



Financial literacy, environmental awareness, and Maqasid al-Shari'ah on individual well-being: The mediating role of gold investment decisions among Indonesia's investors

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ABSTRACT

Background: The expansion of Islamic finance necessitates aligning financial behavior with religious beliefs and environmental concerns, yet Islamic financial literacy remains insufficient in many Muslim-majority societies. While prior literature suggests that environmental awareness and Maqasid al-Shari'ah principles shape ethical investment preferences, their combined impact on well-being remains underexplored. This study aims to analyze how Islamic financial literacy, environmental awareness, and Maqasid al-Shari'ah influence individual well-being through the mediating role of Shari'ah-compliant gold investment decisions. **Methods:** This quantitative study employed purposive sampling to recruit 100 Indonesian Muslim investors with investment experience. Data were collected via an online survey using a five-point Likert scale and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to assess the measurement and structural models. **Findings:** The analysis reveals that financial literacy, environmental awareness, and Maqasid al-Shari'ah significantly influence gold investment decisions ($R^2 = 52.4\%$) and individual well-being ($R^2 = 42.7\%$). Maqasid al-Shari'ah emerged as the strongest direct predictor of well-being ($t = 5.562$). Crucially, gold investment decisions significantly mediate the relationship between all three independent variables and well-being, confirming the theoretical premise that behavioral action translates cognitive and ethical values into welfare outcomes. **Conclusion:** The study concludes that integrating religious financial capability with environmental ethics significantly enhances both investment uptake and holistic well-being. **Novelty/Originality of this article:** This research uniquely integrates financial literacy, environmental awareness, and Maqasid al-Shari'ah into a single framework, establishing the novel mediating role of gold investment decisions in enhancing individual well-being, a mechanism previously examined merely in isolation.

KEYWORDS: financial behavior; individual well-being; Maqasid al-Shari'ah; SGI; sustainable investment.

1. Introduction

The massive expansion of Islamic finance has highlighted the growing importance of aligning financial behavior not only with religious beliefs but also with emerging environmental concerns. However, Islamic financial literacy (the ability to make financial decisions in accordance with Shari'ah principles) remains relatively insignificant in many Muslim-majority societies (McGregor & Hamdan Alghamdi, 2024). This condition suggests that despite the increasing availability of Islamic financial products, such as Shari'ah Gold

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Investments (SGI) (Anwar et al., 2025), a substantial proportion of Muslims still lacks the necessary knowledge and understanding to critically evaluate and differentiate between halal and haram financial instruments (McGregor & Hamdan Alghamdi, 2024). This limited level of literacy not only constrains awareness of Shari'ah-compliant alternatives but also weakens investors' capacity to assess risk, returns, and ethical implications from an Islamic perspective, thereby limiting their broader financial capacity and decision-making quality (Habibullah et al., 2023; Rani & Goyal, 2025).

At the same time, the increasing level of environmental awareness among younger Muslims has begun to reshape investment preferences. Previous studies on Shari'ah-compliant gold investment (SGI) indicate that environmental ethical awareness (EEA) and individual risk-aversion behavior significantly shape investors' perceptions of the ethical value of investment, which in turn influences their behavior in the financial market (Anwar et al., 2025). Individuals who are more aware of environmental issues, particularly those associated with extractive activities such as gold mining, tend to demand more responsibly sourced and Shari'ah-compliant investment products (Anwar et al., 2025; Mohammed Alhassan et al., 2025). This shift reflects a growing tendency among younger investors to integrate ethical and environmental considerations into financial decision-making.

Within this context, the Islamic religious framework of Maqasid al-Shari'ah provides a higher-order justification for integrating financial, ethical, and environmental concerns. In Islam, Maqasid al-Shari'ah function as a comprehensive protective mechanism aimed at preserving religion, life, intellect, lineage, and wealth (Yaakub & Nik Abdullah, 2020; Al-Ayubi & Halawatuddu'a, 2021; Mustofa et al., 2025). Scholars argue that environmental stewardship represents a natural extension of the objective of preserving life, as environmental degradation directly threatens human survival and societal well-being (Yaakub & Nik Abdullah, 2020; Mustofa et al., 2025). Empirical evidence from port-level sustainability strategies in Malaysia further demonstrates that initiatives aligned with Maqasid principles (such as efforts to reduce carbon emissions) not only support environmental sustainability but also enhance economic performance and overall social welfare (Yaakub & Nik Abdullah, 2020).

In line with these principles, gold (particularly in the form of SGI) occupies a distinctive position within Islamic finance. As a safe-haven asset, SGI complies with the prohibitions of *riba*, *gharar*, and *maysir* while offering a tangible mechanism for Muslims to express environmental responsibility and fulfil the Maqasid al-Shari'ah objectives (Juisin et al., 2023). Beyond its financial attributes, empirical evidence suggests that participation in SGI positively satisfies and significantly enhances individual religious fulfilment (Anwar et al., 2025). This combination of spiritual satisfaction and material security contributes meaningfully to individual well-being, reinforcing the role of ethically aligned investment choices in improving quality of life (Juisin et al., 2023).

Recent developments in financial-market research further support the need to integrate Islamic and sustainable finance perspectives. Studies reveal that green financial instruments, sustainable investments, and Islamic assets are interconnected through time-varying return spillovers, suggesting that while these assets offer diversification benefits, they also exhibit distinct behavioral dynamics (Tariq et al., 2025). These characteristics can be strategically leveraged to construct socially responsible and ethically aligned investment portfolios, strengthening the case for Shari'ah-compliant and environmentally conscious investment decisions.

Moreover, ongoing financial innovations within Islamic frameworks demonstrate how doctrinal objectives can be translated into practical and inclusive financial mechanisms. Products such as Cash Waqf-Linked Deposits explicitly embody Maqasid al-Shari'ah principles by promoting poverty alleviation, social justice, and wealth preservation, thereby illustrating the operationalization of Islamic ethical values in advancing inclusive and sustainable development (Tumanggor, 2024; Al-Ayubi & Halawatuddu'a, 2021). Such innovations reinforce the relevance of Maqasid as both a moral compass and a functional guide for modern financial systems (Mustofa et al., 2025).

