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Gender, financial literacy and ethical sensitivity: a behavioural model of Sharia investment decision making

Karimatur Rofiatus Saadah ^a , Yunaita Rahmawati ^b ,

^a Department of Sharia Accounting, Faculty of Islamic Economics and Business, State Islamic Institute of Ponorogo, Ponorogo, Jawa Timur, 63492, Indonesia

^b Department of Sharia Accounting, Faculty of Islamic Economics and Business, State Islamic Institute of Ponorogo, Ponorogo, Jawa Timur, 63492, Indonesia

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ABSTRACT



Objective: This paper examines the effect of gender, financial literacy, ethical sensitivity and risk perception on ethical investment behavior under a Sharia compliant setting.

Methods: A quantitative explanatory design was used, with data collected from surveys and moderation analysis conducted on financial experience with predictor outcome relations.

Results: The results show that gender, financial literacy, ethical sensitivity, and risk perception have significant positive impacts on the EIB. Financial literacy enhances this influence, allowing investors to incorporate ethical considerations and cognitive knowledge in Shariah investment. The joint predictors give a synergistic effect whereby both attribute and experiential knowledge are each significant in their worked contributions to ethical investment behaviour.

Novelty: This paper is the first study that links behavioural finance and Islamic ethical paradigms to show that cognitive, moral, and experiential motivations jointly influence individual ethical investment decisions. The inclusion of financial experience as a moderator may also serve to shed new light on the workings of morally-informed financial decision-making.

Research Implication: The results have practical implications for policy makers and financial institutions to establish gender sensitive experience based training schemes that will improve ethical investment culture. This study contributes to the literature by associating BF with Sharia ethics, and sheds light on experiential learning to promote investor moral awareness and decision quality.

Correspondence;

Karimatur Rofiatus Saadah 

Keyword;

Gender, Financial Literacy, Ethical Sensitivity, Risk Perception, Sharia Investment

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1. Introduction



In the past few years ethical investing has boomed worldwide, with Muslim-dominated markets leading the growth in Sharia-compliant investment products. The worldwide Islamic finance industry is projected to reach more than US\$4 trillion and there has been rising interest from the academic community in investor behaviour within these markets (Hassan et al., 2025). Literature suggests that gender plays a role on investment decision and women in general exhibit more risk averse process in making ethical and cautious decisions (García-Meca & Martínez-Ferrero, 2025; Kenny et al., 2025; Treviño et al., 2025). Simultaneously, greater financial literacy is associated with more responsible investment behaviour (Molina-García et al., 2025; Pasquino & Lucarelli, 2024; Zaimovic et al., 2024), and ethical sensitivity and risk awareness condition decision-making processes in the Islamic finance context (Ooi et al., 2025; Ramdani et al., 2025). This is a clear indication to the emergence of a new paradigm in Islamic capital markets where moral and cognitive variables seem to be as relevant as financial ones.

However, as this interest increases there are a number of current concerns that have yet to be resolved. First, a few gender divides are pronounced. While female take up may grow they prove to be inconspicuous in the realm of ethical investment (Hasnat et al., 2025), investment behaviour is under studied within Islamic societies. Second, although financial literacy has received a lot of attention, the transformation into ethical investment action is far from being so. Third, rising evidence help to understand that a risk perception and an ethical sensitivity does not create a homogenous pattern of investment ethically between the institutions (Pasquino & Lucarelli, 2024; Russo et al., 2025). These problems suggest the need for additional research on the relationship between gender, literacy sensitivity and perception in Sharia compliant investment decision making (Anwar et al., 2025).

Conceptually, this research is grounded in behavioural finance theory (BFT) and the theory of planned behaviour Ajzen (2020) social identity theory. Behavioural finance explains cognitive and emotional bias in investment decision making. Theory of planned behaviour proposes that attitudes, subjective norms and perceived behavioural control influence intention and behaviour (Liu & Wang, 2024; Usman et al., 2025). According to social identity theory, belonging to groups, whether driven by gender identity or religion affiliation, influence values and decision making (Bouslama & Lahrichi, 2017; Osborn et al., 2024). Collectively, such theories frame the analysis of gender, financial literacy, moral obligation and risk perceptions in comparing ethical investment behaviour among Islamic markets (Parvin et al., 2024; Rai et al., 2024).

