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Do Sharia Investments Promote Responsible Consumption? A Structural Equation Modeling Approach

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Abstrak

This study investigates the influence of Sharia-compliant investment utilization and income on muslim consumption behavior, with Islamic financial literacy as a moderating variable. It addresses a theoretical gap by explaining how reduced consumption when guided by Sharia principles reflects ethical restraint, grounded in the Theory of Planned Behavior and Islamic values such as wasathiyah (moderation) and qana'ah (contentment). Using a quantitative approach and Partial Least Squares Structural Equation Modeling (PLS-SEM), data were collected from 200 Muslim investors to examine direct and moderated relationships. Results show that Sharia investment significantly reduces consumption, promoting disciplined financial behavior. However, income increases consumption, while religiosity shows no significant effect. Islamic financial literacy significantly strengthens the link between Sharia investment and responsible consumption but does not moderate the income consumption relationship, indicating that knowledge alone may not curb materialistic spending. The study offers novel insights into how ethical investment behavior is shaped by literacy, highlighting the importance of value-based education. Findings suggest practical implications for policymakers and Islamic financial institutions to integrate financial literacy programs that align financial practices with Islamic ethics. Ultimately, strengthening literacy beyond cognition toward values and behavior can support more sustainable and ethical financial decision-making in Muslim communities.

Keywords: Islamic Finance; Investment, Consumption Behavior; Financial Literacy; Income; Muslim Community.

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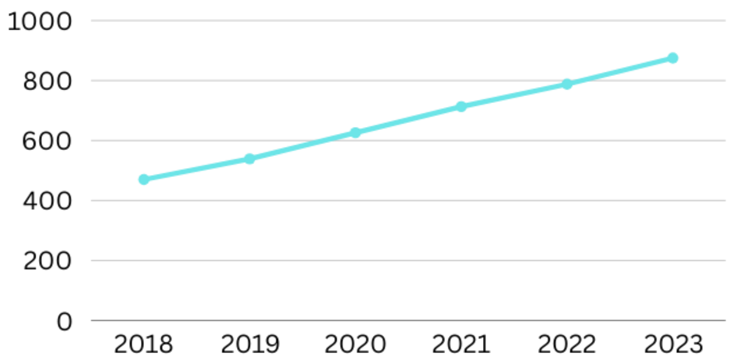
INTRODUCTION

The sharia financial sector has experienced swift advancement in recent decades, reflecting the growing knowledge within the Muslim population regarding the significance of executing financial transactions in compliance with sharia principles (Alassane, 2015). Sharia-compliant investment vehicles, including sharia mutual funds, sukuk, and sharia-based equities, are gaining popularity due to their provision of a more ethical alternative in financial management (Kamiyama & Kashiwagi, 2019). Furthermore, these goods provide the Muslim community avenues for investment that adhere to Islamic values, eschewing components of usury, uncertainty, and gambling (Shaikh et al., 2018).

Figure 1. Development of Global Sukuk Outstanding (in billion USD)



Source: (Dinar Standard, 2023)

The global outstanding sukuk market has demonstrated robust growth, rising from US$470.28 billion in 2018 to US$875 billion in 2023, marking an increase of nearly 86% over the past five years. This trajectory reflects the sustained and expanding global demand for Sharia-compliant investment instruments. Sukuk has become a cornerstone in Islamic capital markets, not only among OIC countries but also increasingly in non-Muslim majority financial hubs seeking to attract ethical and faith-based investors.

Numerous studies have underscored the appeal of Islamic finance within a broader ethical investment framework (Alkhasawneh, 2015; Kamiyama & Kashiwagi, 2019). This continued momentum illustrates the substantial potential of Islamic investment tools in the global market. The appeal of sukuk is driven not solely by religious adherence, but also by structural factors such as supportive regulations, growing awareness of socially responsible investing, and rapid advancements in digital financial infrastructure that make Sharia-compliant products more accessible.

Individual religiosity significantly impacts the decision to utilize Sharia investment solutions. Junaidi (2021) asserts that religiosity significantly influences individuals' decisions to select Sharia-compliant financial goods. Individuals exhibiting elevated religiosity typically favor investing goods that conform to Islamic standards, as they perceive these options as safer and more consistent with their religious doctrines. In this context, religiosity entails a profound comprehension of Islamic doctrines that regulate all facets of life, including financial stewardship and consumer practices. This prompts individuals to prioritize not only tangible wealth but also the benefits and equilibrium emphasized in Islam, which encompasses the principle of moderation in consumption and financial stewardship. However, religiosity alone may not fully explain financial behavior, as Amin et al. (2017) found that the alignment of attitudes with practical financial choices often requires supporting literacy and environmental consistency.

