

RESEARCH ARTICLE

The Prospect of Indonesian Government Retail Sukuk: From the Perspective of Sharia Financial Knowledge, Education, and Behavior

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As a source of government financing, the Indonesian government's retail Sukuk is still not as popular as conventional government bonds. The Indonesian government has issued serial retail Sukuks with the code SR to get funds from retail investors, especially those concerned with *Sharia values*. Sharia financial literacy is expected to determine the success of this Sukuk. This study fills the gap of previous research on financial literacy by investigating the Sharia financial literacy in the investment decision. This study investigates the descriptive analysis of Sharia financial literacy in Indonesia and its relationship with the prospect of retail Sukuk issued by the Indonesian government. This study surveys 120 prospective investors who have already had an investment in financial securities by investigating their Sharia financial literacy and their intention to buy the Indonesian government Sukuk in the future. This study finds that the Sharia financial literacy of the respondents is relatively low. This low literacy negatively affects their interest in investing in the Indonesian government retail Sukuk. This study also finds that financial knowledge and financial education have a positive relationship with the intention to buy retail Sukuk.

Keywords: Sukuk, financial literacy, investor behavior, government bond, Sharia finance

JEL Classification: M14

Sharia-compliant financing has become more prevalent in recent decades, not only for firms but also for the government, including in Indonesia. The increase in the number of Sharia-compliant investors is one reason for the popularity (Khoutem, 2014; Kordvani, 2009; Warsame & Ileri, 2016; Wedderburn-Day, 2010; Wilson, 2008). They are not only from institutional investors such as pension funds but also

from retail investors. According to the data published by the Indonesian Ministry of Finance, by April 2017, the Indonesian government Sharia debts have reached 290.01 trillion, comprising zero coupon and fixed coupon. About 23% of them are from retail Sukuk (SR), consisting of SR 007, 008, and 009. The first two SRs will be due in 2018 and 2019, respectively. The latter will be due in 2020.

SR 009, with a coupon of 6.9% (paid monthly), is more likely to be less interesting for retail investors,¹ although it offers a higher yield than the current market time deposit on the banking sector. According to the market price on May 22, 2017, it is priced 99.90, suggesting that it is at a discount. The discount price means the higher yield required by investors for this Sukuk. Another argument for this discount is the probability of the lower intention of retail investors to buy this Sukuk. SR 007 and SR 008 are not different from their youngest sibling. The premium prices for both Sukuks are pulled by their shortcoming maturity date. The premium is not high for both Sukuks, and the transaction is only for the secondary market.

In selling debt securities, the premium is a bonus for the issuer because money grabbed from the premium can be used to cover some costs, including transaction, underwriting, and commercial fees (Black, Stock, & Yadav, 2016). However, the probability of getting the premium price is lower, proven by par or discount price during the first months of SR issuance. According to that condition, the Indonesian government needs to find more investors to subscribe to its SR.

Those explanations indicate that the prospect of Indonesian government SR is below conventional retail bonds and government institutional Sukuks. In terms of the yield to maturity (YTM) or the price of Sukuks from SR 007 to SR 009, government Sukuks tend to be less attractive. With the lower risk and an increase in the number of Shariah-compliant investors, the government is supposed to earn higher premiums from its SR. Currently, Sukuk is relatively less popular compared to other nonfinancial constraints securities such as Sharia and socially responsible investment (SRI; Bennett & Iqbal, 2013). However, its market is considered to grow, especially in countries that are predominantly Muslim.

Many factors are considered to affect the low attractiveness of government Sukuk: low financial literacy, Indonesian investors' risk-variance behavior, bad marketing, and competition with corporate bonds or other securities. When viewing the government's marketing, we can see expansive marketing through advertising, billboards, and direct socialization. But the issue is that good marketing is not necessarily sufficient to attract Indonesians to buy SR if their Sharia financial literacy is still low.