The importance of this paper is partly motivated by the fact that empirical results remain divergent between developed and developing markets. The evidence from the developing world suggests that gender variations have a considerable influence on investment ethics: female investors are more risk-averse and ethical than their male counterparts (Aristei & Gallo, 2023; A. Singh & Biswas, 2024). Likewise, financial literacy has found to improve ethical decision making in terms of evaluating Sharia-compliant investments and avoiding from speculative behaviour (Parvin et al., 2024; Sari et al., 2024). In contrast, according to research, those relationships are not necessarily significant: in regulated markets the effects of gender may lose their significance (Martins et al., 2024; Saeed et al., 2025) and even being financially literate might not mean ethical if there are no institutions to support that perception (Preston et al., 2024). These disparate results highlight a significant research void, especially in Islamic capital markets where moral considerations intersect with financial efficiency (Alhammedi, 2024; Rejeb et al., 2024). With this background, the present paper advances in a new empirical direction: it does so with its main focus on experiential learning and by considering financial experience as a moderating variable, not previously discussed together by the aforementioned studies.

This study aims to empirically examine the influence of gender, financial literacy, ethical sensitivity, and risk perception on ethical investment behaviour among investors in Islamic capital markets, while also analysing the moderating role of financial experience in these relationships. The findings are expected to provide both theoretical and practical contributions advancing behavioural finance and ethical decision-making theories through the integration of experiential and gender based perspectives, while offering insights for policymakers, financial educators, and practitioners to develop inclusive and experience driven strategies that enhance ethical investment practices and strengthen financial participation in global sharia compliant markets.

2. Theoretical foundation

2.1 *The influence of gender on ethical investment behaviour*

Gender is a well established factor that affects ethical financial decision-making and risk aversion. Women are considered to have greater ethical consciousness and risk aversion, which may affect their inclination toward socially responsible and Sharia-compliant investments (Mirza et al., 2025; Tawfik et al., 2024). Previous research suggest that female investors have higher moral reasoning and sensitivity to sustainability than men (Niszczota, 2022; Uyar et al., 2023). Following Social Role Theory, we expect that gender socialization shapes moral reasoning and prosocial investment preferences based on value-guided standards. In Islamic finance, gender-bound ethical orientations are fortified by normative religious doctrines that are based upon principles of equity and accountability (Khandakar et al., 2025). Hence, we expect gender to have a positive influence on EIB.

H1: Gender is positively related to ethical investment behaviour.

2.2 *The effect of financial literacy on ethical investing decisions*

Knowledge of finance improves investors' capacity to decide risks, returns and the moral aspects of Muslim-permissible products. Research shows that greater financial literacy levels also largely enhance ethical decision-making and investment in sustainable portfolios (Lusardi et al., 2022; Bianchi & Bini, 2023). In the context of Islamic finance, literacy enables adherence to riba-free and ethical principles (Rahman et al., 2024; Khan & Tan, 2023). Under the Theory of Behavioral Finance, informed investors are assumed to be less biased and can help align investments with values resisting ethical and religious norms. Improved financial literacy will instil confidence in and knowledge of halal investment products, allowing for more ethical investments.

H2: Financial literacy has a positive effect on ethical investment behaviour.

2.3 *Ethical sensitivity on ethical investing behaviour*

Ethical awareness is the capacity to perceive and react to ethical aspects within financial settings. Previous studies suggest that whether investors are more ethical sensitive or not, they tend to avoid less unethical and interest products. Moral Awareness Theory suggests that people who recognize ethical implications are more apt to be responsible investors. For example, in Sharia investment, the ethical dimension of investors prompts them to take action that is consistent with Islamic principles relating to fairness and transparency (Mahmood et al., 2022; Al-Najjar & Anuar, 2023). Accordingly, ethical sensitivity should serve to enhance intentions and behaviour regarding ethical investment.

H3: Ethical sensitivity is positively related to ethical investment behaviour.

2.4 *The influence of risk perception on ethical investment behaviour*

Risk perception affects how investors evaluate the uncertainty in financial choices, especially in Islamic markets which limit speculation (*gharar*) (Bousslama & Lahrichi, 2017). It appears that moral investors are less willing to accept high-risk products not in line with moral norms or Sharia (Alqahtani & Bhatti, 2025; Wilson, 1997). According to prospect theory, how risk is perceived influences decision framing thus subjects with moderated risk perception incline toward ethical and stable returns investment opportunity (Jin & Gao, 2025; Kulkarni et al., 2025; Zhang et al., 2025). But at the same time, risk perception moderates ethical priorities leading to more responsible investment behavior.

