

Factors Influencing Investors to Invest in the Sharia Capital Market

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Abstract. *This study aims to analyze the factors influencing individual investors' decision-making in the Indonesian Islamic Stock Exchange (BEI). The observed factors include Islamic financial literacy, Islamic investment literacy, and Islamic behavioral investment. This research employs descriptive analysis and causality testing using Structural Equation Modeling (SEM). A sample of 500 active retail investors in the Indonesian Islamic Capital Market was collected via Google Forms, and the data were analyzed using Confirmatory Factor Analysis (CFA). Hypotheses were tested through composite reliability analysis. The findings reveal that Islamic financial literacy, investment literacy, and behavioral investment have a positive and significant influence on investment decisions, with a determination coefficient of 0.79. However, the study also found that religious factors did not significantly affect investors' decision-making behavior.*

Keywords: *Islamic Financial Literacy, Islamic Investment Literacy, Islamic Behavioral Investment, Investment Decision*

Abstrak. *Penelitian ini bertujuan untuk menganalisis faktor-faktor yang mempengaruhi pengambilan keputusan investasi investor individu di Bursa Efek Syariah Indonesia (BEI). Faktor yang diamati meliputi literasi keuangan syariah, literasi investasi syariah, dan perilaku investasi syariah. Penelitian ini menggunakan analisis deskriptif dan uji kausalitas dengan Structural Equation Modeling (SEM). Sampel terdiri dari 500 investor ritel yang aktif di Pasar Modal Syariah Indonesia, dan data dikumpulkan melalui Google Form. Data dianalisis menggunakan analisis faktor konfirmatori (CFA), sementara hipotesis diuji dengan analisis composite reliability. Temuan menunjukkan bahwa literasi keuangan syariah, literasi investasi, dan perilaku investasi berpengaruh positif dan signifikan terhadap keputusan investasi dengan koefisien determinasi sebesar 0,79. Namun, penelitian ini juga menemukan bahwa faktor religius tidak berpengaruh signifikan terhadap perilaku investasi dalam pengambilan keputusan.*

Kata kunci: *Literasi Keuangan Syariah, Literasi Investasi Syariah, Perilaku Investasi Syariah, Keputusan Investasi*

Introduction

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The development of the Sharia Capital Market in Indonesia began with the issuance of sharia mutual funds by PT. Danareksa Investment Management on July 3, 1997, followed by the launch of the Jakarta *Islamic Index* (JII) as the first Islamic stock index on July 3, 2000, which was then followed by the launch of the Indonesian Sharia Stock Index (ISSI) on May 12, 2011 and then the Jakarta *Islamic Index* 70 (JII70 Index) launched by the IDX on May 17, 2018 followed by IDX-MES BUMN 17 on April 29, 2021.

The development of the Islamic Capital Market in Indonesia has increased significantly. This development can be seen from the number of Islamic stock capitalization and the number of Islamic securities lists, in the capital market development statistics report published by the Financial Services Authority (OJK), the total capitalization of the Indonesian Islamic Stock Index (ISSI) increases continuously every year, there is an increase in capitalization of 0.02% in 2019, which is Rp 3,744,816.32 billion, compared to 2018 which is Rp 3,666,688.31 billion. The development of Islamic stocks from year to year is quite good.

The growth of the Jakarta Islamic Index (JII) between 2022 and 2023 is recorded at 16.06%, increasing from 2,155,449.41 to 2,501,485.69. In contrast, the Indonesia Sharia Stock Index (ISSI) shows a more significant growth rate of 28.5%, rising from 4,786,015.74 to 6,145,957.92. In January 2024, JII slightly increased to 2,504,222.26, while ISSI continued its upward trajectory to 6,187,443.22, reflecting growth rates of 0.07% and 0.68%, respectively. Overall, this growth trend indicates a rising interest in sharia investments in Indonesia, with ISSI demonstrating a greater appeal among investors compared to JII. This increase can be seen from the following table:

Table 1. Comparison of Islamic and Conventional Capital Market Capitalization

Year	Capital Market	Sharia Capital Market (Rp miliar)			
	(Rp miliar)	Jakarta Islamic Index	Index Saham Syariah Indonesia	Jakarta Islamic Index 70	IDX-MES BUMN 17
2015	4.872.702,00	1.737.290,98	2.600.850,72	-	-
2016	5.753.613,00	2.035.189,92	3.170.056,08	-	-
2017	7.052.389,00	2.288.015,67	3.704.543,09	-	-
2018	7.023.497,00	2.239.507,78	3.666.688,31	2.715.851,74	
2019	7.265.016,00	2.318.565,69	3.744.816,32	2.800.001,49	
2020	6.970.009,00	2.058.772,65	3.344.926,49	2.527.421,72	
2021	8.256.157,00	2.015.192,24	3.983.652,80	2.539.123,39	692.735,15
2022	-	2.155.449,41	4.786.015,74	2.668.041,87	647.031,25
2023	-	2.501.485,69	6.145.957,92	3.306.081,03	741.881,37

2024 (January) - 2,504,222.26 6.187.443,22 3.328.935,97 767.393,29

Source: Capital Market Statistics and Sharia Stock Statistics 2021, OJK

Based on the Indonesian Sharia Stock Index (ISSI), Jakarta *Islamic Index* (JII) and Jakarta *Islamic Index 70* (JII 70) over the past five years, the performance of Islamic stocks has grown positively and significantly, although there was a slight decline in 2018 and 2020. As of June 2021, the percentage comparison of Islamic capital market capitalization is 47.18% of conventional capital market capitalization

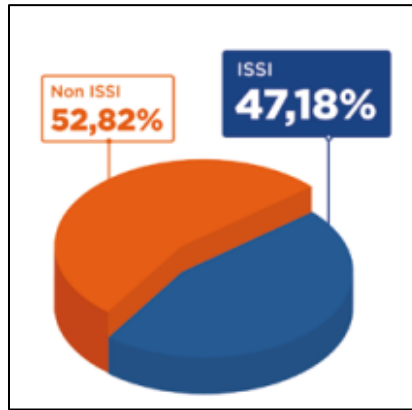


Figure 1. Percentage of Islamic Capital Market Capitalization compared to Conventional

Apart from capitalization, an increase was also experienced in the number of Islamic investors and the number of Islamic securities listings in the Islamic capital market. The number of Sharia *Single Investor Identification* (SID) as of June 2021 amounted to 99,383 SID, this number increased by 36.48% compared to the previous year, which was 85,891 SID. As for the sharia securities list, until 2020 the number of companies included in the sharia securities list is 445 companies.