This study investigates the effectiveness of government Sukuk issuance by the Indonesian

government by analyzing the Sharia financial literacy description. Literacy is related to the future of SR issued by the government. On the one hand, the government needs additional funds to pay its budget deficit through various sources, including Sukuk, but on the other hand, Indonesian citizens could have less literacy for Sharia investment. In literature, investors are more likely to measure their literacy before making investment choices (Gallery, Gallery, Brown, Furneaux, & Palm, 2011). I divide financial literacy into three components used by the Organisation for Economic Co-operation and Development: financial knowledge, financial education, and financial behavior.

Financial literacy is still an issue in Indonesia since Indonesians' average financial literacy is still below the government's target. However, through collaboration with foreign institutions in improving financial literacy, there is an increase in financial literacy amongst young Indonesians (Lopus, Amidjono, & Grimes, 2019). Cole, Sampson, and Zia (2011) found a significant correlation between Indonesians' financial literacy and financial behavior, especially saving.

Although the Sukuk market tended to grow by the first quarter of 2017 with the accumulated value of more than 20 trillion rupiahs (Otoritas Jasa Keuangan, 2017), *Sukuk Ritel 009* (SR 009) was traded on par, and even by May 2017, it was at a discount position. I expect that low financial literacy could lead to less attractiveness of that Sukuk, especially for Sharia financial literacy, where investors who have been literate on investment do not necessarily understand the concept and system of Sharia finance investment. It could not be easy for some investors to distinguish the difference between conventional and Sukuk bonds. Many investors have been concerned with the importance of *Sharia compliance* but sometimes do not understand Sharia investment characteristics. When the government promotes Sukuk to investor society, they could not make investment decisions, possibly due to the illiterate factor. Therefore, the research question is how Islamic financial literacy amongst Indonesians and its relationship with the Sukuk investment decision.

In Islamic investment principles, a Muslim is prohibited from investing in securities that contain usury (*Riba*). Many Islamic scholars have categorized current conventional interests as *Riba*. Therefore, Sharia-compliant investors will invest in Sharia-compliant securities, which usually offer profit and risk sharing like *Mudharabah* and *Murabahah*.

Financial literacy determines how investors make investment decisions, especially new investment assets (Bucher-Koenen, Lusardi, Alessie, & van Rooij, 2016; Cobb-Clark, Kassenboehmer, & Sinning, 2013; Rooij, Lusardi, & Alessie, 2011; Van Rooij, Lusardi, & Alessie, 2011). For Sharia finance, some investors may not fully understand how to apply Sharia values in investments, especially the existence of different views in applying Sharia values in business. Therefore, an issuer should promote its Sharia securities by giving investors the Sharia concept used by its securities. Although Setyowati, Harmadi, and Sunarjanto (2018) report that Sharia financial literacy in Solo (a regency in Central Java) is around 65%, it is expected that literacy varies across cities in Indonesia. Accordingly, I examine the effect of Sharia financial literacy on respondents' intention to buy Indonesian government SR.

Specifically, Islamic financial literacy is related to financial decisions in investing in Islamic financial products (Antara, Musa, & Hassan, 2016). A study from Ali, Devi, Furqani, and Hamzah (2020) found that financial literacy is the main determining factor in influencing Sharia financial inclusion in Indonesia.

LITERATURE REVIEW

Nonfinancial Constrained Investment

In financial literature, some studies have investigated the issue of *nonfinancial constrained investment* in the academic context. Such investment evolved in the early 1900s when some religious groups avoided investing in certain assets such as gambling and alcohol. Rudd (1981) examines the use of social screening and ethics in portfolio performance. He finds no difference in the performance of SRI and conventional investments. Then, Bauer, Koedijk, and Otten (2005); Renneboog, Ter, and Zhang (2008); and Renneboog, Ter Horst, and Zhang (2011) use SRI global fund data and confirm that there is no difference in performance between SRI and conventional investments; even in some countries, SRI's mutual fund has better performance (*outperformance*) than conventional funds. The same results are also found when studies use regional and country data (Arrigoni & Lanzavecchia, 2015; Henke, 2016; Petrillo, De Felice, García-Melón, & Pérez-Gladish, 2016).