Insights from the hybrid investor behavior literature further elaborate that investment decisions in Shari'ah-compliant stocks are shaped by investors' risk perceptions, with Maqasid al-Shari'ah considerations playing a moderating role. These findings highlight the relationship between adherence to Maqasid principles, risk-averse behavior, and ethical stock selection decisions within Islamic capital markets (Jalari et al., 2023). Beyond financial decision-making, broader socio-environmental scholarship also argues that Maqasid al-Shari'ah should explicitly guide the protection of the social environment, thereby strengthening the connection between Islamic principles and contemporary socio-environmental challenges (Abdulloh Munir & Kusnadi, 2024; Mustofa et al., 2025).

From a capability perspective, the green financial capability framework posits that the combination of financial literacy and inclusive access to financial services is crucial in encouraging green investment behavior (Sachdeva et al., 2025; Atkinson & Messy, 2012). Importantly, individual behavior functions as a mediating mechanism that transforms knowledge and inclusion into sustainable financial choices (Sachdeva et al., 2025). However, empirical evidence indicates that awareness of Shari'ah-compliant gold investment (SGI) among younger generations remains moderate, signaling a persistent knowledge gap (Wan Jusoh & Harun, 2024). This gap highlights the need for targeted awareness and educational mechanisms to enhance younger investors' understanding of halal-compliant and sustainable investment options.

Complementary evidence from studies on Islamic pawnbroking (Ar-Rahn) further demonstrates that financial inclusion through Shari'ah-compliant credit mechanisms can significantly contribute to economic well-being, particularly among underserved groups (Abdul Razak & Asutay, 2022). These findings collectively underscore the broader role of Islamic finance in promoting social welfare and individual well-being. Despite these extensive insights, prior literature has not yet comprehensively examined how financial literacy, environmental awareness, and Maqasid al-Shari'ah jointly influence individual well-being, particularly when these influences are mediated by gold investment decisions. Existing studies have largely examined these variables in isolation, overlooking the mediating role of investment decision-making behavior. This gap motivates the present research to integrate these dimensions within a single analytical framework. By doing so, this study aims to analyze gold investment behavior through the lens of Islamic-aligned knowledge and ethical awareness, and to assess the extent to which such investment decisions enhance individual well-being among investors in Indonesia (Fig 1).

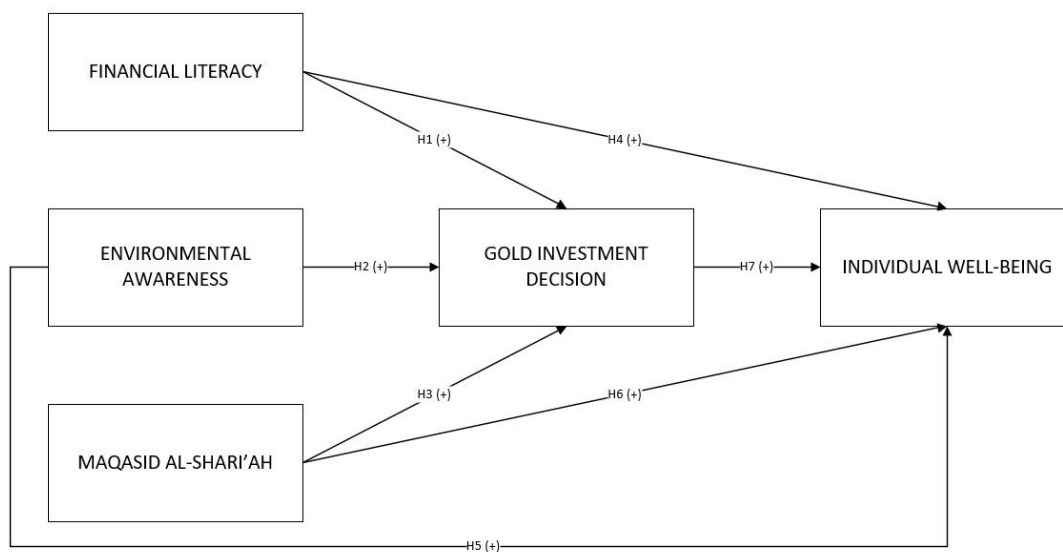


Fig. 1. Conceptual framework

Based on the empirical gaps and theoretical framework provided before, this study proposes several hypotheses. These hypotheses are formulated to examine the relationships among the key variables identified in the literature and to provide empirical evidence for the proposed conceptual model. Furthermore, the hypotheses serve as a foundation for testing the theoretical assumptions underlying the study and addressing the research objectives.

1.1 Financial literacy and gold investment decisions

Financial literacy, specifically Islamic financial literacy (IFL) in this context, is a critical determinant of individuals' ability to navigate the complexities of the modern financial landscape while adhering to Islamic principles. McGregor & Alghamdi (2024) conceptualize IFL as a tool for Muslims to distinguish between halal (allowed) and haram (forbidden) transactions, and to avoid riba (usury) and gharar (uncertainty). Low IFL rates (<30% conventional, <10% Islamic) show that Muslim's capacity to identify Shari'ah-compliant products is not as high as expected (McGregor & Hamdan Alghamdi, 2024). In the context of investment behavior, higher levels of financial capability (including both literacy and inclusion) have been found to drive investment decisions significantly (Sachdeva et al., 2025; Rani & Goyal, 2025). Sachdeva et al. (2025) and Atkinson & Messy (2012) also argued that financial knowledge serves as the primary driver of greener financial behavior, facilitating the transition from mere knowledge to actual investment execution.

Furthermore, in the context of gold investment, Wan Jusoh & Harun (2024) highlight that while gold is traditionally viewed as a safe-haven asset that can be utilised as part of hedging against inflation, the modern adoption of Shari'ah-compliant gold investment (SGI) requires a nuanced understanding of its mechanisms (such as physical backing and spot transactions). Additionally, higher IFL in gold investment decisions suggests that it enables investors to reduce information asymmetry and increases confidence in selecting Sharia-compliant gold (Wan Jusoh & Harun, 2024). However, their findings suggest that, while awareness is increasing, gaps in understanding persist among younger demographics, directly affecting investment uptake (Wan Jusoh & Harun, 2024). Therefore, it posits that possessing the requisite Islamic financial literacy enables investors to recognise the legitimacy and benefits of SGI. Thereby increasing their likelihood of purchasing.

H1: Financial literacy is positively and significantly associated with the decision to purchase Shari'ah-compliant gold among Indonesian investors.