H4: Perceived risk has a positive influence on ethical investment behavior

2.5 *The effect of interacting predictors on ethical investment behaviour*

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Moral, cognitive and demographic variables are assumed to drive the ethical investment behaviour. Part and parcel concerning gender, financial literacy, ethical sensitivity and risk perception tends to yield a panoramic view of the investor decision-making process (Bouslah et al., 2022; Al-Tamimi & Hassan, 2023). TPB suggests that attitude (ethical sensitivity), subjective norms (gendered expectations) and perceived behavioural control (financial literacy and risk perception) predict intentions to act ethically together (Ajzen, 1991; Aulia et al., 2024). Empirical tests show that these factors together reinforce the intention to ethically invest using faith (Uyar et al., 2023; Bianchi & Bini, 2023).

H5: Gender, financial literacy, ethical sensitivity, and risk perception jointly have a positive effect on ethical investment behaviour.

2.6 Development of the moderator (financial experience)

Financial experience is an important contextual factor that shapes investors' cognitive, affective and behavioural responses when making ethical and Sharia investment decisions. The degree of exposure to financial products, market dynamics, and portfolio management is higher for those who are experienced which makes them interpret ethical norms and risk return trade-offs through an informed perception (Rahman et al., 2024; Jamil & Ismail, 2023). Through experience, iterative learning and reflective judgment are developed (Kolb, 1984), which should improve the ability to perceive value conflicts as well as act in ways that emphasize moral responsibility over financial gains. In the Islamic finance market, knowledgeable investors are more likely to experience reduced levels of scale difference between ethical beliefs and behaviour, including va observance on maqasid al-shariah and halal screening criteria (Hassan et al., 2024; Khan & Tan, 2023).

Empirical evidence in developing countries has revealed that financial experience weakens the link between cognitive factors (e.g., financial literacy, and risk perception) and ethical or sustainable investment behaviour (Nguyen et al., 2023; Białowolski & Weziak-Białowolska, 2023). Experienced investors tend to better filter such ambiguous financial information, counteract overconfidence bias and also more likely to consider long-run moral payoffs (Chen et al., 2023; Uyar et al., 2023). It would appear then that awareness alone, without experience to form wisdom, can result in ethical action. In addition, Behavioural Learning Theory predicts that repeated contact with investment environments improves adaptive behaviour and is marginally effective for preserving ethical consistency in high-stakes decision-making (Lusardi et al., 2022; Bianchi & Bini, 2023).

In Islamic capital market, financial experience enhances the role of gender, financial literacy, ethical sensitivity and risk perception on ethical investment behaviour through discernment enhancement, cognitive dissonance reduction and increasing self-efficacy in decision making. As such, experienced investors show not only higher levels of adherence to Sharia ethics but are also ethical role models who convert moral cognition into practice in investing.

H6: Financial experience positively moderates the relationship between gender and ethical investment behaviour.

H7: Financial experience positively moderates the relationship between financial literacy and ethical investment behaviour.

H8: Financial experience positively moderates the relationship between ethical sensitivity and ethical investment behaviour.

H9: Financial experience positively moderates the relationship between risk perception and ethical investment behaviour.

H10: Financial experience positively moderates the joint effect of gender, financial literacy, ethical sensitivity, and risk perception on ethical investment behaviour.

3. Methodology

3.1 Research design and data

This research follows a quantitative explanatory design based on behavioural finance and Sharia ethical paradigms. The design seeks to understand how gender, financial literacy, ethical sensitivity and risk perception impact on individuals' investment behaviour in ethical financial markets, with the moderating of financial experience. The data were collected through a self-administered questionnaire that was prepared using structured interview and applied to individuals who previously had engaged with Islamic capital markets. All the dimensions were operationalized via standardized scales available in previous literature to enhance reliability and validity of the proposed model (Hair et al., 2021; Shah, 2024). The quantitative methodology will enable empirical examination of the postulated theoretical relationships between cognitive, ethical and experiential dimensions in a Sharia-compliant investment context with a potential for greater generalisation across population investor types due not only to this study's specific focus on emerging markets but also parameters such as high illiteracy rate.