After the 1990s, other nonfinancial constrained investments also experienced rapid growth, especially

Sharia-compliant investment. Dah, Hoque, and Wang (2015) also find that Sharia investment portfolios do not underperform their conventional counterparts. Walkshäusl and Lobe (2012) even find that Sharia-compliant indices have a higher Fama–French Carhart alpha (Carhart, 1997) than conventional indices.

Further, Noussair (2016) suggests the presence of behavioral anomalies in making investment decisions made by individuals. *Over-/underconfidence* tends to happen in investor behavior due to their good/bad financial literacy. The investor confidence is a debate between the rational theory introduced by Fama (1969, 1991, 1998) and the behavioral approach from Campbell and Shiller (1988), Case and Shiller (1989), and Shiller (1987, 2003). For *behaviorists*, investment decisions are influenced by the behavior or psychology of investors. This behavior is sometimes influenced by how much they know about the investment asset (Gallery et al., 2011).

Shariah Financial Literacy and Investment Decision

According to Sardiana (2016), Sharia financial literacy determines personal behavior in selecting financial services. Investors who have good Sharia financial literacy tend to choose Islamic financial products. Similarly, Setyowati et al. (2018), who investigated the relationship between Islamic financial literacy and investment behavior, find a relationship between Sharia financial literacy and the tendency of choosing Sharia-compliant investment. They also suggest a person who has better Islamic financial literacy is more likely to have good personal financial management.

Financial innovation continues to develop, shown by the growth in the *Sukuk* market, where it becomes one of the significant funding sources for companies and governments in the Middle East and Southeast Asia. For a *Sukuk* that uses *Mudharabah* instead of coupons, *Sukuk* provides better investment risk stability because it is based on a country's GDP (Wilson, 2008) the former offering a fixed return, and the latter, the most popular form of *sukuk*, a variable return. The potential for other more novel *sukuk* structures based on *musharakah* partnership contracts is also examined, and *sukuk* pricing issues are explored using alternative benchmarks to London Inter-bank Offer Rate. Flow charts are used to illustrate the financial transfers and the rights and obligations of *sukuk* investors as well as the beneficiaries of the funding. Historical

data have used to assess whether the payments flows are more stable in the case of sovereign sukuk where the returns are based on gross domestic product (GDP). Even Kordvani (2009) examines that Sukuk can increase the efficiency of the financial industry. In addition, the presence of the Sukuk market has a positive relationship with the economic development of a country (Khoutem, 2014) and innovation in the financial markets (Wedderburn-Day, 2010).

Calcagno and Monticone (2015) convey the importance of financial literacy in making investment decisions. They find that there is a relationship between financial literacy and an investor's skill in forming portfolios. Investors who have good financial literacy are more confident when selecting securities for their investment portfolio. Gathergood and Weber (2017) also find a linear relationship between poor financial literacy and poor portfolio options. Van Rooij et al. (2011) find that knowledge of securities attributes such as *yield*, risk, and interest rates affects investment decisions and further affects the purchase of securities in the capital market. They further find there is a literacy relationship with demographic factors such as education and income in investing. Low literacy will result in poor portfolio diversification in low-educated and lower income investors.

The existence of retail investors is also more critical in financial literature. Some research attempts to examine the role of retail investors as *price mover*. Barber, Odean, and Zhu (2009) find that the selling transaction from retail investors could have implications on *underpriced* securities, or the role of retail investors is relatively significant in price changes. Barber et al. (2009) further find retail investors' role in option prices, where retail investors' purchases increase option prices.