1.2 Environmental awareness and gold investment decisions

The intersection of environmental ethics and financial decision-making has increasingly become prominent in finance, especially in Islamic finance. Anwar et al. (2025) provide empirical evidence that environmental ethical awareness (EEA) significantly influences consumer behavior in the Shari'ah gold market. They posit that investors who are conscious of environmental degradation are more likely to invest in investments that align with their ethical values (such as responsibly sourced gold) (Anwar et al., 2025; Mohammed Alhassan et al., 2025). Path-analysis results show a significant positive coefficient from EEA to perceived ethical value ($\beta = 0.023$; $p = 0.001$) and from that value to SGI ($\beta = 3.327$; $p = 0.001$) (Anwar et al., 2025). This finding aligns with empirical evidence from Sachdeva et al. (2025), who found that green financial capability, driven by environmental awareness, leads to the adoption of green investment behavior.

Furthermore, Tariq et al. (2025) also identified dynamic interconnectivity between green finance, sustainable investment, and gold. This finding suggests that gold is increasingly viewed as a complementary asset within environmentally conscious portfolios. The "flight-to-quality" behavior observed during market stress further reaffirms gold's role as a stable and ethical asset (Tariq et al., 2025). Consequently, investors with high environmental awareness are expected to view Shari'ah-compliant gold not merely as a

financial asset but also as an ethical choice that satisfies their dual desire for sustainability and Shari'ah compliance (Mohammed Alhassan et al., 2025).

H2: Environmental awareness is positively and significantly associated with the decision to purchase Shari'ah-compliant gold among Indonesian investors.

1.3 Maqasid al-Shari'ah and gold investment decisions

Maqasid al-Shari'ah (the objective of Islamic law) serves as the foundational framework for all Islamic-related economic activities (Habibullah et al., 2023). It emphasizes the preservation of faith (din), intellect (aql), lineage (nasl), and wealth (mal) (Habibullah et al., 2023; Al-Ayubi & Halawatuddu'a, 2021). Habibullah et al. (2023) posits that financial activities must be structured to extract benefit and remove harm, thereby fulfilling these objectives. In the context of capital markets, Jalari et al. (2023) found that Maqasid al-Shari'ah plays a moderating role in investor behavior in guiding their selection of stocks and assets that avoid harm and promote social awareness.

Gold investments inherently align with the objectives of Maqasid, specifically hifz al-mal (protection of wealth). This is because of its stability and resistance to currency devaluation (Wan Jusoh & Harun, 2024). Additionally, Yaakub & Nik Abdullah (2020) argue that Maqasid principles extend beyond personal gain to environmental stewardship (hifz al-bi'ah), suggesting that investment decisions guided by Maqasid inevitably favour sustainable and environmentally friendly assets. Therefore, Muslim investors who internalize this principle (Maqasid al-Shari'ah) are more likely to view Shari'ah-compliant gold (SGI) as a means of extending their religious mandate while preserving their wealth. Hence, boosting their purchase decisions.

H3: Maqasid al-Shari'ah is positively and significantly associated with the decision to purchase Shari'ah-compliant gold among Indonesian investors.

1.4 Direct impact of the independent variables on individual well-being

Razak & Asutay (2022) demonstrate that financial inclusion (which is predicated on financial literacy) significantly enhances economic well-being by providing access to productive resources and liquidity management tools to individuals. Similarly, McGregor & Alghamdi (2024) posit that Islamic financial literacy empowers Muslims to manage their finances better without sacrificing their spiritual well-being, thereby reducing cognitive dissonance and improving overall life satisfaction. The protection of the environment is intrinsically linked to human survival and societal welfare. Munir & Kusnadi (2024) argue that maintaining social and physical welfare is a necessity of a dignified life. Individuals who are environmentally aware and act on this awareness contribute to a sustainable ecosystem, which, in turn, supports their physical and social well-being (Yaakub & Nik Abdullah, 2020).

The primary goal of Maqasid al-Shari'ah is to create security and protection for human well-being (falah) in this world and the hereafter. Tumanggor (2024) asserts that, through the Cash Waqf Linked Deposit (CWLD) mode, integrating Maqasid principles into financial instruments directly contributes to poverty alleviation and social justice. Thereby, elevating the personal well-being of beneficiaries. Furthermore, aligning Maqasid principles provides spiritual fulfilment (preservation of din), which is crucial for holistic well-being for Muslim individuals (Habibullah et al., 2023).

H4: Financial literacy has a positive and significant impact on individual well-being among Indonesian investors.

H5: Environmental awareness has a positive and significant impact on individual well-being among Indonesian investors.

H6: Maqasid al-Shari'ah has a positive and significant impact on individual well-being among Indonesian investors.

1.5 The mediating role of gold investment decisions

The relationship between financial literacy, environmental awareness, Maqasid al-Shari'ah, and individual well-being is not always direct. It is often realized through specific behaviors and decisions. Sachdeva et al. (2025) provide a theoretical basis for this mediation. They demonstrate that behavior acts as the bridge between capability and action. In the context of this study, the decision to invest in gold serves as the behavioral mechanism that translates abstract values (literacy, awareness, and Maqasid) into a tangible outcome that can be sensed through well-being.

Previous empirical studies explicitly found that participation in Shari'ah-compliant gold investment (SGI) leads to religious satisfaction, a key dimension of well-being for faithful investors (Anwar et al., 2025). They posit that the decision to invest in a product that is both ethically sound and religiously fair generates a sense of spiritual and psychological fulfilment (Anwar et al., 2025). Additionally, Razak & Asutay (2022) also posit that utilising Islamic gold-compliant facilities (Ar-Rahn) significantly improves economic well-being by stabilizing personal finances. Therefore, it is hypothesized that the positive impact of financial literacy, environmental awareness, and Maqasid al-Shari'ah on well-being is partially mediated by decision-making. The investment decision transforms knowing (literacy) and valuing (environmentalism and Maqasid) into a concrete financial state (wealth preservation through gold) that subsequently increased individual well-being.

H7: Gold investment decisions have a positive and significant impact on individual well-being among Indonesian investors.

H8: Gold investment decisions mediate the relationship between financial literacy and individual well-being.

H9: Gold investment decisions mediate the relationship between environmental awareness and individual well-being.

H10: Gold investment decisions mediate the relationship between Maqasid al-Shari'ah and individual well-being.

