

THE INFLUENCE OF FINANCIAL LITERACY AND ISLAMIC BUSINESS ETHICS ON GREEN ISLAMIC INVESTMENT WITH INVESTOR TRUST AS A MEDIATOR AND SPIRITUAL KNOWLEDGE AS A MODERATOR

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Abstract

This study aims to analyze the influence of financial literacy and Islamic business ethics on green Islamic investment by considering investor trust as a mediating variable and spiritual knowledge as a moderating variable. The research was conducted in Bireuen Regency, North Aceh Regency, and Lhokseumawe City, involving 300 respondents from diverse backgrounds, including civil servants, private employees, entrepreneurs, students, and other professions. A quantitative approach with a survey method was employed, and the data were analyzed using Structural Equation Modeling based on Partial Least Squares (SmartPLS). The findings reveal that financial literacy positively affects green Islamic investment and significantly enhances investor trust. Islamic business ethics contribute to strengthening investor trust, although their direct influence on green Islamic investment is relatively limited. Investor trust emerges as a crucial factor in reinforcing the relationship between financial literacy and Islamic business ethics with green Islamic investment, functioning as a mechanism of partial mediation. Furthermore, spiritual knowledge has a direct influence on green Islamic investment and acts as a moderating factor that strengthens the link between independent variables and investment decisions. Theoretically, this study contributes to the literature on Islamic finance and sustainable investment by integrating financial literacy, Islamic business ethics, investor trust, and spiritual knowledge into a comprehensive model. Practically, the findings emphasize the importance of financial literacy education, the application of Islamic business ethics, the cultivation of investor trust, and the reinforcement of spiritual dimensions to foster the growth of inclusive, competitive, and sustainable green Islamic investment.

Keywords: Financial Literacy, Islamic Business Ethics, Green Islamic Investment, Investor Trust, Spiritual Knowledge

1. Introduction

The rapid development of the global financial industry has encouraged the integration of ethical and sustainable principles into investment practices. In this context, Islamic finance has gained increasing attention as it emphasizes compliance with sharia principles, social justice, and environmental responsibility. One of the emerging instruments is **green Islamic investment**, which combines sharia compliance with sustainability principles to support environmentally friendly economic growth. The growing demand for ethical and sustainable financial products highlights the importance of understanding the factors that drive investor participation in green Islamic investment. Financial literacy is considered a key factor influencing investment behavior. Individuals with strong financial literacy are more capable of evaluating risks and benefits, including those associated with sharia-compliant investment instruments that emphasize sustainability. Previous studies have demonstrated a positive relationship between financial literacy and ethical investment decisions (Rahman & Kassim, 2022). In addition, financial literacy enhances investor trust because a deeper understanding of Islamic financial principles strengthens confidence in market transparency and integrity (Widyastuti & Nugroho, 2021).

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Islamic business ethics also play an important role in shaping sustainable investment behavior. These ethics, which are rooted in honesty, justice, and social responsibility, provide a solid foundation for fair and transparent business practices. Recent studies show that the implementation of Islamic business ethics strengthens institutional credibility and investor trust (Khan & Badjie, 2023). Investor trust itself is often regarded as a psychological mechanism that bridges the relationship between knowledge, ethics, and investment behavior. Previous evidence suggests that investor trust mediates the effect of financial literacy and business ethics on investment decisions (Widyastuti & Nugroho, 2021). Meanwhile, spiritual knowledge has also emerged as a determinant of investment behavior. Spirituality not only shapes individual attitudes but also moderates the relationship between financial literacy, ethics, and investment, thereby reinforcing ethical and sustainable financial choices (Bahlous & Yousfi, 2024). Building upon this background, the present study aims to analyze the influence of financial literacy and Islamic business ethics on green Islamic investment, with investor trust as a mediating variable and spiritual knowledge as a moderating variable. This study is expected to contribute theoretically by expanding the understanding of Islamic sustainable finance and practically by offering strategic insights to strengthen inclusive and sustainable investment participation.