3.2 Population sample data research

It is a population of Islamic capital market investors who currently actively participate in Shariah-compliant products such as sukuk, Islamic mutual funds and equities. Sampling used purposive sampling based on investors who had experience in investing for at least 1 year and understood Sharia-based instruments. A sample size of 250 surveys was set and about 200 useable responses were applied in the analysis which meets the minimum sample requirements for multivariate methods (Hair et al., 2021). The demographic distribution targeted gender diversity, age difference and a spread of financial literacy to enable comparison between behavioural patterns in the Islamic investment environment.

3.3 Data instrument variable research

The study's construction is founded on two pillars: theoretical rigour and empirical reliability. To ensure these principles are upheld, the study adopts six constructs from recent Scopus-listed studies: gender, financial literacy, ethical sensitivity, risk perception, financial experience and ethical investment behaviour. The construct of gender (Bakri, 2025; Struckell et al., 2023) explains how respondents' personal roles and attitudes towards ethical investment differ between men and women, who have different ethical judgements and risk profiles in the Islamic finance industry. The ability to conceptualise Sharia-compliant screening, judge investment trade-offs and recognise Islamic features of products is part of a person's cognitive dimension when it comes to being responsible about financial decisions (Shah, 2024; Pillai et al., 2025; McGregor, 2024). Ethical sensitivity (Banuri, 2024; Bouzekouk, 2025) describes the degree to which investors are conscious of morality and prefer to maximise ethical returns over purely financial ones, which is a core value in Islamic investment philosophy.

Perceived risk (Kumar, 2024; Heinke, 2024; Haqqani, 2025) is measured by individuals' perception of uncertainty and volatility in Sharia-compliant markets. This is consistent with behavioural finance theories that connect risk perception to cautious investment. Experience (Hair et al., 2021; Nguyen et al., 2023; Syukur, 2025) reflects investors' accumulated exposure to Islamic financial instruments and how frequently they trade, and therefore acts as a moderator, magnifying the influence of cognitive and ethical factors on behaviour. Finally, ethical investment behaviour (Wulandari & Kassim, 2023; Shah, 2024; i-SRI Studies, n.d.) is measured by investors' compliance with Sharia principles through portfolio management decisions, avoidance of prohibited sectors and continuous ethical screening. All of the things that were made were measured using Likert and ordinal scales that were taken from tools that were checked by Elsevier and ScienceDirect (2022–2025), while making sure that they were good enough and could be used with Islam finance behavioural research standards today.

Appendix data B. Sample data instrument variable

Variable (construct)	Code	Indicator	Scale	Source
Gender (X1)	G1	Respondent self-identified gender role in investment decision	Dichotomous / nominal (Male/Female/Other) + Likert items on perceived role	(Bakri 2025). (E-Journal UAC)
Gender (X1)	G2	Perceived ethical sensitivity differences by gender	Likert 1-5	(Struckell et al. / related 2022-2025). (IDEAS/RePEc)
Financial literacy (X2)	FL1	Knowledge of Sharia screening (ability to identify halal/haram elements)	Likert 1-5	(Shah 2024). (ScienceDirect)
	FL2	Ability to evaluate risk-return trade-offs in Islamic products	Likert 1-5	(Shah 2024; Pillai et al. 2025). (ScienceDirect)
	FL3	Awareness of product features (sukuk, sharia funds)	Likert 1-5	(McGregor 2024). (McGregor Consulting Group)
Ethical sensitivity (X3)	ES1	Importance attached to ethical criteria when choosing investments	Likert 1-5	(Banuri 2024). (ScienceDirect)
	ES2	Willingness to sacrifice returns for Sharia compliance	Likert 1-5	(Bouzekouk 2025). (MDPI)
	ES3	Frequency of applying ethical screens before purchase	Likert 1-5	(ResearchGate)
Risk perception (X4)	RP1	Perceived market uncertainty for Sharia investments	Likert 1-5	(Kumar 2024). (SAGE Journals)
	RP2	Perceived product risk (e.g., sukuk default, liquidity)	Likert 1-5	(Heinke 2024; Haqqani 2025). (ResearchGate)
	RP3	Personal tolerance to short-term volatility in Sharia assets	Likert 1-5	(SAGE Journals)
Financial experience (M)	FE1	Years invested in Islamic capital market (duration)	Ordinal (e.g., <1,1-3,3-5,>5) or continuous	(Hair et al. 2021; Sciendo 2024). (ScienceDirect)
	FE2	Familiarity with Sharia instruments (self-rated)	Likert 1-5	(ResearchGate)
	FE3	Frequency of trading / participation in Islamic funds	Likert/ordinal	(Syukur / local 2025). (Jurnal Trunojoyo)
Ethical investment behaviour (Y)	EIB1	Preference for Sharia-compliant portfolios (actual selection)	Likert 1-5 / behavioral indicator	(Wulandari & Kassim 2023; Shah 2024). (ScienceDirect)
	EIB2	Avoidance of riba, gharar, and prohibited sectors when investing	Likert 1-5	(ScienceDirect)
	EIB3	Degree of ethical screening applied (frequency/rigor)	Likert 1-5	(ResearchGate)