2. Methods

2.1 Technical analysis

This study employs the Partial Least Squares Structural Equation Modeling (PLS-SEM) method using SmartPLS version 4 as the primary analytical tool. The selection of PLS-SEM is theoretically and methodologically justified for several reasons. First, the research model developed in this study is complex, involving multiple latent variables and higher-order constructs, such as Financial Literacy and Maqasid al-Shari'ah, as well as mediating relationships through Gold Investment Decision. According to Hair et al. (2022), PLS-SEM is particularly suitable for complex models that include mediation and hierarchical latent constructs, as it focuses on maximizing explained variance (R^2) and predictive accuracy rather than reproducing the covariance matrix.

Second, the main purpose of this research is prediction and theory development, rather than mere theory confirmation. According to Hair et al. (2022), PLS-SEM is particularly recommended for studies that aim to explore and extend theoretical relationships within emerging or complex conceptual frameworks. This aligns with the present study, which integrates financial literacy, environmental awareness, and Maqasid al-Shari'ah into a novel conceptual model designed to predict individual well-being among investors.

2.2 Population and sample

The population of this study comprises Muslim investors in Indonesia, reflecting a group with growing interest in Sharia-compliant and ethical investment products. The sampling technique employed is purposive sampling, with specific inclusion criteria:

respondents must be Indonesian citizens (WNI), Muslims, and individuals who have previously or are currently engaged in investment activities. This sampling approach ensures that participants possess the relevant financial experience and religious understanding necessary to provide informed responses concerning Sharia-based investment behavior.

2.3 Data collections

The data were collected using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree), which produces ordinal data that tend to be non-normally distributed. In such conditions, the variance-based approach of PLS-SEM is more appropriate than the covariance-based SEM (CB-SEM), which assumes multivariate normality and is sensitive to sample size (Hair et al., 2022). The robustness of PLS-SEM in handling small to medium sample sizes and non-normal data makes it ideal for behavioral and social science research.

The data collection process was conducted online via a Google Forms questionnaire, distributed through WhatsApp (WA) and Instagram to reach potential respondents across various regions in Indonesia. Of the 108 participants who initially responded, 100 valid responses were retained after screening for completeness and eligibility against the inclusion criteria (Indonesian citizens, Muslims, and individuals who had previously or were currently investing).

Table 1. Respondent's demographic profile

Characteristic	Category	Frequency	Percentage
Gender	Male	56	51.90%
	Female	54	48.10%
Generation	Generation Z	87	80.60%
	Millennial	21	19.40%
Investment experience	Less than 1 year	9	8.30%
	1-5 years	80	74.10%
	More than 5 years	19	17.60%
Total		108	100%

The demographic profile of respondents is summarized as follows: 51.9% were male ($n = 56$) and 48.1% were female ($n = 52$). In terms of generation, 80.60% belonged to Generation Z ($n = 87$), and 19.40% were Millennials ($n = 21$). Regarding investment experience, 8.30% invested for less than 1 year, 74.10% for 1 to 5 years, and 17.60% for more than 5 years. The composition of respondents indicates that the majority were young Muslim investors with early-to-mid-level investment experience, aligning with the study's focus on financial literacy, ethical awareness, and Sharia-based investment behavior.

2.4 Variable measurement

The measurement items for all constructs in this study were adapted from well-established and peer-reviewed literature to ensure conceptual validity, reliability, and contextual relevance within the Islamic finance framework. Financial literacy was measured using indicators reflecting financial knowledge, financial behavior, financial awareness, and financial attitude, which are consistent with the Islamic financial literacy framework proposed by Alsayigh and Al-Hayali (2022) and operationalized in empirical studies linking financial literacy to investment decision-making (HC & Gusaptono, 2020). These indicators capture respondents' understanding of investment risk, inflation, financial planning, and Shari'ah-compliant financial principles, which are essential for evaluating the quality of investment decisions in an Islamic context.

Environmental awareness was assessed using items derived from the Islamic environmental ethics framework developed by Lokhandwala (2022), which emphasizes stewardship (*khalifah*), environmental conservation, and moral accountability in the

human-nature relationship. These indicators measure respondents' awareness of environmental consequences, preferences for sustainable investment, and support for ethical and eco-friendly practices grounded in Islamic teachings. Maqasid al-Shari'ah was operationalized using five core dimensions, namely the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-'aql*), progeny (*hifz al-nasl*), and wealth (*hifz al-mal*), as synthesized in the systematic literature review by Mubarak et al. (2022). These indicators reflect the extent to which individuals integrate Islamic ethical values, social justice, and the pursuit of *maslahah* (public interest and moral balance) into their financial and investment behavior.

Gold investment decision was measured using behavioral and attitudinal indicators adapted from recent Islamic finance and behavioral investment studies focusing on Shari'ah-compliant investment among millennials (Karmila et al., 2025). The items capture respondents' attitudes, interests, and actual behavior toward gold investment as a stable, ethical, and faith-based financial instrument. Individual well-being was measured based on spiritual, material, and psychological dimensions grounded in the Maqasid al-Shari'ah framework (Kader, 2021). The measurement items were adapted from Mubarak et al. (2022) and reflect perceived financial security, life satisfaction, peace of mind, and harmony between material and spiritual prosperity. This operationalization aligns with the Islamic concepts of *hayatan tayyibah* and *sa'adah*, which embody a holistic, balanced conception of well-being (Kader, 2021).

2.5 Analysis approach

The Partial Least Squares Structural Equation Modeling (PLS-SEM) approach enables an efficient and comprehensive assessment of direct, indirect, and mediating effects through the bootstrapping procedure, which provides robust estimates of path coefficients and their statistical significance (Setiabudhi et al., 2025). This method is particularly effective for evaluating mediation mechanisms, as in this study, where Gold Investment Decision serves as a mediator between Financial Literacy, Environmental Awareness, Maqasid al-Shari'ah, and Individual Well-being. Since the research hypotheses are directional (one-tailed), assuming positive associations among the constructs, the one-tailed testing procedure is employed to evaluate the significance of the hypothesized paths more precisely, consistent with theoretical expectations. The data analysis in PLS-SEM was conducted systematically across several stages to ensure measurement validity and structural accuracy. The process began with outer model evaluation, which examined indicator reliability, internal consistency (Composite Reliability and Cronbach's Alpha), convergent validity (Average Variance Extracted or AVE), and discriminant validity (Fornell-Larcker and HTMT criteria). After the measurement model satisfied the required reliability and validity criteria, the inner model was analyzed to assess the hypothesized relationships among latent constructs using path coefficients (β), R^2 values, effect sizes (f^2), and predictive relevance (Q^2).

