The R^2 value of 0.468 indicates that 46.8% of the variance in halal investment interest was explained by the model.

Qualitative Insights: Motivation and Barriers

Thematic analysis from in-depth interviews with selected respondents revealed three important insights. First, students demonstrated a shallow understanding of Islamic financial principles, particularly those without pesantren exposure. Second, despite their limited knowledge, many expressed moral alignment and willingness to engage in halal investment, driven more by values than technical comprehension.

Third, students voiced a lack of access to clear, practical information about Islamic investment platforms, underscoring the need for more targeted and experiential financial literacy programs. These qualitative findings support the quantitative results and emphasize the importance of integrating Islamic finance education into university curricula to empower students with both knowledge and confidence.

Discussion

These findings highlight the urgent need to strengthen Islamic financial literacy among university students, particularly those enrolled in economics education programs. The significant moderating effect of pesantren background suggests that religious-based education serves not only as a foundation for spiritual development but also as a critical driver

of ethical financial behavior. Students who have been exposed to Islamic values from an early stage appear more inclined to apply these principles when making financial decisions, especially in the context of halal investments.

This study reinforces and extends previous research that links financial literacy with behavioral intentions in investment decisions (e.g., Huda et al., 2022; Ismail & Shafiai, 2020). However, it adds a novel dimension by emphasizing the influence of educational background on the strength of that relationship—an aspect often overlooked in mainstream financial literacy studies. While conventional research typically focuses on knowledge and skills, this study demonstrates the importance of value-based contexts, such as Islamic education, in shaping financial attitudes and actions.

Moreover, the relatively high mean score for halal investment interest, despite low overall literacy levels, indicates a latent readiness among students to participate in Islamic financial markets—provided they receive adequate guidance and practical exposure. This finding implies that universities and financial institutions must work collaboratively to design inclusive and integrated financial literacy programs. Such initiatives should blend Islamic perspectives with interactive tools, simulations, and access to real-world investment experiences. Doing so would not only improve competence but also build the confidence and ethical framework needed for responsible participation in the halal financial ecosystem.

CONCLUSION

This study examined the relationship between Islamic financial literacy and halal investment interest among students in the Economics Education Program at Pamulang University, with pesantren educational background considered as a moderating variable. The findings demonstrate that Islamic financial literacy has a significant and positive effect on students' interest in investing in Sharia-compliant financial instruments. Furthermore, the moderating effect of pesantren background was found to be significant, suggesting that religious-based education enhances the alignment between financial literacy and ethical investment behavior.

Qualitative insights supported the quantitative results by revealing themes such as the internalization of Islamic values, trust in the Islamic financial system, and limited access to concrete information about halal investment products. Students with pesantren backgrounds were more consistent in aligning their investment preferences with Islamic principles, while

other students expressed a high level of interest but lacked sufficient practical exposure and guidance.

Overall, this study underscores the importance of integrating Islamic financial literacy into higher education curricula, particularly within teacher training institutions. Students in economics education programs play a pivotal role as future educators and literacy agents who can shape financial understanding and behavior in society. Strengthening their comprehension of Islamic financial principles is not only essential for personal financial well-being but also contributes to the development of a more inclusive and sustainable financial ecosystem grounded in Islamic values.

REFERENCES

- Alharbi, Y., & Kassim, H. (2021). The Mediating Role of Financial Literacy in the Relationship Between Islamic Religiosity, Branding, and Performance. *Journal of Islamic Marketing*, 12(6), 1231–1246. <https://doi.org/10.1108/JIMA-05-2020-0141>
- Antonio, M. S. (2023). Equity Market & Islamic Finance: Innovation and Product Development. *Ekonomi Islam Indonesia*, 4(1), 11–20.
- Bardiah, D. (2024). The Relationship Between Islamic Financial Literacy (IFL), Halal Brand Awareness (HBA), and Investment Intention: A SEM-PLS Study. *Indonesian Journal of Islamic Economics Research*, 6(1), 55–64.
- Bhushan, P. (2014). Relationship Between Financial Literacy and Investment Behavior of Salaried Individuals. *Journal of Business Management & Social Sciences Research*, 3(5), 82–87.
- Gilgio, A., & Bhattacharya, R. (2019). The Effects of a Financial Literacy Intervention on the Financial and Economic Knowledge of High School Students. *Journal of Economic Education*, 50(3), 231–245. <https://doi.org/10.1080/00220485.2019.1618766>
- Haruna, O., Oumbé, H., & Kountchou, B. (2024). Importance of Effective Consumer Education in Islamic Finance Products. *Jurnal Ilmu Manajemen & Ekonomika*, 14(1), 45–53.
- Hasnat, M., Alam, M. M., & Hussain, M. (2024). Relationship Between Knowledge About Islamic Unit Trusts and Religious Beliefs With Investment Behavior. *International Journal of Economics and Financial Issues*, 14(1), 101–110.
- Higgins, J. F., Ringle, C. M., & Sarstedt, M. (2014). Partial Least Squares Structural Equation Modeling (PLS-SEM): An Emerging Tool in Business Research. *European*