2. Literature Review and Theoretical Framework

2.1 Financial Literacy

Financial literacy is one of the main factors influencing investment behavior. Individuals with adequate literacy are better able to understand the benefits and risks of investment, including sharia-compliant and environmentally oriented instruments. Prior studies confirm that financial literacy positively influences sustainable and ethical investment decisions (Rahman & Kassim, 2022). Moreover, literacy can enhance investor trust since a strong understanding of Islamic financial principles reinforces confidence in transparency and integrity within financial markets (Widyastuti & Nugroho, 2021). Based on this, financial literacy is expected to have a direct effect on green Islamic investment while simultaneously strengthening investor trust.

2.2 Islamic Business Ethics

Islamic business ethics emphasize values of honesty, fairness, responsibility, and transparency. In the context of sharia finance, these principles form the foundation of ethical business practices. Recent literature suggests that adherence to Islamic business ethics increases institutional credibility and fosters investor loyalty and trust (Khan & Badjie, 2023). Therefore, Islamic business ethics are expected to positively influence both green Islamic investment and investor trust.

2.3 Investor Trust

Investor trust is seen as an important variable that mediates the effects of financial literacy and Islamic business ethics on investment decisions. Trust functions as a psychological bridge that links knowledge and ethical practices to investment behavior. Previous studies demonstrate that higher financial literacy and stronger adherence to ethics increase investor trust, which ultimately enhances the intention to invest in sustainable instruments (Widyastuti & Nugroho, 2021).

2.4. Spiritual Knowledge

Spiritual knowledge serves as an important determinant of financial behavior. It not only influences decisions directly but also moderates the relationship between financial literacy, ethics, and investment behavior. Experimental evidence highlights that religiosity significantly shapes investor preferences toward more ethical and conservative investments (Bahlous & Yousfi, 2024). In this study, spiritual knowledge is hypothesized to directly affect green Islamic investment while moderating the relationship between the independent variables and investment decisions.

2.5 Conceptual Framework

Based on the theoretical foundations and empirical findings, the conceptual framework of this study illustrates that financial literacy and Islamic business ethics influence green Islamic investment both directly and indirectly through investor trust. Meanwhile, spiritual knowledge plays a dual role as both a direct predictor and a moderator that strengthens the relationship between financial literacy and Islamic business ethics with green Islamic investment.

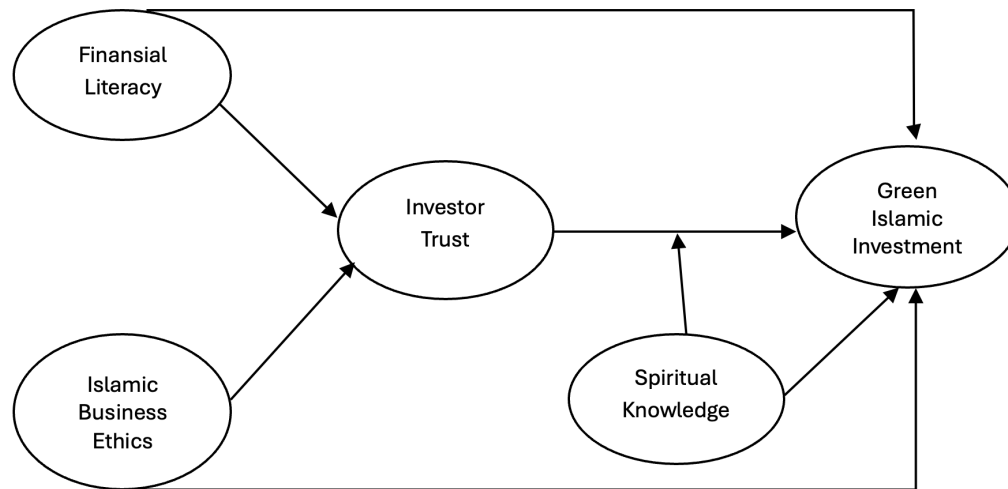


Figure 1. Conceptual Framework of the Study

2.6 Research Hypotheses

Based on the literature review and conceptual framework, the following hypotheses are proposed:

- H1:** Financial literacy has a positive effect on green Islamic investment.
- H2:** Financial literacy has a positive effect on investor trust.
- H3:** Investor trust has a positive effect on green Islamic investment.
- H4:** Islamic business ethics have a positive effect on green Islamic investment.
- H5:** Islamic business ethics have a positive effect on investor trust.
- H6:** Financial literacy affects green Islamic investment through investor trust.
- H7:** Islamic business ethics affect green Islamic investment through investor trust.
- H8:** Spiritual knowledge has a positive effect on green Islamic investment.
- H9:** Spiritual knowledge moderates the relationship between financial literacy and Islamic business ethics with green Islamic investment.

3. Research Methodology

3.1 Research Design

This study employed a quantitative approach with an explanatory research design to examine the causal relationships among financial literacy, Islamic business ethics, investor trust, spiritual knowledge, and green Islamic investment. Data were collected through a structured questionnaire survey and analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS). The SEM-PLS method was chosen because it is suitable for analyzing complex relationships, including mediation and moderation effects, even when data distribution does not fully meet normality assumptions (Hair et al., 2021).

3.2 Population and Sample

The population of this study consisted of potential investors in Bireuen Regency, North Aceh Regency, and Lhokseumawe City. A total of 300 respondents were included, representing diverse backgrounds such as civil servants, private-sector employees, entrepreneurs, students, and other professions. The sampling technique used was purposive sampling, with respondents selected based on criteria of having knowledge, experience, or interest in investment, particularly in sharia-compliant financial products. This sample size meets the minimum requirements for SEM-PLS, which recommends more than 200 respondents for complex models (Hair et al., 2021).

3.3 Measurement Instruments

The measurement of research variables was conducted using several indicators derived from established studies. Financial literacy was measured with five indicators, namely basic knowledge of Islamic finance, advanced knowledge

of Islamic finance, financial skills, attitudes toward the Islamic financial system, and Islamic financial behavior (Rahman & Kassim, 2022; Widyastuti & Nugroho, 2021). Islamic business ethics was assessed through honesty, fairness, social responsibility, sharia compliance, and transparency (Alraouche & Khairreddine, 2022; Khan & Badjie, 2023). Green Islamic investment was measured by sharia-compliant green instruments, sharia-based ESG criteria, positive environmental impact, investor participation in green projects, and transparency and reporting (World Bank, 2021; Bahlous & Yousfi, 2024). Investor trust was evaluated through reliability, integrity, competence, transparency, and security (Ozdemir, Dogan, & Saka, 2023; CFA Institute, 2020). Meanwhile, spiritual knowledge was measured using religious practices, doctrinal knowledge, spiritual experiences, religious ideology, and spiritual reflection (Huber & Huber, 2012; Younas, Mehmood, & Ali, 2022). All indicators were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

3.4 Validity and Reliability Tests

Before testing the hypotheses, validity and reliability tests were conducted. Construct validity was examined using confirmatory factor analysis with factor loadings above 0.70. Discriminant validity was assessed using the Average Variance Extracted (AVE) with a minimum value of 0.50 and the Fornell-Larcker criterion. Reliability was tested using Cronbach’s Alpha and Composite Reliability (CR), with a minimum threshold of 0.70 indicating acceptable reliability (Hair et al., 2021).

3.5 Data Analysis Technique

Data were analyzed using SmartPLS with two stages of testing: the outer model and the inner model. The outer model was used to assess the validity and reliability of measurement indicators, while the inner model tested structural relationships among variables, including direct, indirect (mediation), and moderation effects. Significance testing was conducted using a bootstrapping procedure with 5,000 resamples, as recommended in PLS-SEM literature.