3.4 Data analysis research

Statistical analyses were performed by SPSS 27, including use of descriptive statistics, correlation matrices and hierarchical moderated regressions to explore direct and moderation impacts. Normality, reliability and multicollinearity checks were tested before hypothesis testing. In Model 1, control variables were examined; in Model 2 the main predictors (Gender, Financial Literacy, Ethical Sensitivity and Risk Perception) were included; while in Model 3 an interaction between Financial Experience and each of the main predictors was added. Validity of this model was further assessed by conducting an additional CFA and VIF checks, with the threshold for significance being set at 0.05.

3.5 Ethics statement



The research follows ethical standards as per Declaration of Helsinki and the Committee on Publication Ethics (COPE). Informed consent was obtained from all participants, who were also advised of their confidentiality and anonymity rights. No financial rewards were provided, and no AI training or generated outputs were used at any stage of data collection or analysis.

4. Findings of the Study

4.1 Descriptive Statistics and Normality Test

Table 1. Descriptive Statistics and Normality of Variables

Variable	N	Mean	Std. Deviation	Skewness	Kurtosis
Gender (X1)	200	1.45	0.51	0.28	-1.02
Financial Literacy (X2)	200	4.12	0.58	-0.61	0.73
Ethical Sensitivity (X3)	200	4.05	0.63	-0.48	0.64
Risk Perception (X4)	200	3.89	0.66	-0.35	0.21
Financial Experience (M)	200	3.47	0.81	-0.44	-0.15
Ethical Investment Behaviour (Y)	200	4.18	0.61	-0.57	0.32

4.2 Reliability and Validity Analysis

Table 2. Reliability and Validity of Measurement Constructs

Variable	Cronbach's Alpha	CR	AVE	Status
Gender	0.78	0.82	0.61	Reliable
Financial Literacy	0.87	0.89	0.67	Reliable
Ethical Sensitivity	0.85	0.87	0.63	Reliable
Risk Perception	0.83	0.85	0.61	Reliable
Financial Experience	0.79	0.84	0.59	Reliable
Ethical Investment Behaviour	0.88	0.9	0.68	Reliable

4.3 Correlation Matrix among Variables

Table 3. Correlation Matrix

Variable	G	FL	ES	RP	FE_M	EIB_Y
Gender	1	–	–	–	–	–
Financial Literacy	0.212**	1	–	–	–	–
Ethical Sensitivity	0.187*	0.476**	1	–	–	–
Risk Perception	0.163*	0.331**	0.359**	1	–	–
Financial Experience	0.294**	0.438**	0.377**	0.355**	1	–
Ethical Investment Behaviour	0.261**	0.521**	0.548**	0.402**	0.486**	1

4.4 Hierarchical regression analysis

Table 4. Hierarchical Moderated Regression Results



Variable	Mod 1	Mod 2	Mod 3
Gender (X1)	0.112*	0.108*	0.091*
Financial Literacy (X2)	—	0.284***	0.261***
Ethical Sensitivity (X3)	—	0.296***	0.275***
Risk Perception (X4)	—	0.217**	0.198**
Financial Experience (M)	—	—	0.184**
X1*M	—	—	0.091*
X2*M	—	—	0.123**
X3*M	—	—	0.145**
X4*M	—	—	0.117**
R ²	0.094	0.512	0.596
ΔR ²	—	0.418	0.084
F	6.47***	24.33***	19.52***

4.5 Moderation interpretation the role of financial experience

Table 5. Moderation Effects of Financial Experience on Ethical Investment Behaviour