Business Review, 26(2), 106–121. <https://doi.org/10.1108/EBR-10-2013-0128>

- Hidayat, A. N., & Diana, D. (2024). Navigating Islamic Investments: The Role of Islamic Financial Literacy, Religiosity, and Motivation Using PLS-SEM. *Airlangga Journal of Innovation Management*, 6(2), 91–102.
- Huda, N., Nasution, A., & Siregar, S. (2022). Islamic Financial Literacy and Investment Intention Among University Students. *Journal of Islamic Economics, Banking and Finance*, 18(4), 66–84.
- Imari, I., Maulana, H., Suminto, A., Tambayong, W., & Harahap, S. A. (2023). Islamic Financial Literacy Analysis and Investment Behavior Among Students: A SEM-PLS Approach. *Proceedings of FEMFEST International*, 3(1), 55–65.
- Ismail, A. G., & Shafiai, M. H. M. (2020). The Influence of Financial Literacy on Islamic Investment Decisions. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(4), 647–663. <https://doi.org/10.1108/IMEFM-10-2019-0411>
- Jappelli, T., & Padula, M. (2013). Investment in Financial Literacy and Saving Decisions. *Journal of Banking & Finance*, 37(8), 2779–2792. <https://doi.org/10.1016/j.jbankfin.2013.03.019>
- Krisnawati, K. D. (2019). Analisis Pengaruh Literasi Keuangan Terhadap Keputusan Investasi pada Masyarakat Kota Bandung. *Manajemen Jurnal Bisnis*, 6(1), 15–24.
- Lahsasna, A., Hassan, M. K., & Ahmad, R. (2018). Enhancing Financial Stability Through Islamic Financial Planning: Literacy, Trust, and Investment Strategies in Indonesia. *Social and Economic Bulletin*, 22(1), 34–47.
- Laila, N., & Rusydiana, A. S. (2023). Islamic Capital Market Research in Scopus Indexed Q1 Journals: A Review. *Islamic Capital Market Review*, 7(1), 11–25.
- Lubis, Y. S., Siregar, A., & Zulfikar. (2023). Pengaruh Literasi Keuangan Terhadap Keputusan Investasi Pasar Modal pada Mahasiswa UINSU. *Jurnal Riset Ekonomi dan Akuntansi*, 14(1), 66–74.
- Lusardi, A. (2019). Financial Literacy and the Need for Financial Education: Evidence and Implications. *Swiss Journal of Economics and Statistics*, 155(1), 1–8. <https://doi.org/10.1186/s41937-019-0027-5>
- Mahmud, M. D., & Jufri, F. (2024). The Influence of Islamic Financial Literacy on Behavior and Decisions to Invest in Gold Instruments. *Al-Tijary: Journal of Islamic Economics, Finance, and Banking*, 6(1), 23–31.
- Mansor, M., Rahman, M. H., & Aziz, A. (2022). Analysing the Predictors of Financial Stress

- and Well-Being Among B40 Households in Malaysia. *International Journal of Environmental Research and Public Health*, 19(6), 3451. <https://doi.org/10.3390/ijerph19063451>
- Mulawarman University. (2024). The Impact of Islamic Financial Literacy on Gen Z's Investment Decisions in the Islamic Capital Market. *Journal of Islamic Capital Market*, 3(1), 12–20.
- Muflih, M., & Juliana, J. (2020). Halal-Labeled Food Shopping Behavior: The Role of Spirituality, Image, Trust, and Satisfaction. *Journal of Islamic Marketing*, 11(5), 1235–1255. <https://doi.org/10.1108/JIMA-01-2019-0004>
- Rahman, F., & Arsyianti, L. D. (2024). Islamic Financial Literacy and Its Influence on Student Financial Investment Behavior. *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah*, 16(2), 101–114.
- Ramzan, Z. (2018). The Role of Islamic Financial Literacy in Investment Decision: A Study of Pakistani Investors. *Journal of Islamic Marketing*, 9(2), 296–312. <https://doi.org/10.1108/JIMA-01-2017-0001>
- Roemanasari, F., Sabela, J., & Rusgianto, S. (2022). Islamic Financial Literacy and Financial Behavior on Investment Intention. *Jurnal Ilmu Ekonomi Terapan*, 7(2), 45–56.
- Salim, F., Arif, S., & Devi, A. (2021). Pengaruh Literasi Keuangan Syariah, Islamic Branding, dan Religiusitas Terhadap Keputusan Mahasiswa. *El-Mal: Jurnal Ekonomi dan Bisnis Islam*, 2(2), 31–40.
- Santoso, S. B., & Astuti, H. J. (2020). A Framework for Conceptualizing Islamic Bank Socialization in Indonesia. *arXiv Preprint*, arXiv:2003.08966.
- Setiawati, R., Anwar, M., & Utami, N. W. (2018). Islamic Financial Literacy: Construct Process and Validity. *Academy of Strategic Management Journal*, 17(4), 1–10.
- Triana, O. F., & Yudiantoro, D. (2022). Pengaruh Literasi Keuangan, Pengetahuan Investasi, dan Motivasi Terhadap Keputusan Berinvestasi. *SERAMBI: Jurnal Ekonomi dan Manajemen*, 10(2), 105–113.
- Upadana, I. W. Y. A., & Herawati, N. T. (2020). Pengaruh Literasi Keuangan dan Perilaku Keuangan Terhadap Keputusan Investasi Mahasiswa. *Jurnal Ilmiah Akuntansi dan Humanika*, 10(1), 65–74.