The overall model quality was further evaluated using the Goodness of Fit (GoF) index, calculated as the square root of the product of the average AVE and the average R^2 , following the formulation by Tenenhaus et al. (2005) and Henseler & Sarstedt (2013). A higher GoF value reflects strong model validity and predictive accuracy. Subsequently, the bootstrapping procedure with 5,000 resamples was employed to test the significance of direct, indirect, and mediating effects under the one-tailed hypothesis framework. This resampling approach strengthens the robustness of statistical inference by providing standard errors and confidence intervals for each estimated path. In summary, the application of PLS-SEM in this study ensures both methodological rigor and predictive relevance, aligning with current best practices in quantitative modeling within the fields of finance and behavioral research (Hair et al., 2022; Henseler & Sarstedt, 2013).

3. Results and Discussion

3.1 Common bias method

All constructions in this study were measured using a single self-reported questionnaire, which raises potential concerns regarding common method bias (CMB). Recognizing this threat to internal validity, the study deliberately implemented both procedural and statistical controls, consistent with contemporary PLS-SEM guidelines (Kock, 2015; Hair et al., 2022). At the instrument design stage, items were formulated using clear and neutral wording and arranged in varied sequences to reduce response pattern effects. In addition, respondents were assured of anonymity and confidentiality to mitigate social desirability tendencies and encourage more candid responses (Podsakoff et al., 2012).

Empirically, CMB was assessed using Harman's single-factor test based on an unrotated exploratory factor analysis. The results showed that the first factor did not account for more than 50 percent of the total variance, indicating that common method variance was not a dominant source of covariance among the constructs (Podsakoff et al., 2012). To further corroborate this finding, a full collinearity assessment was conducted using variance inflation factors (VIF) in SmartPLS. All constructions exhibited VIF values below the conservative threshold of 3.3, which, according to Kock (2015), suggests that the model is not affected by common method bias. In line with Hair et al. (2022), this combined procedural and statistical approach provides strong evidence that the estimated structural relationships reflect substantive theoretical linkages rather than artifacts of the measurement method.

3.2 Outer model testing

Based on the evaluation of the measurement model, all constructs in this study exhibit strong and stable internal reliability, consistent with the PLS-SEM guidelines proposed by Hair et al. (2022). Both Cronbach's alpha and Composite Reliability (CR) values exceed the recommended threshold of 0.70 for all constructs, including Environmental Awareness ($\alpha = 0.732$; CR = 0.833), Financial Literacy ($\alpha = 0.760$; CR = 0.789), Gold Investment Decision ($\alpha = 0.833$; CR = 0.877), Maqasid al-Shari'ah ($\alpha = 0.846$; CR = 0.886), and Individual Well-being ($\alpha = 0.892$; CR = 0.917). The consistently higher CR values relative to Cronbach's alpha indicate that reliability estimation within the PLS-SEM framework is more appropriate, as it does not assume equal indicator loadings. Overall, these results confirm that the constructions demonstrate high to very high internal consistency.

Table 1. Outer Factor Loading, Cronbach's alpha, Composite reliability and AVE

	Outer Loading	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
Environmental Awareness		0.732	0.833	0.557
EA_1	0.688			
EA_2	0.810			
EA_3	0.746			
EA_4	0.791			
EA_5	0.661			
Financial Literacy		0.760	0.789	0.556
FL_1	0.768			
FL_2	0.759			
FL_3	0.711			
Gold Investment Decision		0.833	0.877	0.544
GI_1	0.751			
GI_2	0.747			
GI_3	0.696			
GI_4	0.783			

	Outer Loading	Cronbach's alpha	Composite reliability	Average variance extracted (AVE)
GI_5	0.676			
GI_6	0.769			
Maqasid al-Shari'ah		0.846	0.886	0.566
MS_1	0.720			
MS_2	0.635			
MS_3	0.682			
MS_4	0.676			
MS_5	0.700			
MS_6	0.785			
MS_7	0.708			
MS_8	0.794			
Individual Well-being		0.892	0.917	0.649
WELL_1	0.704			
WELL_2	0.802			
WELL_3	0.597			
WELL_4	0.847			
WELL_5	0.756			
WELL_6	0.828			
WELL_7	0.854			

Regarding convergent validity, all constructs also satisfy the criteria recommended by Hair et al. (2022), which requires the Average Variance Extracted (AVE) to be at least 0.50. The AVE values for Environmental Awareness (0.557), Financial Literacy (0.556), Gold Investment Decision (0.544), Maqasid al-Shari'ah (0.566), and Individual Well-being (0.649) indicate that each construct explains more than half of the variance in its indicators. This finding confirms that the indicators are strongly associated with their respective latent constructions and that the variance captured by the constructions is not dominated by measurement error.

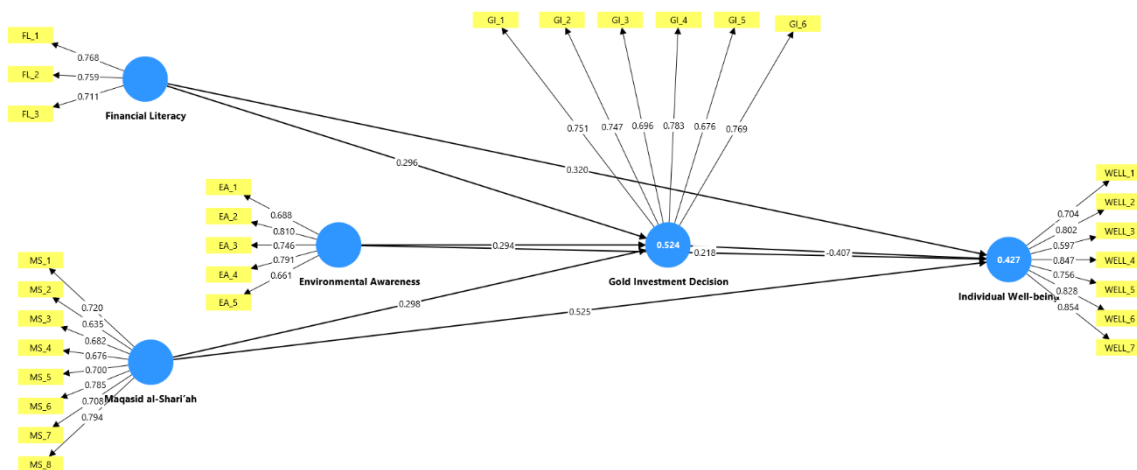


Fig. 2. PLS-SEM algorithm

Furthermore, the outer loading results demonstrate that all indicators contribute meaningfully to their respective constructs. Most indicators have loadings above 0.70, while a small number fall within the acceptable moderate range between 0.60 and 0.70, including EA_1 (0.688), EA_5 (0.661), GI_3 (0.696), MS_2 (0.635), and WELL_3 (0.597). As suggested by Hair et al. (2022), indicators within this range may be retained as long as the CR and AVE values meet the recommended thresholds, which is the case for this model. Accordingly, all indicators are empirically and methodologically justified for retention, and the measurement model as a whole can be considered reliable and valid for subsequent structural model analysis (Fig. 2).