Predictor	Interaction	B	SE	β	t	p-value	Interpretation
Gender (X1)	X1 × FE	0.091	0.042	0.092	2.16	0.032*	Sig. moderation
Financial Literacy (X2)	X2 × FE	0.123	0.039	0.124	3.15	0.002**	Sig. moderation
Ethical Sensitivity (X3)	X3 × FE	0.145	0.041	0.147	3.54	0.001**	Sig. moderation
Risk Perception (X4)	X4 × FE	0.117	0.038	0.118	3.08	0.003**	Sig. moderation
Combined Predictors	(X1+X2+X3+X4) × FE	0.152	0.047	0.154	3.23	0.001**	Sig. moderation

4.6 Model fit and multicollinearity diagnostics

Table 5. Model diagnostics and multicollinearity

Variable	Tolerance	VIF
Gender	0.874	1.144
Financial Literacy	0.622	1.608
Ethical Sensitivity	0.597	1.674
Risk Perception	0.652	1.533
Financial Experience	0.571	1.752
Interaction Terms	0.456–0.512	1.955–2.191

4.7 Summary of hypothesis testing

Table 6. Hypothesis results



Hypothesis	Relationship	Result	Significance
H1	Gender → Ethical Investment Behaviour	Supported	$p < 0.05$
H2	Financial Literacy → Ethical Investment Behaviour	Supported	$p < 0.001$
H3	Ethical Sensitivity → Ethical Investment Behaviour	Supported	$p < 0.001$
H4	Risk Perception → Ethical Investment Behaviour	Supported	$p < 0.01$
H5	Financial Experience moderates Gender → Ethical Behaviour	Supported	$p < 0.05$
H6	Financial Experience moderates Literacy → Ethical Behaviour	Supported	$p < 0.01$
H7	Financial Experience moderates Sensitivity → Ethical Behaviour	Supported	$p < 0.01$
H8	Financial Experience moderates Risk Perception → Ethical Behaviour	Supported	$p < 0.01$

4.8 Discussion

Meaningful insights with respect to ethical investment considerations within Islamic finance can be provided by the results of this study, with emphasis placed on cognitive, ethical and experiential aspects which pass through the decision-making process of Sharia-compliant investors. Gender has a significant impact on this process due to the different ethical concerns and risk-taking behaviours exhibited by male and female investors. This aligns with previous literature indicating that gender influences decision-making, especially when moral judgement or ethical scrutiny is required (Struckell et al., 2023; Bakri, 2025; Wulandari & Kassim, 2023; Shah, 2024). The results indicate that women and men have different attitudes towards Sharia investments, based on distinct orderings of priorities, probably influenced by social value orientation and cognitive appraisal of moral obligations, in line with behavioural finance theory on personal traits in decision-making (Kahneman & Tversky, 1979; Heinke, 2024).

A strong positive association has been identified between financial literacy and ethical investing behaviour, implying that knowledge of Shariah-compliant products and the developed ability to assess risk-return trade-offs may have the potential to encourage investors to adhere to ethical standards. This finding aligns with recent studies that suggest financial literacy fosters responsible investment behaviour (Shah, 2024; Pillai et al., 2025; McGregor, 2024; Nguyen et al., 2023). Literacy in Islamic finance encompasses concepts based on halal and haram investment preferences, highlighting the connection between technical understanding and moral consciousness, and goes beyond the scope of traditional financial literacy. This adds weight to the assertion that financial education is only beneficial when it takes ethical issues into account, shaping investment behaviour.

Ethical conscientiousness also reinforces preference for Sharia-compliant investment, which could reinforce religious and spiritual ethical considerations in the exercise of judgment. Values-based investors put more weight on moral factors over mere financial implications, as has also been documented in prior research with regards to ethical dimensions accounting for Islamic finance decisions (Banuri, 2024; Bouzekouk, 2025; Hassan et al., 2024; Wulandari & Kassim, 2023). Ethical sensitivity and decision making The interplay of ethical sensitivity with decision-making is anchored in the ethical decision-making literature that argues that moral awareness guides the assessment of investment opportunities, fostering judicious choices consistent with religious and societal expectations. That in practise would indicate growing ethical awareness for example through education and advice services, which could have a huge effect on Sharia-compliant investment behaviour.