According to financial literacy literature, financial education is related to economic outcomes (Hastings, Madrian, & Skimmyhorn, 2012). Individuals with good financial knowledge have good financial planning, therefore leading to better financial results. Urban, Schmeiser, Collins, and Brown (2020) examine the relationship between financial education and financial behavior. Specifically, they find that students who get financial education are more likely to have higher credit scores and good financial behavior. Moreover, Frisacho (2020) enhances the positive effect of financial education on financial behavior and knowledge.

Abidin, Maupa, Alam, & Sobarsyah (2020) investigate the relationship between financial behavior and investment decision. They find that some financial behaviors like heuristics have a significant relationship with the investment decision. Istiana & Nur (2020) find a relationship between risk aversion behavior and investment decision made by investors.

Hypothesis 1: Sharia financial knowledge is positively related to the intention to buy SR.

Hypothesis 2: Sharia financial education is positively associated with the intention to buy SR.

Hypothesis 3: Sharia financial behavior is positively related to the intention to buy SR.

METHODOLOGY

The population of this research is Indonesian Muslims. Sampling is determined by a *purposive sampling* method to accommodate some characteristics of the community demography group. I use the *maximal method variation* sampling, one of the purposive sampling methods, which will predetermine the characteristic of the research sample and determine the individual to be used as a sample. One of the characteristics of the samples is owning investment in the capital market. Most of them are individuals who have a stock account registered with some investment banks in Indonesia. In literature, individuals involved in investment and business tend to have better financial literacy (Gerrans & Heaney, 2016).

Financial literacy is divided into three aspects: financial knowledge, financial education, and financial behavior. This follows the concept of financial literacy constructed by the Organisation for Economic Co-operation and Development. I build the research model as follows:

$$Intention = \beta_0 + \beta_1 Knowledge + \beta_2 Education + \beta_3 Behavior + \varepsilon$$

Intention is the intention to buy Indonesian government SR. *Knowledge* is Sharia financial knowledge. *Education* is Sharia financial education. *Behavior* is Sharia financial behavior, while ε is error terms.

RESULT AND DISCUSSION

This study has surveyed 120 respondents who have met the sampling criteria. All of them have invested at least in one capital market security like stock and bond. Most of them are stock investors. The characteristics are presented in Table 1, where approximately 68% of the respondents are between 31 and 40 years old, 26% are under 31 years old, and about 6% are over 40. Since I use online questionnaires, the survey can reach a wider area to have the respondents from many cities in Java and outside of Java. Using respondents from many cities aims to see the influence of access to information on Sharia financial knowledge, education, government conduct, and SR. 32.31% of the respondents domicile in cities on Java Island such as Jakarta, Bandung, Surabaya, Depok, Bekasi, Bogor, and Tangerang. The remaining 67.69% of the respondents live in several cities outside Java, such as Padang, Payakumbuh, Bukittinggi, Pekanbaru, Medan, Jambi, and Batam.

Table 1. *Respondent Characteristics*

Characteristic	Percentage
Age	
Below 30	26.15%
31 - 40	67.69%
Above 40	6.15%
Gender	
Male	47.69%
Female	52.31%
Domicile	
Java	32.31%
Outside Java	67.69%
Education	
PhD	1.54%
Master	41.54%
Bachelor	53.85%
Diploma	3.08%
Job	
No Jobs	6.15%
Civil Servant	35.38%
State Gov Entreprises	16.92%
Private Companies	9.23%
Entrepreneur	9.23%
Others	23.08%
Monthly Income	
Below 1 million rupiah	7.69%
Rp 1.000.000 - Rp 5.000.0000	21.54%
Rp 5.000.000 - Rp 10.000.000	33.85%
Rp 10.000.001 - Rp 15.000.000	18.46%
Above 15 million rupiah	18.46%

For the education characteristic, most respondents, nearly 97%, graduated from universities; 53.8% of them have a bachelor's degree, and about 41% graduated with a master's degree. Most of them work as noncivil servants, with average revenues of over 5 million rupiahs per month. Even about 37% of them have more than 10 million rupiahs of earnings. This earnings characteristic will reduce the sampling error because the government SR is sold by Rp 5 million or more. It is expected that they are the potential market for the Indonesian government Sukuk.