4. Results

4.1 Characteristics of Respondents

This study involved 300 respondents with diverse compositions. Based on gender, there were 168 male respondents (56 percent) and 132 female respondents (44 percent). In terms of age, the majority were in the 30–39 year age group, totaling 96 individuals (32 percent), followed by the 40–49 year group (26 percent), the 20–29 year group (24 percent), and those aged ≥50 years (18 percent), indicating the dominance of respondents in their productive years.

Table 1. Characteristics of Respondents

No	Category	Number	Percent (%)
1	Gender		
	Male	168	56
	Female	132	44
	Total	300	100
2	Age (Years)		
	20–29	72	24
	30–39	96	32
	40–49	78	26
	≥50	54	18
	Total	300	100
3	Latest Education		
	Senior High School	69	23
	Diploma (D3)	42	14
	Bachelor’s Degree	132	44
	Master/Doctoral	57	19
4	Total	300	100
	Occupation		

	Civil Servant (ASN)	78	26
	Private Employee	66	22
	Entrepreneur	60	20
	Student	48	16
	Others	48	16
	Total	300	100
5	Domicile		
	Bireuen Regency	108	36
	North Aceh Regency	114	38
	Lhokseumawe City	78	26
	Total	300	100

In terms of the latest education, most respondents held a Bachelor's degree, with 132 individuals (44 percent), followed by Senior High School graduates (23 percent), Master's or Doctoral degree holders (19 percent), and Diploma graduates (14 percent). Regarding occupation, the largest group consisted of civil servants (26 percent), followed by private employees (22 percent), entrepreneurs (20 percent), students (16 percent), and others (16 percent). Meanwhile, based on domicile, the majority of respondents resided in North Aceh Regency (38 percent), followed by Bireuen Regency (36 percent), and Lhokseumawe City (26 percent). This composition indicates a balanced representation among the three research areas.

4.2 Results of Smart PLS Analysis

4.2.1 Outer Model

Outer Loading

The results of the outer loading test indicate that all indicators in this study have values above the minimum threshold of 0.70 as established in the methodology, thus they can be declared valid. This confirms that all measurement items used are able to adequately reflect their respective constructs. The high outer loading values also demonstrate convergent validity, where the research indicators are consistent in explaining latent variables. Therefore, all indicators in the measurement model can be used for the next stage of analysis without elimination.

Table 2. Outer Loading

Indicator	Outer Loading	Clonclusion
FL1 <- Financial Literacy	0,881	Valid
FL2 <- Financial Literacy	0,809	Valid
FL3 <- Financial Literacy	0,939	Valid
FL4 <- Financial Literacy	0,936	Valid
FL5 <- Financial Literacy	0,856	Valid
GII1 <- Green Islamic Investment	0,818	Valid
GII2 <- Green Islamic Investment	0,906	Valid
GII3 <- Green Islamic Investment	0,955	Valid
GII4 <- Green Islamic Investment	0,888	Valid
GII5 <- Green Islamic Investment	0,876	Valid
IBE1 <- Islamic Business Ethics	0,856	Valid
IBE2 <- Islamic Business Ethics	0,882	Valid
IBE3 <- Islamic Business Ethics	0,872	Valid
IBE4 <- Islamic Business Ethics	0,898	Valid
IBE5 <- Islamic Business Ethics	0,740	Valid

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IT1 <- Investor Trust	0,866	Valid
IT2 <- Investor Trust	0,938	Valid
IT3 <- Investor Trust	0,889	Valid
IT4 <- Investor Trust	0,955	Valid
IT5 <- Investor Trust	0,902	Valid
SK1 <- Spriritual Knowledge	0,923	Valid
SK2 <- Spriritual Knowledge	0,931	Valid
SK3 <- Spriritual Knowledge	0,961	Valid
SK4 <- Spriritual Knowledge	0,948	Valid
SK5 <- Spriritual Knowledge	0,904	Valid

