

## **ABSTRACT**

*This study aims to analyze the influence of Islamic Financial Literacy, Risk Perception, Herding Behavior, and Loss Aversion on Islamic mutual fund investment decisions among Muslim communities in Java Island. The research is motivated by the significant growth of the Islamic capital market in Indonesia, which has not been matched by the level of Islamic financial literacy among society. A quantitative approach was employed using a survey method involving Muslim respondents residing in Java Island. Data were collected through questionnaires and analyzed using multiple linear regression to assess both partial and simultaneous effects of the independent variables on investment decisions. All data processing and analysis were carried out using IBM SPSS Statistics software version 25.0 to ensure the accuracy of the validity, reliability, and regression test results. The results reveal that Islamic financial literacy has a positive and significant impact on investment decisions. Risk perception also significantly influences decisions, as better risk perception improves caution and decision quality. Herding behavior is found to have a significant effect, particularly among less financially literate investors who tend to follow the majority. Meanwhile, loss aversion affects investors' decisions by encouraging excessively conservative behavior. Simultaneously, the four variables significantly influence Islamic mutual fund investment decisions. This study contributes theoretically to the development of behavioral Islamic finance literature and provides practical implications for regulators, financial institutions, and society in enhancing financial literacy and mitigating behavioral biases in Islamic investment decision-making.*

**Keywords:** *Islamic Financial Literacy, Risk Perception, Herding Behavior, Loss Aversion, Investment Decision, Islamic Mutual Funds*