Table 2. Heterotrait–monotrait ratio (HTMT)- discriminant validity

	Environmental awareness	Financial literacy	Gold investment decision	Individual well-being	Maqasid al-Shari'ah
Environmental awareness					
Financial literacy	0.662				
Gold investment decision	0.739	0.762			
Individual well-being	0.520	0.542	0.297		
Maqasid al-Shari'ah	0.782	0.584	0.714	0.625	

Based on the Heterotrait–Monotrait Ratio (HTMT) results presented in the table, it can be concluded that all constructs in the research model satisfy the criteria for adequate discriminant validity. All HTMT values between constructs are below the conservative threshold of 0.85 recommended by Hair et al., indicating that each construct is conceptually distinct and does not excessively overlap with others. In particular, the highest HTMT values are observed between Environmental Awareness and Maqasid al-Shari'ah (HTMT = 0.782) and between Gold Investment Decision and Financial Literacy (HTMT = 0.762); however, these values remain within acceptable limits and therefore do not indicate problems of construct redundancy. Accordingly, each latent variable in the model can be treated as an empirically and theoretically distinct construct, confirming that the measurement model exhibits strong discriminant validity to support further structural model testing.

Table 3. Fornell–larcker (discriminant validity)

	Environmental awareness	Financial literacy	Gold investment decision	Individual well-being	Maqasid al-Shari'ah
Environmental awareness	0.740				
Financial literacy	0.542	0.746			
Gold investment decision	0.570	0.559	0.737		
Individual well-being	0.473	0.404	0.250	0.777	
Maqasid al-Shari'ah	0.708	0.427	0.612	0.548	0.714

The results of the Fornell–Larcker criterion further reinforce this conclusion. For each construct, the square root of the Average Variance Extracted (AVE) on the diagonal is greater than its correlations with all other constructs. This indicates that each construct shares more variance with its own indicators than with any other latent variable. For instance, although Environmental Awareness is moderately correlated with Maqasid al-Shari'ah (0.708), its square root of AVE (0.740) is higher, confirming that both constructs capture distinct conceptual dimensions. A similar pattern is observed across all constructs, demonstrating that each latent variable is empirically more strongly associated with its own indicators than with other constructs in the model.

Taken together, the HTMT and Fornell–Larcker results provide strong empirical evidence that the measurement model is free from overlapping constructs and conceptual redundancy. Each construct uniquely represents a different dimension of the phenomenon under investigation, including environmental awareness, financial literacy, gold investment decision, individual well-being, and Maqasid al-Shari'ah. This finding is consistent with the principles of multivariate analysis, which require that different constructs measure distinct theoretical concepts to ensure valid structural estimates (Savitri et al., 2021; Hair et al., 2022). Consequently, the model demonstrates robust discriminant validity, allowing subsequent structural path analysis to be interpreted with confidence.

3.3 Inner model testing

Based on the R-square results, Gold Investment Decision has an R^2 value of 0.524 and an adjusted R^2 of 0.510, indicating that approximately 51 percent of the variance in gold

investment decisions is explained by the independent variables included in the model after accounting for model complexity. This level of explanatory power can be considered relatively strong, suggesting that constructions such as Environmental Awareness, Financial Literacy, and Maqasid al-Shari'ah play a substantial role in shaping individuals' decisions to invest in gold. The remaining variation is attributable to other factors not included in the model, such as individual risk preferences, market conditions, or prior investment experience.

Table 4. R-square and R-Square adjusted

	R-square	R-square adjusted
Gold investment decision	0.524	0.510
Individual well-being	0.427	0.403

Meanwhile, Individual Well-being exhibits an R^2 value of 0.427 and an adjusted R^2 of 0.403, indicating that approximately 40% of the variation in individual well-being is accounted for by the predictors in the model. Although this value is lower than that of Gold Investment Decision, it still represents a moderate to strong level of explanatory power in the context of behavioral and social science research, where outcomes are influenced by multiple complex factors. These findings indicate that investment-related decisions and value-based constructions such as Maqasid al-Shari'ah, meaningfully contribute to individuals' well-being, while a portion of the variance remains explained by external influences such as social conditions, income stability, and personal circumstances.

Table 5. F-square

	Environmental awareness	Financial literacy	Gold investment decision	Individual well-being	Maqasid al-Shari'ah
Environmental awareness			0.104	0.043	
Financial literacy			0.142	0.120	
Gold investment decision				0.138	
Individual well-being					
Maqasid al-Shari'ah			0.108	0.252	

Based on the f^2 effect size results, the predictors exhibit varying degrees of influence on the endogenous constructs in the model. For Gold Investment Decision, Financial Literacy ($f^2 = 0.142$) and maqasid al-shari'ah ($f^2 = 0.108$) show small to moderate effects, while Environmental Awareness ($f^2 = 0.104$) demonstrates a small but meaningful contribution. According to the guidelines proposed by Cohen and adopted in -PLS-SEM (0.02 = small, 0.15 = medium, 0.35 = large), these values indicate that all three predictors provide substantive explanatory power in shaping individuals' decisions to invest in gold, even though no single variable dominates the model.

With respect to Individual Well-being, maqasid al-shari'ah ($f^2 = 0.252$) exhibits a moderate to strong effect, making it the most influential predictor of well-being in the model. In contrast, Financial Literacy ($f^2 = 0.120$) and Gold Investment Decision ($f^2 = 0.138$) show small to moderate effects, while Environmental Awareness ($f^2 = 0.043$) has a relatively small effect size. These findings suggest that value-based and ethical dimensions captured by maqasid al-shari'ah play a particularly important role in enhancing individual well-being, while financial competence and investment behavior also contribute, albeit to a lesser extent.