Construct Reliability and Validity

The results of the construct reliability and validity test show that all research variables meet the required criteria. Cronbach's Alpha values for all variables are above 0.70, indicating excellent internal consistency of the research instrument. The rho_A values are also above the 0.70 threshold, confirming that the indicators used are stable in measuring the intended constructs. Furthermore, the Composite Reliability (CR) values for all variables are greater than 0.70, meaning that the constructs in this study have strong composite reliability. Meanwhile, the Average Variance Extracted (AVE) values are all above 0.50, confirming that the indicators are able to explain more than 50 percent of the variance of each construct, thus fulfilling convergent validity. Accordingly, it can be concluded that all research variables, including financial literacy, Islamic business ethics, investor trust, spiritual knowledge, and green Islamic investment, meet the criteria for reliability and validity, and are therefore suitable for use in the subsequent structural model analysis.

Table 3. Construct Reliability and Validity

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Literacy	0,930	0,936	0,948	0,784
Green Islamic Investment	0,933	0,939	0,950	0,791
Investor Trust	0,948	0,950	0,960	0,830
Islamic Business Ethics	0,904	0,913	0,929	0,725
Moderating Effect I	1,000	1,000	1,000	1,000
Spiritual Knowledge	0,963	0,964	0,971	0,872

Discriminant Validity (Fornell-Larcker Criterion)

The results of the discriminant validity test indicate that the square root of AVE values on the diagonal (Financial Literacy 0.885; Green Islamic Investment 0.890; Investor Trust 0.911; Islamic Business Ethics 0.851; Spiritual Knowledge 0.934) are higher than the correlations between constructs. This confirms that each variable explains its own indicators better than the indicators of other constructs. Thus, all constructs meet the discriminant validity criteria and are appropriate for use in the structural model analysis.

Table 4. Discriminant Validity

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Islamic Business Ethics	0,904	0,913	0,929	0,725
Moderating Effect 1	1,000	1,000	1,000	1,000
Spiritual Knowledge	0,963	0,964	0,971	0,872

Heterotrait-Monotrait Ratio (HTMT).

The results of the HTMT test show that all ratio values between constructs are below the 0.90 threshold. This indicates no multicollinearity problems and that each construct in this study has good discriminant validity. Therefore, it can be concluded that the variables of financial literacy, Islamic business ethics, investor trust, spiritual knowledge, and green Islamic investment meet the discriminant validity criteria based on HTMT.

Table 5. Heterotrait-Monotrait Ratio (HTMT)

Variable	Financial Literacy	Green Islamic Investment	Investor Trust	Islamic Business Ethics	Moderating Effect 1
Financial Literacy					
Green Islamic Investment	0,565				
Investor Trust	0,453	0,689			
Islamic Business Ethics	0,467	0,616	0,539		
Moderating Effect 1	0,392	0,525	0,449	0,407	
Spiritual Knowledge	0,398	0,615	0,489	0,529	0,353

4.2.2 Inner Model

The inner model analysis was conducted to evaluate the structural relationships among the latent variables and to test the proposed hypotheses. This stage includes the assessment of the coefficient of determination (R Square), effect size (f^2), path coefficients for both direct and moderating effects, indirect effects through mediation, and predictive relevance (Q^2). The results provide insights into the explanatory power of the model, the strength of each causal relationship, and the extent to which the predictors contribute to the variance in the endogenous variables.