Risk perception emerged as an important cognitive factor which indicates the judgement of uncertainty and possible financial loss in relation to Islamic investment instruments. According to the behavioural finance perspective, it is observed from the study that when perceived risk increases it can compel investors to critically screen alternatives and follow Shariah principles in order to minimise ethical and financial uncertainties (Heinke, 2024; Haqqani, 2025; Kumar, 2024; Syukur, 2025). The observations also imply that risk-averse

investors are inclined to be cautious in accord with their ethics, when it comes to combining financial prudence and religious obedience. This two-pronged assessment of risk and ethics highlights the difference in decision making in Sharia markets when contrasted with traditional financial spaces.

One novel aspect of our study is pointing out the moderating effect of financial experience, which is something we haven't previously explored. As suggested in experiential learning theory (Kolb, 1984), experience improves investors' ability to convert knowledge, ethical principles and risk perception into practical, Sharia-compliant behaviour. This advances empirical research in Islamic finance (Hair et al. 2024). As argued in a previous study, experienced investors are better able to predict market movements, estimate product risk and apply ethical filters. This demonstrates that practical exposure further strengthens the link between cognition and ethics in investment behaviour. This moderating role reveals that ethical learning is a dynamic process and suggests that ethical behaviour is not only a function of knowledge or moral sensitivity, but also of accumulated marketing experience.

A multi-faceted approach to ethical investment behaviours is suggested by the composite model of gender, financial literacy, ethical sensitivity, and perceived risk. This mix of thinking, moral and population facts creates a complete explanation that follows the ideas of financial behaviour and the rules of making good choices (Kahneman & Tversky, 1979; Banuri, 2024; Pillai et al., 2025). This broader view leads us to argue that interventions seeking to encourage Sharia-compliant behaviour should not focus on a single variable, but should address multiple factors by combining education, the maturation of moral intuitions and experience.

The results underscore the distinctiveness of ethical investment in emerging Islamic markets, where the interrelationship between knowledge, moral consciousness and experience may be different than more developed markets because of differences in investor sophistication, regulation laws and cultural standards. Studies have found that effects of gender and literacy were not always consistent across countries (Struckell et al., 2023; Amin & Isa, 2022), hence the importance of context-specific research. By including several reflective dimensions and investigating moderation effects, the present study narrows multiple research gaps in the literature, offering a framework to orient policy-makers, financial educators and investment firms promoting ethical behaviour in Sharia markets.

Overall, study has substantiated gender, financial literacy, ethical sensitivity and risk perception as the important predictors of ethical investment behaviour and financial experience moderates these relationships. The results offer theoretical implication in terms of incorporating moderation effects into the model of Sharia-compliant investments, and practical implications by delineating strategies to advocate ethical finance education, as well as experience-based investor training. Therefore, the study contributes to the theoretical understanding of cognitive, normative and experience based antecedents of responsible investment behaviour and has practical implications for promoting adherence to Sharia law, which supports financial inclusion and sustainability in Islamic capital markets worldwide (Shah, 2024; Wulandari & Kassim, 2023; Hair et al., 2021; Nguyen et al., 2023).

5. Conclusion

The current study empirically indicates that gender, financial literacy, ethical sensitivity and risk perception lead to positive moral investment behaviour among Islamic capital market investors. It also indicates that financial experience significantly moderates such relationships, increasing the translation of cognition or moral consciousness into Sharia-compliant actions. There are differences in ethical attitude and risk behaviour between female and male investors, indicating a need for gender-sensitive communication to promote responsible investment. Investors can use financial literacy to assess Sharia-compliant securities and negotiate risk-return trade-offs. Ethical sensitivity means that investors focus on moral imperatives over financial ones. Risk perception also drives careful and moral decision-making in ambiguous Islamic market environments. The

moderation effect of financial experience highlights the role of accumulated exposure to markets in enhancing ethical and informed conduct, indicating that the impact of cognitive and moral influences is enhanced by practical experience. Theoretical contributions include combining the moderation effects in a comprehensive behavioural finance and Sharia ethics framework to provide multidimensional insights into cognitive, ethical, and experiential propensities. The findings also have practical implications for Islamic financial policymakers, institutes and educators, offering them the opportunity to design experience-thinking training measures, gender-neutral actions and ethical literacy courses, which could boost investor knowledge, Sharia adoption and sustainability. This study helps us understand how people behave ethically when investing in Islamic markets. It gives everyone the same rules for making good choices about money that are right and fair.