Table 6. Goodness of fit (GoF) testing

Variable	AVE	R -square
Environmental awareness	0.557	
Financial literacy	0.556	
Gold investment decision	0.544	0.524
Individual well-being	0.649	0.427
Maqasid al-shari'ah	0.566	
Average	0.574	0,476

$$GoF = \sqrt{\{AVE\} \times \{R^2\}} \quad (Eq.1)$$

$$GoF = \sqrt{\{0.574 \times 0.476\}}$$

$$GoF = \sqrt{\{0.273\}} = 0.523$$

Based on the Goodness of Fit (GoF) assessment following the framework of Tenenhaus et al. (2005) and Wetzels et al. (2009), as also adopted by Haryono (2016), the obtained GoF value of 0.523 exceeds the recommended threshold of 0.36 for a large model fit. This finding indicates that the proposed model achieves a strong level of overall fit, capturing both satisfactory measurement quality, as reflected by the Average Variance Extracted (AVE), and substantial explanatory power of the structural model, as indicated by the R² values. Accordingly, the model can be regarded as robust and suitable for hypothesis testing.

3.4 Hypotheses testing

The bootstrapping results of the structural model indicate that all hypothesized direct relationships are statistically significant. Financial Literacy, Environmental Awareness, and Maqasid al-Shari'ah have positive and significant effects on Gold Investment Decision, with t-statistics of 3.424 (p < 0.001), 3.050 (p = 0.001), and 3.223 (p = 0.001), respectively. These findings suggest that higher levels of financial literacy, environmental awareness, and Maqasid-based value orientation strengthen individuals' propensity to invest in gold. Furthermore, these three variables also exert significant direct effects on Individual Well-being, with Financial Literacy (t = 3.363; p < 0.001), Environmental Awareness (t = 1.708; p = 0.044), and Maqasid al-Shari'ah (t = 5.562; p < 0.001). Among them, Maqasid al-Shari'ah shows the strongest effect, highlighting the dominant role of value-based and purpose-driven considerations in shaping individual well-being. In addition, Gold Investment Decision itself has a significant positive effect on Individual Well-being (t = 3.019; p = 0.001), indicating that investment decisions in gold contribute meaningfully to respondents' well-being.

Table 7. Hypotheses result test

Hypotheses	Path analysis	T statistics	P values
H1	Financial Literacy -> Gold Investment Decision	3.424	0.000
H2	Environmental Awareness -> Gold Investment Decision	3.050	0.001
H3	Maqasid al-Shari'ah -> Gold Investment Decision	3.223	0.001
H4	Financial Literacy -> Individual Well-being	3.363	0.000
H5	Environmental Awareness -> Individual Well-being	1.708	0.044
H6	Maqasid al-Shari'ah -> Individual Well-being	5.562	0.000
H7	Gold Investment Decision -> Individual Well-being	3.019	0.001
H8	Financial Literacy -> Gold Investment Decision -> Individual Well-being	1.966	0.025
H9	Environmental Awareness -> Gold Investment Decision -> Individual Well-being	2.312	0.010
H10	Maqasid al-Shari'ah -> Gold Investment Decision -> Individual Well-being	1.657	0.049

Beyond the direct effects, the specific indirect effects confirm the mediating role of Gold Investment Decision in linking the exogenous variables to Individual Well-being. In particular, the indirect effect of Financial Literacy through Gold Investment Decision is significant ($t = 1.966$; $p = 0.025$), as are those of Environmental Awareness ($t = 2.312$; $p = 0.010$) and Maqasid al-Shari'ah ($t = 1.657$; $p = 0.049$). These results indicate that the three constructs influence well-being not only directly but also indirectly through individuals' investment decisions in gold. Thus, Gold Investment Decision functions as a transmission mechanism that connects cognitive factors (financial literacy), affective factors (environmental awareness), and normative values (Maqasid al-Shari'ah) to the achievement of individual well-being, thereby strengthening the theoretical validity of the proposed research model. Based on the significance of all direct and indirect paths, it can be concluded that all hypotheses (H1 to H10) are empirically supported (Fig 3).

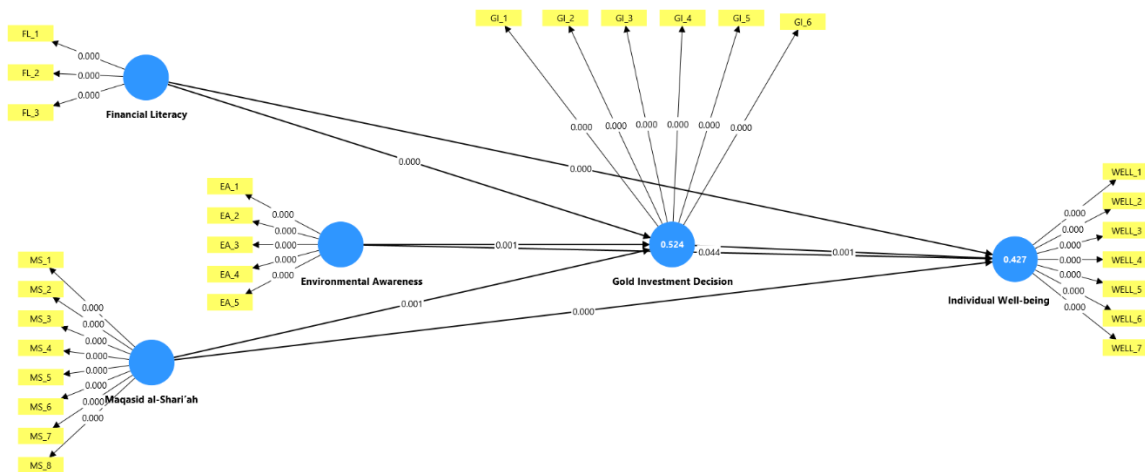


Fig .3. Result of bootstrapping

3.5 Discussion

Findings from this study provide strong empirical support for the integrated framework linking Islamic financial literacy, environmental awareness, and Maqasid al-Shari'ah to both gold investment decisions and individual well-being. All ten hypotheses are statistically supported, confirming that these three variables jointly shape Shari'ah-compliant gold investment behavior and its subsequent impact on well-being among Indonesian investors. This result directly addresses the literature gap identified by McGregor & Hamdan Alghamdi (2024) and Wan Jusoh & Harun (2024), who noted that, despite the rapid expansion of Islamic financial products, Muslim investors' decision quality remains constrained by limited Shari'ah-aligned financial capability. By empirically demonstrating that financial literacy, environmental awareness, and Maqasid al-Shari'ah significantly influence both investment behavior and well-being, this study provides integrated behavioral evidence supporting the role of Islamic green finance.