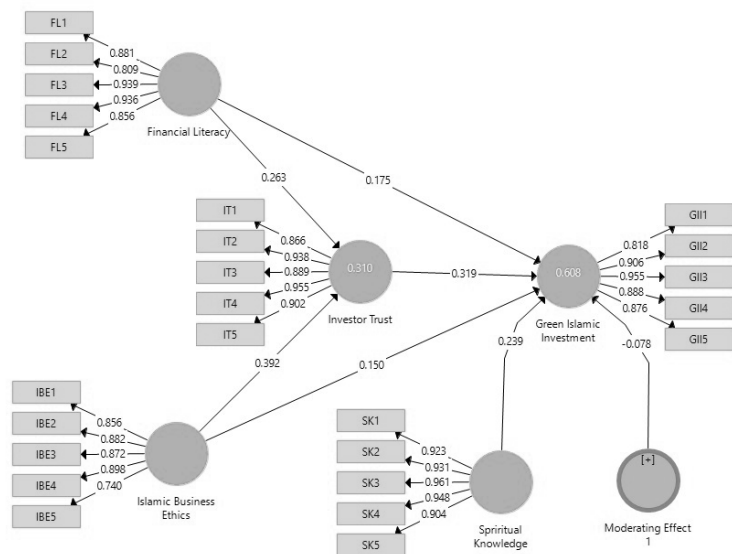


Figure 2. Research Inner Model

Coefficient of Determination (R Square)

The test results show that the Green Islamic Investment variable has an R Square value of 0.608 with an adjusted R Square value of 0.601. This indicates that financial literacy, Islamic business ethics, investor trust, and spiritual knowledge are able to explain about 60.1 percent of the variance in green Islamic investment, while the remainder is influenced by factors outside the research model. Meanwhile, the Investor Trust variable has an R Square value of 0.310 with an adjusted R Square of 0.306. This means that financial literacy and Islamic business ethics explain about 30.6 percent of the variance in investor trust, while other factors are explained by variables outside the model. Overall, these results indicate that the research model has a fairly strong explanatory power, especially for the green Islamic investment variable.

Table 6. R-Square and Adjusted R Square

	R Square	R Square Adjusted
Green Islamic Investment	0,608	0,601
Investor Trust	0,310	0,306

Effect Size (f²)

The f² analysis was used to examine the contribution of each independent variable to the dependent variables in the model. The interpretation refers to Cohen’s (1988) guidelines, namely 0.02 = small, 0.15 = medium, and 0.35 = large. The results show that most relationships fall into the small category, but two relationships fall into the medium category. Financial literacy had a small effect on Green Islamic Investment (0.056) and Investor Trust (0.082). Islamic Business Ethics also had a small effect on Green Islamic Investment (0.036), but a medium effect on Investor Trust (0.183). Investor Trust itself had a medium effect on Green Islamic Investment (0.160). Meanwhile, the moderating effect on Green Islamic Investment (0.049) and Spiritual Knowledge on Green Islamic Investment (0.098) were in the small category. Thus, it can be concluded that the largest contributions in the model come from Islamic Business Ethics to Investor Trust and Investor Trust to Green Islamic Investment, both of which are in the medium category, while the other effects are relatively small.

Table 7. Effect Size (f^2)

	Green Islamic Investment	Investor Trust
Financial Literacy	0,056	0,082
Green Islamic Investment		
Investor Trust	0,160	
Islamic Business Ethics	0,036	0,183
Moderating Effect 1	0,049	
Spiritual Knowledge	0,098	

Path Coefficients (Direct and Moderating Effects)

The test results show that financial literacy has a significant effect on green Islamic investment ($\beta = 0.175$; $p = 0.003$) and on investor trust ($\beta = 0.263$; $p = 0.000$). Furthermore, investor trust also significantly affects green Islamic investment ($\beta = 0.319$; $p = 0.000$). Meanwhile, Islamic business ethics does not have a significant direct effect on green Islamic investment ($\beta = 0.150$; $p = 0.053$), but it has a significant effect on investor trust ($\beta = 0.392$; $p = 0.000$). In addition, the moderating effect of spiritual knowledge on the relationship with green Islamic investment was found to be significant ($\beta = -0.078$; $p = 0.002$). Directly, spiritual knowledge also has a significant effect on green Islamic investment ($\beta = 0.239$; $p = 0.000$).