Nonetheless, while religiosity may motivate individuals to engage with Sharia-compliant products, the correlation between the utilization of such investment products and more moderate consumption behaviors necessitates additional investigation. Islam instructs its adherents to eschew excessive consumerism and to maintain equilibrium between material and spiritual requirements. Individuals investing in Sharia financial products are anticipated to demonstrate more responsible consuming behavior, eschewing excessive spending and favoring equilibrium in their financial management. Research by Lajuni et al. (2020) indicates that while individuals utilize Sharia investment products, not all demonstrate more regulated consuming behaviors. This suggests that factors beyond religious also affect consumption behavior, one of which is sharia financial literacy.

Sharia financial literacy is a critical determinant of individual financial choices, particularly regarding investment and consumption. Lusardi & Mitchell (2014), in their foundational work on financial literacy, emphasized that higher levels of financial knowledge are associated with more cautious and planned economic behavior, a pattern that holds relevance within the Islamic financial system. Sharia financial literacy denotes an individual's comprehension of Islamic economic tenets and the management of finances in accordance with those tenets. Zulfaka & Kassim (2023) assert that individuals with strong sharia financial literacy are inclined to make more prudent investment choices, particularly in the management of their consumption. This aligns with the research conducted by Dharma et al. (2024), which indicates that individuals possessing strong financial literacy are more adept at managing their assets in accordance with Islamic principles, eschewing wastefulness, and investing in instruments that yield both material and spiritual benefits. Conversely, those with less sharia financial literacy are more susceptible to engaging in wasteful and unplanned purchasing behaviors, even when they invest in sharia financial goods. Consequently, sharia financial literacy may serve as a moderating variable that affects the link between sharia investment and consumption behavior.

Additionally, income variables significantly affect the consumption behaviors of the Muslim community. Fahm (2019) study indicates that while elevated income typically correlates with augmented consumption, an Islamic viewpoint posits that such wealth should be allocated not solely for personal expenditure but also for societal contributions via zakat, infak, and sedekah. Islam instructs that wealth obtained should be shared, benefiting not only individuals but also assisting those in need. Consequently, a rise in income should motivate individuals to exercise greater prudence in financial management and to engage more actively in philanthropic endeavors. Nonetheless, many individuals continue to misallocate their money while utilizing sharia-compliant financial products. This underscores the necessity of cultivating sharia financial literacy to improve public comprehension of equitable wealth distribution's significance. Nonetheless, as shown by Shaikh et al. (2018), the availability of income—even in value-based systems—tends to elevate consumption levels unless balanced by strong internalized values or financial discipline mechanisms.

Furthermore, the advancement of digital technology and the accessibility of information via online platforms significantly contribute to the improvement of sharia financial literacy among the youth. Marzuki (2020) underscores that progress in information technology and the evolution of FinTech (Financial Technology) create chances for the younger generation to engage more actively in sharia investments. The public can readily access Shariah investment products and information pertaining to the Shariah capital market through digital applications, hence improving their Shariah financial literacy. Technology enables investors to track their investments in real-time, facilitating more astute and informed decision-making. Consequently, digital sharia financial literacy should be a central emphasis in the plan for advancing the sharia economy.

A large proportion of productive age individuals within many Muslim-majority nations positions their youth as key drivers in advancing the Islamic capital market. To fully harness this demographic potential, younger generations must be equipped with sound knowledge of Sharia-compliant finance to enable prudent and value-aligned financial decision-making. Wardana (2024) demonstrates that while the younger generation in Indonesia exhibits a growing interest in investing in the sharia capital market, the primary obstacle encountered is the insufficient comprehension and accessibility of proper sharia financial knowledge. Consequently, it is essential to perpetually improve sharia financial literacy initiatives, particularly among the youth.

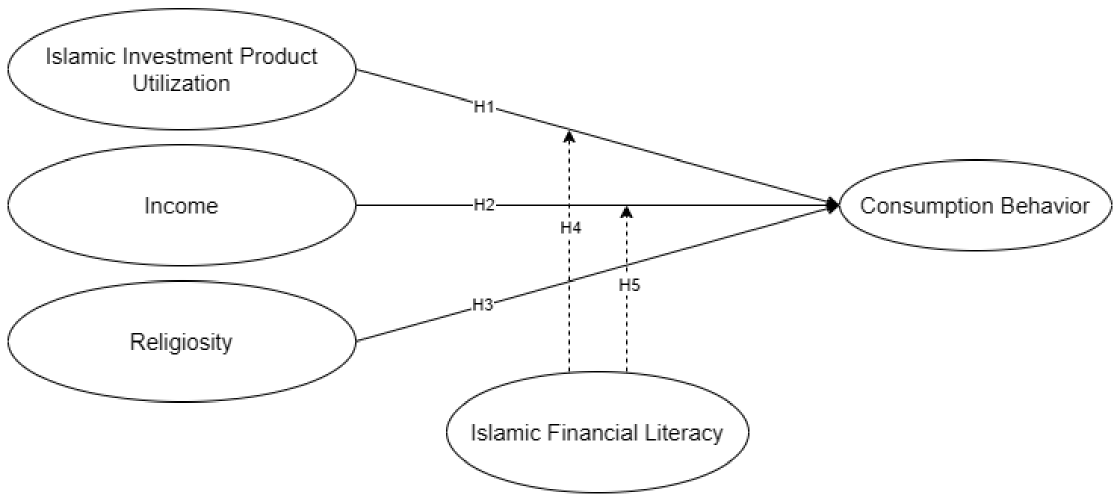
This research will incorporate Islamic financial literacy as a moderating variable that influences the relationship between Islamic investment products and consumption behavior, along with the role of external factors such as technological advancements and government policies in enhancing Islamic financial literacy. This research aims to yield effective policy recommendations to enhance Muslim community engagement in the sharia capital market and promote improved financial management. These efforts are in line with the suggestions of Alkhasawneh (2015),who underscored the importance of aligning consumer motivations with ethical Islamic finance to reduce impulsivity and materialistic tendencies.

