

ABSTRACT

Islamic mutual funds are an attractive investment in the Islamic capital market because they have several specifications such as affordable initial capital and cost and time efficiency because they are managed by investment managers. Sharia mutual funds have a process of screening and cleansing from non-halal elements so that it becomes a differentiator between Islamic mutual funds and conventional mutual funds. The development of sharia mutual funds continues to increase but will experience a significant decline in 2022 and the amount is still small compared to conventional mutual funds. This study aims to determine the factors that influence investors' decisions in investing in Islamic mutual funds in Indonesia.

The type of data used in this study is primary data with the data collection method using a questionnaire which is distributed online via Google forms. The population in this study are investors who invest in Islamic mutual funds in Indonesia with an unknown population size, so the researchers took a sample of 155 respondents using a purposive sampling approach. The method used is Structural Equation Modeling (SEM) with the Partial Least Square (PLS) technique using the SmartPLS 3.0 analysis tool.

The results of the study show that risk, returns, Islamic financial literacy, and herding behavior have a positive and significant effect on investment decisions in Islamic mutual funds.

Keywords: Herding behavior, Islamic financial literacy, Islamic Mutual Funds, Risk, Return

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