Table 8. Path Coefficients (Direct and Moderating Effects)

	Original Sample (O)	T Statistics ($ O/STDEV $)	P Values
Financial Literacy -> Green Islamic Investment	0,175	3,000	0,003
Financial Literacy -> Investor Trust	0,263	4,908	0,000
Investor Trust -> Green Islamic Investment	0,319	5,874	0,000
Islamic Business Ethics -> Green Islamic Investment	0,150	1,943	0,053
Islamic Business Ethics -> Investor Trust	0,392	6,618	0,000
Moderating Effect 1 -> Green Islamic Investment	-0,078	3,124	0,002
Spiritual Knowledge -> Green Islamic Investment	0,239	3,682	0,000

Specific Indirect Effects

The results show that investor trust mediates the relationship between financial literacy and green Islamic investment ($\beta = 0.084$; $p = 0.000$). In addition, investor trust also mediates the relationship between Islamic business ethics and green Islamic investment ($\beta = 0.125$; $p = 0.000$).

Table 9. Specific Indirect Effects

	Original Sample (O)	T Statistics ($ O/STDEV $)	P Values
Financial Literacy -> Investor Trust -> Green Islamic Investment	0,084	3,739	0,000
Islamic Business Ethics -> Investor Trust -> Green Islamic Investment	0,125	3,977	0,000

Predictive Relevance (Q^2)

The results of the cross-validated redundancy test show that the Green Islamic Investment variable has a Q^2 value of 0.467 (large category) and Investor Trust has a Q^2 value of 0.249 (medium category). This indicates that the model has good predictive ability for both endogenous variables, particularly for green Islamic investment.

Table 10. Predictive Relevance (Q²)

	Original Sample (O)	T Statistics (O/STDEV)	P Values
Financial Literacy -> Investor Trust -> Green Islamic Investment	0,084	3,739	0,000
Islamic Business Ethics -> Investor Trust -> Green Islamic Investment	0,125	3,977	0,000

5. Discussion

5.1 Direct Effects

5.1.1 Financial Literacy → Green Islamic Investment

The findings demonstrate that financial literacy positively affects green Islamic investment. This result aligns with Rahman and Kassim (2022), who emphasize that Islamic financial literacy enables individuals to better evaluate risk–return profiles in sharia-compliant instruments, particularly those oriented toward sustainability. Filippini et al. (2024) further confirm that higher financial literacy increases investor preference for environmentally friendly investments. Hence, investors with strong literacy are more confident in allocating resources to green projects that are both profitable and compliant with Islamic principles.

5.1.2 Financial Literacy → Investor Trust

The study reveals that financial literacy also significantly enhances investor trust. Widyastuti and Nugroho (2021) argue that understanding Islamic finance fosters investor confidence in market transparency and integrity. Similarly, Ozdemir et al. (2023) show that financial literacy is directly associated with higher levels of trust in financial institutions. This suggests that literacy does not only improve cognitive decision-making but also shapes psychological confidence, strengthening trust in green Islamic investments.

5.1.3 Investor Trust → Green Islamic Investment

Investor trust is found to significantly influence green Islamic investment, confirming its role as a decisive factor in sustainable financial participation. Xu et al. (2022) highlight that trust is a critical determinant of sustainable investment adoption. Khan and Badjie (2023) also emphasize that ethical governance practices enhance investor confidence, which in turn facilitates green finance engagement. This study supports these findings by showing that trust reinforces investors’ willingness to invest in sharia-compliant green instruments.

5.1.4 Islamic Business Ethics → Green Islamic Investment

Although Islamic business ethics indicate a positive coefficient, their direct effect on green Islamic investment is not significant. This implies that ethical practices alone may not be sufficient to drive investment decisions without other psychological mechanisms, such as trust. Mollah and Zaman (2022) explain that sharia governance strengthens legitimacy but often influences investment indirectly. Hence, Islamic ethics require complementary factors to translate into actual investment behavior.