Over the long term, the enhancement of Islamic financial literacy can foster sustainable economic growth and increase societal well-being. This study will evaluate how a strategy rooted in Islamic beliefs might enhance sustainable Sharia financial management. In this perspective, it is essential to recognize that Sharia investing transcends simply financial gain, encompassing the moral and social values inherent in Islamic principles. Furqani (2017) asserted that consuming in Islamic economics serves not merely to satisfy individual necessities but also to attain social and spiritual welfare. Consequently, sustainable sharia investments must take into account ethical and social dimensions, rather than solely emphasizing financial returns.

This study seeks to analyze the influence of Sharia investment products and income on the consumption patterns of the Muslim population, with Sharia financial literacy serving as a moderating variable. This study aims to elucidate the impact of Islamic financial literacy on the correlation between Islamic investment and consumption, while also examining how variables such as religiosity and income influence the development of more responsible consuming behaviors. This research aims to offer valuable advice for Islamic financial institutions, regulators, and the community to improve Islamic financial literacy and promote sustainable financial management. The findings of this research are anticipated to address the literature gap concerning the consumption behavior of Muslim communities investing in Sharia-compliant financial goods. This research aims to offer profound insights into the impact of Islamic financial literacy on investment and consumption decisions.

Based on the theoretical foundations and empirical findings discussed in the preceding section, this study develops a conceptual framework that integrates Islamic investment product utilization, income, religiosity, and Islamic financial literacy in explaining Muslim consumption behavior. Drawing upon the Theory of Planned Behavior (TPB) and Social Cognitive Theory (SCT), the model postulates that individual behavior is influenced by attitudinal, normative, and control-related beliefs, as well as self-efficacy and environmental factors. These relationships are illustrated in the research model and give rise to the following hypotheses:

Figure 2. Research Conceptual Framework



Source: Author (2025)

The utilization of Sharia-compliant investment products and income are treated as independent variables, while consumption behavior serves as the dependent variable. Religiosity is incorporated as a predictor reflecting internalized values, and Islamic financial literacy is introduced as a moderating variable expected to strengthen the relationship between financial inputs and consumption outcomes.

METHODS

This study employs a quantitative methodology utilizing the Partial Least Squares-based Structural Equation Modeling (SEM-PLS) technique to examine the relationship among independent variables (the utilization of sharia investment products and income), dependent variables (consumption behavior), and moderating variables (sharia financial literacy). SEM-PLS was selected due to its efficacy in evaluating complex models, its appropriateness for smaller sample numbers, and its compatibility with data that do not adhere to a multivariate normal distribution (Hair et al., 2021). This method allows for the simultaneous and thorough evaluation of latent relationships among variables.

The research population comprises the Muslim community that utilizes Sharia financial products, including Sharia mutual funds, sukuk, and Sharia equities. The employed sampling technique is purposive sampling, with the stipulation that participants are of productive age (15–64 years) and possess experience in investing in Sharia financial instruments. The data collecting results indicate that the total number of legitimate and verified respondents in this study was 200 individuals. This quantity satisfies the minimum criteria for SEM-PLS analysis as per Hair et al. (2019) and enables the acquisition of representative outcomes within the framework of an exploratory investigation.

Data were gathered via an online questionnaire disseminated through Google Forms. The questionnaire was constructed using validated indicators from other studies, including Dharma et al., (2024); Lajuni et al., (2020); Zulfaka & Kassim, (2023) and was tailored to the Muslim community setting. Each item in the questionnaire is evaluated on a 1–5 Likert scale, with 1 representing severe disagreement and 5 representing strong agreement. This scale aims to assess respondents' opinions and attitudes with precision and sensitivity. Prior to analysis, the data undergoes filtration to eliminate outliers and missing values, while content validity is assessed through expert evaluation by scholars in Islamic economics and financial behavior.