Islamic financial literacy is classified into three: financial knowledge, financial education, and financial behavior. Using the method of measuring financial literacy conducted by Atkinson and Messy (2011), this study modifies the dimensions of conventional financial knowledge to the aspects of Sharia finance knowledge. Firstly, I investigate the basic knowledge of the respondents about Sharia finance terms. I test respondents' knowledge about *Mudharabah*, *Murabahah*, *Musyarakah*, *Ijarah*, and *Gahar*.

Table 2 shows whether the respondents currently have a saving account at a Sharia financial institution and whether they have an investment account, especially a stock account. There is 52.31% of the respondents who have a saving account at Sharia banks and other financial institutions. This result suggests that most respondents have embraced the Sharia concept in their financial activity. For financial market accounts, especially stock accounts, all respondents have owned such an account since the respondents are prospect investors who have invested in one of the capital market securities.

Table 2. *Financial and Investment Inclusion*

	Sharia Saving
No	47.69%
Yes	52.31%

Sukuk purchasing intention is the main variable that is measured by using investment intention indicators: intention to invest in the capital market, bond, Sukuk, SR, and government Sukuk. I scale the investment intention from 1 to 5, where 1 means not likely to invest in Sukuk, while 5 is most likely to invest. Table 3 reports that, on average, the respondents are more likely to invest in Indonesian SR in the future, shown

by the mean of 3.24. When I compare based on some demographic background, respondents who are 31–35 years old tend to have higher investment intention in Indonesian government SR.

Table 3. *Sukuk Purchase Intention*

Variable	Mean	Std. Dev.
All	3.24	0.34
Age		
Under 26	3.07	0.10
26–30	3.31	0.31
31–35	3.24	0.41
Above 35	3.13	0.36
Sex		
Women	3.19	0.32
Men	3.29	0.36
Education		
Master's degree/PhD	3.31	0.40
Bachelor	3.18	0.27
Diploma	3.50	0.71
Economics education background		
Economics	3.28	0.37
Noneconomics	3.15	0.28

Note. Std. Dev. = standard deviation.

Men are more likely to invest than women, shown by a higher mean, 3.29, for the male respondents. Interestingly, the respondents with a diploma education background are more likely to invest in Indonesian government SR than those with master's and bachelor's degrees. Then, the respondents from economics educational backgrounds tend to invest more in Indonesian government Sukuk compared to the respondents from non-economics backgrounds.

Sharia Financial Knowledge

Table 4 shows Sharia financial literacy among the respondents. On average, the Sharia financial literacy score is 31.35%, with a standard deviation of 17.28%. The results suggest that Sharia financial literacy is still low since, on average, only 31.35% of Sharia financial questions are correctly answered by respondents.

Table 4. *Sharia Financial Knowledge*

Variable	Mean	Std. Dev.
Financial knowledge score	31.35%	17.28%

Note. Std. Dev. = standard deviation.

Table 5 reports the response of the respondents regarding Sharia financial literacy. Most respondents answer correctly regarding the basic concepts of *Mudharabah*. Although those who gave the wrong answer are only 6%, when I combine them with the respondents who answered “does not know,” the percentage reaches 43%. Although it is still relatively low compared to those with the correct answer, this indicates that the respondents have not fully understood the basic concept of *Mudharabah*. However, when the term of *Mudharib* was asked, only about 34% of the respondents answered correctly for this term; the rest answered wrong or “does not know.”