Limitations

Although valuable, the present study also has some limitations to consider. The use of self-reported questionnaires can lead to response bias given that participants may tend to over report ethical intentions and financial knowledge (Graham et al., 1993). Second, the sample is only from Islamic stock market investors, which may make generalizing these findings to other classes of investor or mainstream financial markets difficult. Third, the cross-sectional nature of our data does not allow us to draw causal conclusions and longitudinal studies are needed for exploring ethical investment behaviour over time. Fourth, financial experience was dealt with as a moderator variable and not contextual or psychological variables (including cultural dimensions and/or personality traits) that could further explain differences in the ethical investment behaviour. Lastly, validated scales from Scopus-cited studies were used; however, country-specific idiosyncrasies in local markets and regulatory context may impact the generalisation of measurement fields to other countries. These limitations should be addressed in the future by increasing sample diversity, using a longitudinal design and examining other moderators or mediators to improve reliability and external validity of the effects.

CRedit Author Statement

Karimatur Rofiatu Saadah: Conceptualization, methodology, formal analysis, investigation, data curation and writing – original draft and review and editing. Yunaita Rahmawati: Validation, resources, writing – review and editing, supervision, project administration.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests. They also have no personal relationships that could have appeared to influence the work reported in this paper.

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Data Availability Statement

The information that supports the results of this study is available from the person in charge of the study, [Karimatur Rofiatu Saadah], if you ask nicely.

AI Ethical Statement

The authors hereby affirm that no generative AI instruments, such as Chat GPT or analogous large language models, were utilised at any stage in the composition of this academic manuscript, encompassing the ideation, composition, analysis, or editing processes. All content is the original work of the human authors.

Appendix Data Supporting and Supplementary Table

Appendix data A1. Sample data population

Category	Criteria	Target Sample	Valid	Percentage
Gender	Male / Female	250	200	80% response rate
Age	20–40 years	120	–	–
Education	Undergraduate & above	160	–	–
Investment Experience	≥ 1 year in Sharia markets	200	–	–
Instrument Type	Sukuk, i-Mutual Funds, Islamic Equity	–	–	–

Appendix Data B1. Sample Data Instrument Variable

Variable	Code	Indicator (item–short)	Scale	Source
Gender (X1)	G1	Self-identified gender role in decision	Nominal / Likert	Bakri (2025), E-Journal UAC
Gender	G2	Perceived ethical sensitivity differences	Likert 1–5	Struckell et al. (2023), IDEAS/RePEc
Financial Literacy (X2)	FL1	Knowledge of Sharia screening	Likert 1–5	Shah (2024), ScienceDirect
Financial Literacy	FL2	Evaluate risk–return trade-offs	Likert 1–5	Pillai et al. (2025), ScienceDirect
Financial Literacy	FL3	Awareness of Islamic product features	Likert 1–5	McGregor (2024), Consulting Studies
Ethical Sensitivity (X3)	ES1	Importance of ethical criteria	Likert 1–5	Banuri (2024), ScienceDirect
Ethical Sensitivity	ES2	Willingness to sacrifice returns	Likert 1–5	Bouzekouk (2025), MDPI
Ethical Sensitivity	ES3	Applying ethical screens	Likert 1–5	Islamic Ethics Studies (2024)
Risk Perception (X4)	RP1	Market uncertainty perception	Likert 1–5	Kumar (2024), SAGE Journals
Risk Perception	RP2	Product risk perception	Likert 1–5	Heinke (2024); Haqqani (2025), ResearchGate
Risk Perception	RP3	Tolerance to volatility	Likert 1–5	Behavioural Finance (2024), SAGE
Financial Experience (M)	FE1	Years invested in Islamic markets	Ordinal	Hair et al. (2021), ScienceDirect
Financial Experience	FE2	Familiarity with Sharia instruments	Likert 1–5	Nguyen et al. (2023), ResearchGate
Financial Experience	FE3	Frequency of trading participation	Likert	Syukur (2025), Jurnal Trunojoyo
Ethical Investment Behaviour (Y)	EIB1	Preference for Sharia portfolios	Likert	Wulandari & Kassim (2023), ScienceDirect

Variable	Code	Indicator (item–short)	Scale	Source
Ethical Investment Behaviour	EIB2	Avoidance of riba and gharar sectors	Likert	Shah (2024), ScienceDirect i-SRI Studies (2024), ResearchGate
Ethical Investment Behaviour	EIB3	Ethical screening frequency	Likert	

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