Table 1. Variable Operational Definition

Variable	Operational Definition	Indicators	Scale
Consumption Behavior (Y)	The consumption behavior patterns of Muslim individuals	Consumption preferences, expenditure control, spending patterns on primary and	Interval

	after utilizing Sharia investment products.	secondary needs. (Dharma et al., 2024; Furqani, 2017; Junaidi, 2021; Lajuni et al., 2020)	
Islamic Investment Product Utilization	The intensity and types of Sharia-compliant investment products utilized by individuals.	Sharia mutual funds, sukuk, Sharia stocks, usage frequency. (Junaidi, 2021; Lajuni et al., 2020; Warsame & Ireri, 2016; Zulfaka & Kassim, 2023)	Interval
Income (X2)	Individual perception of monthly income and financial adequacy.	Total income, adequacy of spending, stability of family finances. (Dharma et al., 2024; Septiani & Ridlwan, 2020; Wijaya et al., 2024)	Interval
Islamic Financial Literacy (Z)	The level of knowledge, attitudes, and practices of individuals in managing finances according to Islamic principles.	Islamic financial knowledge, attitude toward financial management, Sharia-based financial behavior. (Abd Rahman et al., 2015; Junaidi, 2021; Warsame & Ireri, 2016; Zulfaka & Kassim, 2023)	Interval

Source: Author (2025)

A mathematical model utilizing the moderation interaction approach in SEM-PLS was employed to facilitate the examination of variable correlations in this study. This mathematical model delineates the correlation between independent factors (X1: Utilization of Sharia Investment Products and X2: Income) and the dependent variable (Y: Consumption Behavior), with Z (Sharia Financial Literacy) serving as the moderating variable.

- Basic Structural Model

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \varepsilon$$

- Model with Moderating Variable

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3Z + \beta 4(X1Z) + \beta 5(X2Z) + \varepsilon$$

Description:

a. Y: Consumption Behavior
b. X_1: Utilization of Sharia Investment Products
c. X_2: Income
d. Z: Islamic Financial Literacy
e. X_1Z: Interaction between independent variable 1 and the moderating variable
f. X_2Z: Interaction between independent variable 2 and the moderating variable
g. β_0: Constant
h. β_1, β_2, β_3, β_4, β_5: Regression coefficients
i. ε: Error term

This study involves 200 Muslim respondents who have experience in using Shariah investment products. Data collection was conducted through an online questionnaire distributed purposively, considering the respondents' involvement in Sharia financial activities and their understanding of Islamic financial literacy. The characteristics of the respondents include aspects such as gender, age group, highest level of education, type of occupation, and monthly income.

Table 2. Respondent Characteristics

Characteristic	Category	Frequency	Percentage
Gender	Male	110	55.00%
	Female	90	45.00%
Age Group	15–24 years	17	8.50%
	25–34 years	52	26.00%
	35–44 years	63	31.50%
	45–54 years	37	18.50%
	55–64 years	31	15.50%
	>64 years	0	0%

Highest Education	Bachelor's Degree	153	76.50%
	Master's Degree	40	20.00%
	Doctorate	7	3.50%
Occupation	Private Sector Employee	51	25.50%
	Student	69	34.50%
	Entrepreneur	80	40.00%
Monthly Income	< Rp5,000,000	29	14.50%
	Rp5,000,000 – Rp10,000,000	52	26.00%
	Rp10,000,000 – Rp15,000,000	75	37.50%
	> Rp15,000,000	44	22.00%

Source: Author (2025)

The gender breakdown comprises 110 male respondents (55.0%) and 90 female respondents (45.0%). This composition demonstrates a commendable equilibrium between genders in the representation of the research sample. From the demographic standpoint, most respondents belong to the productive age category, specifically the 35–44 age bracket, which comprises 63 respondents (31.5%). The 25–34 years age range includes 52 respondents (26.0%), while the 45–54 years group consists of 37 respondents (18.5%). The 15–24 years category includes 17 respondents (8.5%), and the 55–64 years group comprises 31 respondents (15.5%).

The majority of respondents hold a bachelor's degree, accounting for 153 individuals (76.5%). Forty respondents (20.0%) hold a master's degree, while seven respondents (3.5%) have attained a doctoral degree. This high level of education indicates that most respondents possess the cognitive capacity to grasp the concept of Sharia financial literacy. Regarding occupation, the sample primarily consists of entrepreneurs or self-employed individuals (80 respondents or 40.0%), followed by students (69 respondents or 34.5%), and private sector employees (51 respondents or 25.5%). This diversity in professions illustrates varying income sources and financial management strategies among participants.