5.1.5 Islamic Business Ethics → Investor Trust

Islamic business ethics strongly influence investor trust. This is consistent with Khan and Badjie (2023), who argue that ethical corporate governance improves legitimacy and strengthens investor confidence. Alraouche and Khaireddine (2022) also highlight that transparency and compliance with sharia principles contribute significantly to building trust. Thus, ethical practices are instrumental in shaping investor confidence, which later facilitates green investment.

5.1.6 Moderating Effect of Spiritual Knowledge

The moderating role of spiritual knowledge was significant, suggesting that spirituality influences the strength of relationships in the model. This finding resonates with Bahlous and Yousfi (2024), who show that religiosity alters financial decision-making by reinforcing ethical and conservative choices. Younas et al. (2022) similarly argue that

spirituality shapes ethical investment orientation. Therefore, spiritual knowledge functions as a contextual factor that modifies how financial literacy and ethics translate into green investment decisions.

5.1.7 Spiritual Knowledge → Green Islamic Investment

Spiritual knowledge also has a direct and significant effect on green Islamic investment. This is in line with Alraouche and Khairredine (2022), who find that religiosity enhances preferences for socially responsible investments. Bahlous and Yousfi (2024) likewise confirm that spiritual values guide investors toward greener and more ethical financial behavior. Thus, spiritual knowledge reinforces the integration of ethical and sustainable considerations in sharia-compliant investments.

5.2 Indirect Effects

5.2.1 Financial Literacy → Green Islamic Investment through Investor Trust

The mediation analysis reveals that investor trust partially mediates the relationship between financial literacy and green Islamic investment. Widyastuti and Nugroho (2021) explain that financial knowledge strengthens trust, which subsequently influences investment decisions. Hence, literacy improves both cognitive competence and trust, jointly reinforcing sustainable financial behavior.

5.2.2 Islamic Business Ethics → Green Islamic Investment through Investor Trust

Investor trust also mediates the relationship between Islamic business ethics and green Islamic investment. This suggests that ethical practices alone are insufficient; they require trust to be perceived as credible by investors. Khan and Badjie (2023) support this finding, showing that ethics enhance trust, which in turn facilitates participation in green finance.

6. Conclusion and Recommendations

6.1 Main Findings

This study demonstrates that financial literacy significantly influences green Islamic investment, both directly and indirectly through investor trust. Islamic business ethics are found to positively affect investor trust, although their direct impact on green Islamic investment is relatively limited. Investor trust emerges as a crucial mechanism mediating the effects of both financial literacy and Islamic business ethics on investment decisions. Furthermore, spiritual knowledge not only directly enhances green Islamic investment but also serves as a moderating variable that strengthens the link between financial literacy, Islamic business ethics, and investment behavior. These findings highlight the importance of integrating literacy, ethics, trust, and spirituality as key determinants of sustainable sharia-compliant investments.

6.2 Limitations

This study is subject to several limitations. The sample size was limited to 300 respondents from Bireuen Regency, North Aceh Regency, and Lhokseumawe City, which may constrain the generalizability of the results. The cross-sectional design does not capture changes in investor behavior over time. In addition, the reliance on self-reported data may involve subjective bias.

6.3 Future Research Directions

Future studies are encouraged to expand the sample size and geographical scope to improve generalizability. A longitudinal research design could be employed to observe dynamic behavioral changes among investors. Additional variables such as regulatory support, product innovation, and environmental awareness should be integrated into future models. Employing mixed methods approaches may also provide richer insights into the drivers of green Islamic investment.

6.4 Theoretical and Practical Implications

Theoretically, this study contributes to the literature on Islamic sustainable finance by integrating investor trust and spiritual knowledge into a comprehensive model. Practically, the findings suggest that policymakers and financial institutions should prioritize financial literacy programs, enforce Islamic business ethics, strengthen investor trust through transparency, and leverage spiritual values to encourage wider participation in green Islamic investment.

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