Table 5. *Sharia Financial Knowledge*

Questions	Percentage
Mudharabah	
Correct	56.92%
Wrong	6.15%
Does not know	36.92%
Certainty in Mudharabah	
Correct	20.00%
Wrong	35.38%
Does not know	44.62%
Mudharib	
Correct	33.85%
Wrong	13.85%
Does not know	52.31%
Ijarah	
Correct	18.46%
Wrong	32.31%
Does not know	49.23%
Murabahah	
Correct	29.23%
Wrong	23.08%
Does not know	47.69%
Musyarakah	
Correct	63.08%
Wrong	3.08%
Does not know	33.85%
Gharar	
Correct	23.08%
Does not know	76.92%
Financial Institution in Sharia	
Correct	10.77%
Wrong	55.38%
Does not know	33.85%

For other basic knowledge that can be seen in Table 5, most respondents answered correctly about *lost sharing* on the *Musyarakah* system. However, for some other concepts, there is a variety of results. For example, only about 18.5% of the respondents answered correctly to the idea of *Ijarah*, which became the system in the issuance of government *Sukuk*; the remaining 81.5% of them answered wrong or “does not know.”

For the *Murabahah* concept, which is the basic concept used in lending by financial institutions, only about 29% of the respondents answered correctly. About 71% of the other respondents answered wrong or “does not know.” From the knowledge of the four fundamental concepts in Sharia finance, it can be suggested a lack of knowledge for Sharia financial concepts. Most respondents also have low knowledge of another fundamental concept in Sharia financial knowledge, *Gharar*. It is the basis of the prohibition of interest. About 77% of the respondents do not know this term; the remaining 23% answered that they know it.

To measure financial literacy, I also investigate financial education, especially related to Sharia finance. Table 6 shows that most respondents claim that they have never participated in special training on Sharia finance. Only about 11% of the respondents claimed to experience Sharia finance training. In addition, the percentage is the same for the respondents who experienced a workshop, with about 89% of the respondents not having attended a special Sharia finance workshop. Meanwhile, the percentage of respondents who study Sharia finance is also relatively low. Only about 20% of the respondents stated that they had explicitly studied about Sharia finance.

The respondents have not optimally accessed the fatwas of the Indonesian Ulama Council (MUI), which became the reference of Sharia finance in Indonesia. Eighty percent of the respondents said that they had never read any of the about 30 fatwas issued by the MUI about Sharia finance. Only about 3% had read more than 10 fatwas; the remaining 17% had read 1–5 fatwas.

Table 6. *Sharia Financial Education*

Item	Percentage
Sharia Financial Training	
Ever	10.77%
Never	89.23%
Sharia Financial Workshop	
Ever	10.77%
Never	89.23%
Depth Learning About Sharia Finance	
Ever	20.00%
Never	80.00%
Reading MUI Fatwa about Syaria Finance	
Never	80.00%
Reading 1 - 5 Fatwa	16.92%
Reading More Than 10 Fatwa	3.08%

The third component in the measurement of Sharia financial literacy is financial behavior. The behavior will measure individual rationality in making investment decisions. Investment decisions can be based on the essential attributes in finance, *risk*, and returns. As shown in Table 7, the risk factor is still the main factor for the respondents. Most respondents are *risk-averse investors*. They will tend to choose investments that promise high returns on a certain level of risk and select lower risk investments at a specific return level. For the preference of nonfinancial factors, 49.23% of the respondents state that they strongly agree that they consider *nonfinancial constraints* in making an investment decision.

In addition, I also look at the basic indicators of herding behavior by analyzing whether external parties influence the respondents’ investment decisions. Table 7 shows that the respondents tend to be rational as most of them disagree with the statement that their investment decisions are influenced by family, friends, and other people who become role models. Influence may be only slightly larger for a family role with about 34% of the respondents stating that their investment decisions are based on family-made investment decisions.