In terms of monthly income, the largest group earns between Rp10,000,000 and Rp15,000,000, comprising 75 respondents (37.5%). This is followed by 52 individuals (26.0%) earning between Rp5,000,000 and Rp10,000,000, and 44 individuals (22.0%) earning more than Rp15,000,000. Additionally, 29 respondents (14.5%) reported earning less than Rp5,000,000 per month. This distribution suggests that most respondents belong to the middle and upper-middle income brackets, indicating sufficient financial capacity to engage in investment and practice responsible consumption. These demographic attributes provide a solid foundation for analyzing the interrelationship between Sharia financial literacy, income, and consumption behavior, while also reflecting the profile of the Muslim population involved in Sharia-compliant financial instruments.

RESULT AND FINDINGS ANALYSIS

Statistical Results

A statistical analysis was performed to investigate the correlation between the utilization of sharia investment products, income, and consumption patterns within the Muslim population, with sharia financial literacy serving as a moderating variable. The Partial Least Squares Structural Equation Modeling (PLS-SEM) methodology is employed for data analysis. PLS-SEM can manage intricate structural models and does not necessitate the assumption of normal data distribution, as per the guidance of Hair & Alamer (2022). Consequently, PLS-SEM is a suitable analytical method that corresponds with the aims of this study.

Initially, assessments of convergent validity and construct reliability are performed to verify the accuracy and consistency of the model's measures. Furthermore, two approaches are employed to assess construct reliability: Cronbach's Alpha and Composite Reliability. Cronbach's Alpha assesses the internal consistency of the indicators, whereas Composite Reliability evaluates the construct's robustness against measurement variability (Hair et al., 2021).

Table 3: Convergent Validity (Loading Factor)

Indicator	IS	LK	P	R	PK	Validity
X1.1	0.81					Valid
X1.2	0.79					Valid
X1.3	0.84					Valid
M.1		0.82				Valid
M.2		0.8				Valid
M.3		0.78				Valid
M.4		0.83				Valid
X2.1			0.86			Valid
X2.2			0.8			Valid
X2.3			0.81			Valid
X3.1				0.79		Valid
X3.2				0.81		Valid
X3.3				0.77		Valid
Y.1					0.83	Valid
Y.2					0.84	Valid
Y.3					0.82	Valid

The Loading Factor test findings in Table 3 demonstrate that each concept has been effectively attained, since all indicators possess a loading factor exceeding 0.7, signifying its validity in measuring the targeted construct (Hair et al., 2021). Consequently, it can be inferred that this model possesses substantial validity and establishes a robust basis for examining the interrelationships among the variables inside the model.

An Average Variance Extracted (AVE) test was subsequently performed to verify that the constructs in this model exhibit distinct differences and do not overlap. The Average Variance Extracted (AVE) test is performed utilizing the Fornell-Larcker criteria and cross-loading, both of which are essential for confirming the distinctiveness of each construct (Sarstedt et al., 2020). The validity is crucial for ensuring that the indicators exclusively measure the desired construct and are not significantly associated with other constructs in the model (Becker et al., 2023).

Tabel 4. Convergent Validity (Average Variance Extracted - AVE)

Variable	AVE	Validity
Islamic Investment	0.67	Valid
Islamic Financial Literacy	0.64	Valid
Income	0.66	Valid
Religiosity	0.63	Valid
Consumption Behavior	0.69	Valid

The findings of the Average Variance Extracted (AVE) test demonstrate that discriminant validity in this model has been effectively attained, as the Fornell-Larcker criterion reveals that the square root of the AVE exceeds the correlations among other constructs, signifying that each construct is adequately distinct from the others (Sarstedt et al., 2020). A discriminant validity test was performed utilizing the Fornell-Larcker Criterion to verify clear differentiation among the constructs in this model. This assessment evaluates the degree to which each construct in this model possesses distinct attributes that do not intersect with other constructs. Consequently, discriminant validity ascertains that the indicators employed to assess a particular construct exhibit greater correlation with that construct than with other constructs within the model.

Table 5. Discriminant Validity (Fornell-Larcker Criterion)

Variable	IS	LK	P	R	PK
Islamic Investment	0.82				
Islamic Financial Literacy	0.31	0.80			

Income	0.22	0.36	0.81		
Religiosity	0.19	0.25	0.29	0.79	
Consumption Behavior	0.43	0.37	0.41	0.24	0.83

The outcomes derived from the Fornell-Larcker Criterion test presented in Table 5 demonstrate that this model effectively satisfies the rigorous criteria for discriminant validity. Each construct has a diagonal value surpassing the correlation values among other constructs, signifying that the construct is adequately separate and does not overlap with others. These results reinforce the assertion that the model employed in this study is valid in terms of discriminant validity. A cross-loading test was performed to enhance the evidence of discriminant validity in this model, as part of a thorough assessment of the indicator structure. This test seeks to verify that each indicator exhibits a greater correlation with its respective construct than with other constructs in the model. It is crucial to verify that each indication accurately reflects the desired construct, free from measurement ambiguity.