The significant positive effect of Financial Literacy on Gold Investment Decision (H1) confirms that Islamic financial knowledge is a critical enabler of Shari'ah-compliant investment behavior. This finding is consistent with McGregor and Hamdan Alghamdi (2024), who argue that Islamic financial literacy equips Muslims with the ability to distinguish halal from haram transactions while understanding financial risk and ethical implications. It also supports Sachdeva et al. (2025), who demonstrate that financial capability is the primary driver of sustainable financial behavior. In the context of Shari'ah-compliant gold, these results indicate that financially literate investors are better positioned to evaluate contract structures, physical backing, and compliance with *riba* and *gharar* restrictions, thereby increasing their confidence and willingness to invest.

The positive and significant influence of Environmental Awareness on Gold Investment Decision (H2) further confirms the role of ethical consciousness in shaping Islamic

investment choices. This result aligns closely with Anwar et al. (2025), who found that environmental ethical awareness enhances the perceived ethical value of Shari'ah-compliant gold, and with Tariq et al. (2025), who demonstrate that gold is increasingly embedded within green and sustainable portfolios due to its safe-haven and ethical characteristics. The present findings extend this literature by showing that environmentally aware Muslim investors perceive Shari'ah-compliant gold not merely as a financial hedge, but as an investment that coherently integrates sustainability and religious compliance.

Similarly, the strong positive effect of Maqasid al-Shari'ah on Gold Investment Decision (H3) provides robust empirical support for the role of Islamic normative values in guiding financial behavior. This is consistent with the findings of Habibullah et al. (2023) and Jalari et al. (2023) who argue that Maqasid functions as a moral compass that guides investors toward socially responsible and non-speculative assets. Since gold inherently fulfills *hifz al-mal* (protection of wealth) while avoiding *riba* and *gharar*, Maqasid-oriented investors naturally perceive Shari'ah-compliant gold as a legitimate and meaningful financial instrument. This finding also corroborates Yaakub & Nik Abdullah (2020) argument that Maqasid extends to environmental stewardship, thereby reinforcing the ethical appeal of responsibly sourced gold.

Finally, the direct and mediated effects on Individual Well-being (H4–H10) demonstrate that financial literacy, environmental awareness, and Maqasid al-Shari'ah contribute to well-being both independently and through gold investment behavior. These findings are consistent with Razak & Asutay (2022) and McGregor & Hamdan Alghamdi (2024), who show that financial capability enhances economic and psychological security, and with Munir & Kusnadi (2024), who emphasize the welfare benefits of environmental sustainability. Moreover, the mediating role of Gold Investment Decision validates the behavioral mechanism proposed by Sachdeva et al. (2025), whereby knowledge and ethical values translate into improved well-being only when enacted through concrete financial actions. In this study, Shari'ah-compliant gold investment operationalizes Islamic and environmental values into wealth preservation and spiritual fulfilment, thereby reinforcing the integrated Islamic–sustainability framework of well-being.

4. Conclusions

This study is timely and necessary because Muslim investors today face a dual imperative to adhere to Shari'ah principles while responding to growing environmental concerns, yet Islamic financial literacy in many Muslim-majority societies remains insufficient to support high-quality investment decision-making (McGregor & Hamdan Alghamdi, 2024; Habibullah et al., 2023). Prior research shows that environmental ethical awareness influences preferences for Shari'ah-compliant gold investment (SGI) (Anwar et al., 2025), and that Maqasid al-Shari'ah provides a normative foundation for integrating wealth protection with social and environmental welfare (Yaakub & Nik Abdullah, 2020). The novelty of this study lies in integrating financial literacy, environmental awareness, and Maqasid al-Shari'ah into a single model that explains individual well-being both directly and indirectly through gold investment decisions, consistent with the view that behavior translates capabilities and values into welfare outcomes (Sachdeva et al., 2025).

Empirically, all hypotheses (H1–H10) are supported, demonstrating that these three key variables significantly influence gold investment decisions and also enhance individual well-being, both directly and through the mediating role of investment behavior. These findings reinforce prior evidence that Islamic financial literacy reduces information asymmetry and strengthens confidence in selecting halal instruments (McGregor & Hamdan Alghamdi, 2024; Wan Jusoh & Harun, 2024), environmental awareness increases the ethical appeal of SGI (Anwar et al., 2025), and Maqasid al-Shari'ah guides investors toward socially responsible and wealth-preserving assets (Habibullah et al., 2023; Jalari et al., 2023). Practically, the results call for stronger Shari'ah-based financial education, greater transparency and sustainability in gold supply chains, and product communication

grounded in Maqasid values to promote both ethical investment and holistic well-being.

This study is subject to limitations, including its cross-sectional design and reliance on self-reported survey data, although statistical control for common method bias was implemented. The sample is dominated by young (Gen Z) investors using purposive sampling, which limits the generalizability of the findings. Future research should adopt longitudinal designs, include more diverse investor groups, and incorporate additional behavioral and market variables such as risk perception, income, digital literacy, and market volatility. Mixed-method approaches are also recommended to deepen understanding of how Shari'ah-compliant gold investment generates both material security and religious fulfilment.

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Author Contribution

Conceptualization, T.J.V.; Methodology, T.T.K.; Software, T.T.K.; Validation, T.J.V. and T.T.K.; Formal Analysis, T.T.K.; Investigation, T.J.V. and T.T.K.; Resources, T.J.V. and T.T.K.; Data Curation, T.J.V.; Writing – Original Draft Preparation, T.J.V.; Writing – Review & Editing, T.J.V. and T.T.K.; Visualization, T.T.K.; Supervision, T.J.V. and T.T.K.; Project Administration, T.T.K.

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Ethical Review Board Statement

Not applicable.

Informed Consent Statement

Informed consent was obtained from all subjects involved in the study.

Data Availability Statement

The data for this research are not publicly available due to privacy restrictions on respondent anonymity.

Conflicts of Interest

The authors declare no conflict of interest

Declaration of Generative AI Use

Throughout the preparation of this study, the authors used Grammarly to assist in proofreading and checking for grammatical errors. Additionally, the authors utilized Gemini and ChatGPT to assist with summarizing source materials and brainstorming ideas. After using these tools, the authors conducted an independent analysis, reviewed and edited the content as needed, and took full responsibility for the publication's content.

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