Table 7. *Sharia Financial Behavior*

Item	Percentage
Higher Return	
(Strongly) Agree	64.62%
Do Not Know	10.77%
(Strongly) Disagree	24.62%
Low Risk	
(Strongly) Agree	84.62%
Do Not Know	6.15%
(Strongly) Disagree	9.23%
Preference on non-Financial Constraints	
(Strongly) Agree	49.23%
Do Not Know	23.08%
(Strongly) Disagree	27.69%
Family Role in Investment Decision	
(Strongly) Agree	33.85%
Do Not Know	9.23%
(Strongly) Disagree	56.92%
Other Persons Role in Investment Decision	
(Strongly) Agree	24.62%
Do Not Know	7.69%
(Strongly) Disagree	24.62%

To examine the relationship between Sharia financial literacy and Indonesian government SR's future, this research conducts hypotheses tests by running a statistic test using linear regression using purchase intention Sukuk retail as a dependent variable.

In Model (1) in Table 8, Sharia finance knowledge positively affects the desire to invest in Sharia securities, especially Sukuk. This variable's coefficient is positive 0.404, significant at 1%, suggesting a strong statistical relationship between the two variables. The results are also consistent when all the financial literacy components are included in the model (Model [4]). These results indicate that the prospects of Sharia securities such as the SR depend on Sharia financial knowledge. Better Sharia knowledge will result in better prospects of SR.

Table 8. *OLS Regression of the Relationship Between Sharia Financial Literacy and SR Buying Intention*

	(1)	(2)	(3)	(4)
	<i>Intention</i>	<i>Intention</i>	<i>Intention</i>	<i>Intention</i>
<i>Constant</i>	14.50*** (41.85)	15.74*** (73.37)	16.49*** (15.66)	14.49*** (16.50)
<i>Knowledge</i>	0.404*** (5.69)			0.319*** (4.31)
<i>Education</i>		0.750*** (4.46)		0.467*** (2.85)
<i>Behaviour</i>			-0.0316 (-0.28)	0.00868 (0.10)
R-squared	0.340	0.240	0.001	0.417
F	32.39***	19.91***	0.0796	14.57***

*Significant at the 10% level. ** Significant at the 5% level.

***Significant at the 1% level.

The same results are also obtained for the education variable. There is a positive relationship between Sharia financial education and the desire to invest in the Indonesian government Sukuk retail. Table 6 shows a positive and significant influence on the 1% level for educational variables, which means better Sharia financial education will positively impact the government SR's future. The positive relationship between Sharia-related literacy and investment decisions is consistent with Hassan Al-Tamimi and Anood Bin Kalli (2009). However, investor behavior does not significantly influence the respondent's investment intentions on government SR. The insignificant *t*-values are reported for the behavior variables on Models (3) and (4). These insignificant results may be caused by the investor behavior toward higher returns, low risk, and moderate preferences for nonfinancial constrained investments and the moderate role of the third parties in investment decisions (Table 7).

CONCLUSION

This paper investigates the future of government SR reviewed from the Sharia financial literacy community. Using descriptive analysis, this study finds that financial knowledge and education components were still relatively low. Knowledge of the basic concepts in Sharia finance such as *Mudharabah*, *Murabahah*, and *Ijarah* is still relatively low, including knowledge about *Gharar*, which is the most fundamental concept in

determining whether an investment is Sharia compliant or not. Then, financial education for Sharia finance is also relatively low. Most respondents have never even participated in training, workshops, or independent studies about Sharia finance.

The influence of financial literacy on the future of Indonesian government SR is explained by the regression model. Financial knowledge has a positive impact on the intention of purchasing government SR. Financial education also has a strong positive association with the future of Indonesian SR, and there is no significant relationship for financial behavior. I conclude that financial knowledge and financial education are determining factors for the future of Indonesian government SR.

The results imply Sharia financial knowledge and financial education's importance to attract more investors to invest in Sharia-compliant securities. Therefore, the Indonesian government should enhance those variables to attract more retail investors by being more active in communicating and educating retail investors about the concept and practices of Islamic finance.

NOTE

¹ According to data from Dirjen Pembiayaan dan Risiko Kementerian Keuangan, only 70.15% of the selling target can be achieved (Rp 20 trillion).

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