Tabel 6. Discriminant Validity (Cross Loading)

Indicator	IS	LK	P	R	PK
IS1	0.81	0.30	0.21	0.18	0.41
IS2	0.79	0.29	0.20	0.17	0.39
IS3	0.84	0.32	0.24	0.22	0.45
LK1	0.28	0.82	0.33	0.21	0.35
LK2	0.31	0.80	0.36	0.23	0.38
LK3	0.29	0.78	0.35	0.25	0.37
LK4	0.30	0.83	0.39	0.26	0.41
P1	0.23	0.35	0.86	0.28	0.40
P2	0.21	0.34	0.80	0.26	0.37
P3	0.22	0.33	0.81	0.25	0.38
R1	0.17	0.23	0.27	0.79	0.25
R2	0.20	0.26	0.30	0.81	0.27
R3	0.19	0.24	0.29	0.77	0.24
PK1	0.44	0.38	0.39	0.25	0.83
PK2	0.46	0.36	0.40	0.24	0.84
PK3	0.41	0.37	0.43	0.26	0.82

According to the findings shown in Table 6, all indicators exhibit the maximum loading values on the assessed construct, while demonstrating lower values on alternative constructs. The IS3 indicator has the highest loading value on the Islamic Investment construct (0.84), with significantly lower values on other constructs. This signifies that discriminant validity has been empirically shown, hence the model's measurement framework can be regarded as valid and devoid of construct overlap (Hair et al., 2021). After validating, the following phase is to assess construct dependability via the Cronbach's Alpha coefficient. This assessment seeks to measure the internal consistency of the indicators associated with each component. A high Cronbach's Alpha score signifies that the employed indicators exhibit stability and yield consistent outcomes.

Table 7. Reliability Test (Cronbach's Alpha)

Variable	Cronbach's Alpha	Reliable
Islamic Investment	0.79	Yes
Islamic Financial Literacy	0.80	Yes
Income	0.78	Yes
Religiosity	0.76	Yes
Consumption Behavior	0.82	Yes

The findings presented in Table 7 indicate that all constructs possess a Cronbach's Alpha value exceeding 0.7, signifying their statistical reliability (Nunnally & Bernstein, 1994). Consequently, all indicators in this model demonstrate strong measurement consistency, thereby enhancing the quality of the instruments utilized in this investigation. Alongside Cronbach's Alpha, dependability is assessed by the Composite dependability (CR) score, which is deemed more responsive to build reliability within the framework of the SEM model. A high CR value signifies that the indicators within the construct contribute equitably and mutually reinforce one another.

Table 8. Composite Reliability

Variable	Composite Reliability	Reliable
Islamic Investment	0.87	Yes
Islamic Financial Literacy	0.86	Yes
Income	0.85	Yes

Religiosity	0.84	Yes
Consumption Behavior	0.88	Yes

Table 8 indicates that all constructs possess Composite Reliability ratings beyond 0.7, with several nearing or surpassing 0.85, signifying an exceptionally high degree of reliability. These findings corroborate earlier results indicating that the measurement instruments in this model are dependable and consistent in assessing the phenomena under investigation (Fornell & Larcker, 1981). Once the instrument has demonstrated validity and reliability, the subsequent critical step is to evaluate the structural hypothesis to ascertain the causal links among variables. The testing uses the bootstrapping method in PLS-SEM to derive reliable estimates of the relevance of direct and mediated path correlations.

Table 9. Hypothesis and Mediation Testing Results

Hypothesis	Coefficient (O)	t-statistic	p-value	Description
H1: Islamic Investment → Consumption Behavior	-0.18	2.428	0.016	Significant
H2: Income → Consumption Behavior	0.156	1.975	0.049	Significant
H3: Religiosity → Consumption Behavior	-0.096	1.229	0.22	Not Significant
H4: Islamic Investment → Literacy (Med) → Consumption	-0.18	1.739	0.041	Indirect Effect Significant
H5: Income → Literacy (Med) → Consumption	0.156	0.502	0.308	Indirect Effect Not Significant

According to Table 9, Sharia Investment and Income have a considerable impact on Consumption Behavior, however the effect of Religiosity is not significant. Conversely, Financial Literacy has been demonstrated to substantially mediate the association between Sharia Investment and Consumption Behavior, but not the relationship between Income and Consumption. The results demonstrate that financial literacy significantly enhances the impact of Sharia financial instruments on consumer behavior, corroborating the findings of Lusardi & Mitchell (2014) for general financial literacy. A 95% confidence interval analysis was performed using the bias-corrected approach to ensure statistical significance. This analysis offers enhanced precision about the stability of the obtained coefficients and the possibility of substantial mediation effects.

