

ABSTRACT

Investors in recent decades have been increasingly investing in faith-based investment products such as *sharia*-based stocks. Accordingly, the investment literature has begun to question whether several classical investment theories including portfolio and Capital Asset Pricing Model (CAPM) theories manage to explain the phenomenon. Classical finance theories largely focus on objective investment risks and *returns* while *Sharia*-based stocks exhibit unique characteristics based on Islamic religious teachings. In this respect, investors also consider their religious teachings when making investment decisions in these financial products, including *barakah* risk premium volatility, religiosity, and individual subjective preferences toward *sharia*-based stocks. Hence, this study aims to test the role of these three variables as new variables involved in *sharia*-based stock investments by introducing Islamic economic rationality factors. Data from the experimental research is analyzed with the mediated moderation regression approach. The results show that *sharia*-based stock investment decisions are significantly affected by *barakah* risk premium volatility and subjective preferences but not by religiosity.

Keywords: *barakah* risk premium volatility, *sharia*-based stocks, subjective preferences, investments, religiosity