Tabel 10. Confidence Intervals Bias-Corrected 95%

Test Path	2.5%	97.5%
Islamic Investment → Consumption	–0.311	–0.042
Income → Consumption	–0.039	0.304
Religiosity → Consumption	–0.253	0.079

Table 10 indicates that the trajectory of Sharia Investment on Consumption Behavior does not encompass the value zero within the confidence interval, hence reinforcing the findings of a significant influence. The relationship between Income and Religiosity and Consumption encompasses zero, signifying that the effect is not statistically significant at the 95% confidence level. The assessment of the structural model proceeds by analyzing the coefficient of determination (R^2) value, which indicates the degree to which the independent factors elucidate the dependent variable. A high R^2 value signifies that the model possesses strong explanatory capability.

Table 11. R-Square (R^2) Coefficient Values)

Endogenous Variable	R^2	Interpretation
Consumption Behavior	0.476	Moderate to Strong
Islamic Financial Literacy	0.381	Moderate

Source: Author (2025)

Table 11 indicates that the Consumption Behavior construct possesses a R^2 value of 0.476, whilst Financial Literacy has a R^2 value of 0.381. The numbers suggest that the model possesses moderate to high predictive power, indicating that the linkages defined in the structural model have sufficient explanatory capacity (Chin, 1998). In addition to assessing the model's quality, a predictive relevance (Q^2) test is performed to evaluate the model's predictive capability about observational data. A positive Q^2 score signifies that the model possesses predictive relevance.

Table 12. Predictive Relevance (Q^2)

Endogenous Variable	Q^2	Interpretation
Consumption Behavior	0.297	Has Predictive Relevance

Table 12 presents a Q^2 value of 0.297 for Consumption Behavior. This value verifies that the model possesses a commendable predictive capacity regarding the impact of independent factors on consumption behavior, hence endorsing the external validity of the given model. An effect size (f^2) analysis was performed to assess the relative contribution of each independent variable to the dependent variable. This number offers a summary of the variable's impact on alterations in the dependent construct.

Tabel 13. Effect Size (f^2)

Variable Relationship	Effect Size (f^2)	Interpretation
Islamic Investment → Consumption Behavior	0.035	Small
Income → Consumption Behavior	0.026	Small
Religiosity → Consumption Behavior	0.012	Very Small

Table 13 indicates that Sharia Investment and Income exert a minor impact on Consumption Behavior, whilst the effect of Religiosity is negligible. Nonetheless, these findings offer valuable insights, indicating that, despite the modest benefits, Sharia Investment plays a substantial role in influencing consumption habits, particularly when facilitated by financial literacy.

Discussion

The analysis indicates that the utilization of sharia-compliant investment products adversely affects consumer behavior, hence corroborating hypothesis H1. This suggests that increased utilization of financial tools aligned with Sharia principles correlates with a diminished propensity for individuals to partake in excessive consumption. Individuals who invest in accordance with Sharia principles typically exhibit a long-term financial perspective and exercise prudence in their expenditures, as Sharia investments prioritize the tenets of prosperity, social responsibility, and avoidance of non-halal economic activities. Participation in Sharia-compliant products can indirectly enhance values like as reliability and resource efficiency, so contributing to consumption regulation. This relationship is consistent with the Theory of Planned Behavior, which asserts that intentions guided by values and perceived control over behavior play a central role in directing consumption actions (Ajzen, 1991). The findings also align with the research conducted by Junaidi (2021) and are additionally corroborated by Lajuni et al. (2020), indicating that the inclination towards sharia-compliant financial goods embodies an ethical perspective that fosters prudent and sensible consumption management.

The discovery that money exerts a positive and significant impact on consuming behavior further substantiates hypothesis H2. As income rises, individuals possess enhanced financial capability, facilitating an increase in consumption regarding both quantity and demand for hedonistic or symbolic items. The findings of Kamiyama & Kashiwagi (2019), Alkhasawneh (2015), and Shaikh et al. (2018) corroborate that an increase in income continues to enhance consumption, despite consumers operating inside a value-based financial system. Nonetheless, these findings suggest that the rise in money does not inherently promote the reinforcement of social values like as zakat, infak, and waqf, as ought to occur within the context of Islamic economics. This suggests that the impact of income on consumption stays predominant unless moderated by value interventions or mechanisms that promote Islamic financial behavior. Fahm (2019) highlighted that while Islam encourages wealth to serve social justice objectives, many modern consumers fail to translate income into value-based actions due to cultural norms of materialism.

Conversely, religion, which is theoretically anticipated to adversely affect consumption behavior (H3), did not demonstrate statistical significance in this study. The findings suggest that while religiosity is theoretically anticipated to affect consumption behavior, the actual data reveal no meaningful correlation. This does not imply that religious values are insignificant; instead, it indicates that their impact may be indirect or contingent upon intermediary factors such as financial awareness, sharia financial literacy, or social settings that influence behavior. Consequently, although individuals assert their religiosity, this does not inherently translate into economic behaviors unless it is coupled with practical comprehension and a conducive environment. Jamshed & Uluyol (2024) and Razak et al. (2023) similarly noted that the effect of religiosity on financial behavior is often mediated by perceived social pressure and behavioral control, especially in the adoption of Islamic financial instruments.

Despite the theological principles of moderation or "wasathiyyah" and the prohibition of wastefulness or "israf" in Islamic teachings, their application in real consumption practices appears to be inconsistent. This can be elucidated through several possibilities. Initially, symbolic or normative religiosity does not necessarily translate into specific attitudes or behaviors within the economic sphere. Secondly, religious principles may conflict with social conventions and the consumerist lifestyle prevalent in contemporary society, so constraining the impact of religiosity on economic behavior. The perception of religiosity alone is insufficient to serve as the primary driver in consumption decisions unless it is complemented by a technical understanding of Sharia rules. This aligns with the findings of Amin et al. (2017), Zulfaka & Kassim (2023), and Abd Rahman et al. (2015), which indicate that religiosity is successful only when integrated with practical understanding and environmental support that fosters value consistency.

This study demonstrates that Sharia financial literacy considerably moderates the relationship between the utilization of Sharia investment products and consumption behavior, hence corroborating hypothesis H4. Individuals possessing a high degree of sharia financial literacy are more adept at handling investment items as both economic instruments and spiritual and social tools. This literacy enables individuals to be more discerning, reasonable, and geared towards long-term financial planning while exercising restraint against excessive consumption. These findings correspond with the studies of Zulfaka & Kassim (2023), Dharma et al. (2024), and Junaidi (2021), which underscore that a profound comprehension of "maqashid al-shariah" principles can enhance the incorporation of values in everyday financial activities. Bandura (1989) also emphasized that self-efficacy—or an individual's belief in their financial capacity—is crucial in translating knowledge into consistent behavior, reinforcing the impact of financial literacy on disciplined consumption.

Nonetheless, Islamic financial literacy did not significantly influence the relationship between income and consumption, hence hypothesis H5 is not corroborated by the findings of this study. The findings suggest that while individuals possess a competent comprehension of wealth management principles such as "qana'ah", "tadbir", and the prohibition of "israf", the consumer inclinations stemming from enhanced purchasing power are challenging to regulate purely through knowledge. This suggests that Islamic financial literacy is insufficient to counteract the income effect on spending unless it is supported with the development of attitudes, discipline, and the reinforcement of Islamic financial character. The efficacy of literacy is significantly shaped by socially and culturally embedded views, beliefs, and habits. Consequently, financial literacy initiatives must integrate emotive and conative components, in addition to cognitive aspects, to thoroughly internalize Sharia ideals in consumption control.

The findings of this study confirm that sharia investment products can promote consumption restraint, but their effectiveness is maximized when paired with strong sharia financial literacy. Income continues to be the primary catalyst for consuming, whereas religiosity, lacking profound comprehension and practical implementation, has proven ineffective in mitigating excessive consumer behavior. Consequently, enhancing sharia financial literacy must encompass not only the cognitive dimension (knowledge) but also the emotive dimension (internalization of values) and the conative dimension (reinforcement of behaviors). The amalgamation of literacy with spiritual, social, and structural methodologies is a crucial technique for cultivating a Muslim community that is both financially literate and steadfast in implementing Islamic ideals in all consumption and wealth management choices.

CONLUSION

Based on the results of the research and discussion, it can be concluded that: Income continues to be a crucial determinant of consumption yet, it inadequately embodies Islamic principles of balance and social empowerment unless supplemented by robust educational tools or spiritual ideals. Religiosity, anticipated to mitigate consumptive behavior, did not exhibit a statistically significant correlation, highlighting the necessity to enhance value internalization and contextual support in daily economic activities. Conversely, sharia financial literacy has demonstrated a significant impact in fortifying the connection between sharia investment and consuming behavior, indicating that comprehension of Islamic financial concepts can augment financial awareness and spending restraint. Nonetheless, this literacy has proven inadequate in mitigating consuming behaviors prompted by income growth, indicating that the cognitive dimension alone is unable to regulate materialistic urges within the contemporary economic framework. These findings underscore that enhancing sharia financial literacy necessitates a comprehensive strategy, encompassing not only knowledge but also addressing attitudes, beliefs, and actual behaviors within the framework of the community's financial existence. Consequently, initiatives to improve Islamic financial literacy should be amalgamated with tactics encompassing value-based education, institutional backing, and social interventions to foster consumption patterns that are both logical and aligned with "maqasid al-shariah".

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