Tabel 1. Comparison of the Number of Conventional and Sharia SIDs

Year	Single Investor Identification (SID)	SID of Islamic Capital Market Investors
2015	434.107	4.908
2016	894.116	12.283
2017	1.122.668	23.207
2018	1.619.372	44.536
2019	2.484.354	68.599
2020	3.880.753	85.891
2021	7,489,337	99,383

Source: Capital Market Statistics and Sharia Stock Statistics 2021, OJK

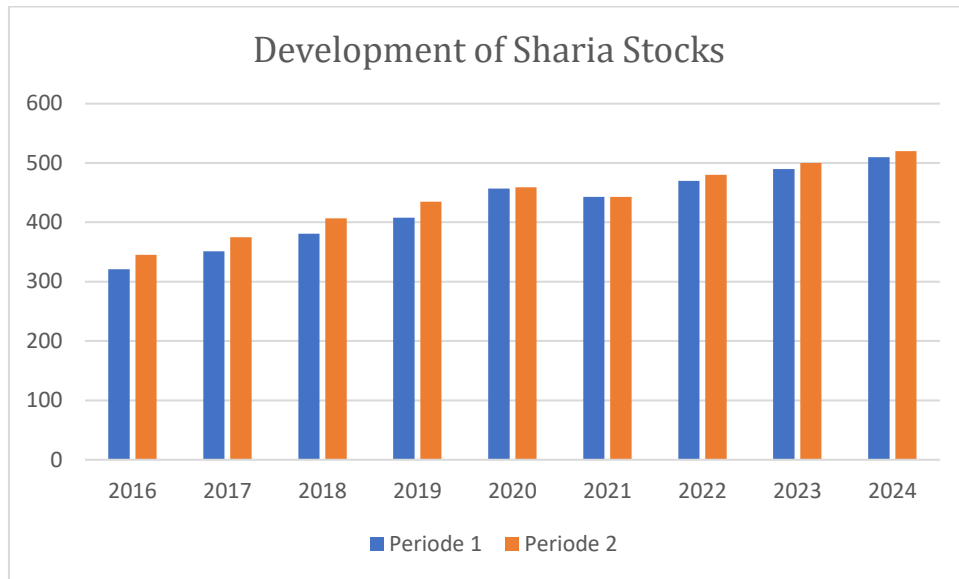


Figure 1. Number of Islamic Securities

Although the Islamic capital market has experienced significant growth, its growth is still far behind the conventional capital market. As of June 2021, the capitalization of the conventional capital market reached IDR 7,105,870.76 (billion) while the Islamic capital market reached IDR 3,352,256.29 (billion), which means that the Islamic capital market is 47.18% of the conventional model market. Likewise with the number of investors, as of June 2021 the number of conventional capital market investors reached 5,605,632 SID while the Islamic capital market reached 99,383 SID, the comparison of the number of conventional capital market investors is 38 times more than Islamic capital market investors.

In 2022-2024, estimates indicate a recovery and stronger growth, with the Islamic stock index projected to reach 510-520 by 2024. This is driven by an increase in investor interest in ethical-based instruments, as well as regulations that increasingly support the development of Islamic finance in Indonesia

Until now, OJK and IDX have intensively socialized and educated the capital market to the public, the results of the National Financial Literacy Survey in the Sharia Capital Market Roadmap (2015-2019), the majority of Indonesians (more than 90%) are still not familiar with the Islamic capital market. Until now, the number of Indonesians who use capital market instruments is also still small, which is only <1%. The low interest in investing is influenced by the low level of investor understanding of the capital market.

Currently, the level of investor understanding still needs to be improved. Based on these data, it is necessary to analyze the factors that influence investors in investing in the capital market, especially the Islamic capital market whose growth is still far behind the conventional capital market even though its growth has been quite significant. Research related to this has been widely discussed in previous studies, but related to the main concept of analyzing the factors that influence investors in investing in the Islamic capital market is still relatively not comprehensive.

Based on the urgency of the research and the framework above, this study aims to look at and analyze the factors that influence retail/individual investors in investing in the Islamic capital market. Based on previous research and literature, it is known that there are 3 major groups of investor decisions to invest, namely *Financial Literacy* factors, especially Islamic economic *literacy*, *investment literacy* / *investment literacy*, and *behavioral investment* / *investment behavior*.

Literature Review

Investment Decision

In general, there are 3 main objectives of a person investing, namely getting high profits (*maximizing returns*), minimizing losses (*minimizing risk*) and personal interests (*personal necessities*). (Arjaliès et al., 2017). To achieve this

goal, an investor is required to be able to choose an investment that is efficient and performs well. In choosing an investment instrument, there are many factors that influence it, both from the investor's own internal factors and from external factors (Ducio arjellilli, 2017).

In making financial decisions, an individual involves many factors, including economics, financial accounting, mathematics, probability theory, statistical theory and psychology. (Drake & Fabozzi, 2010).

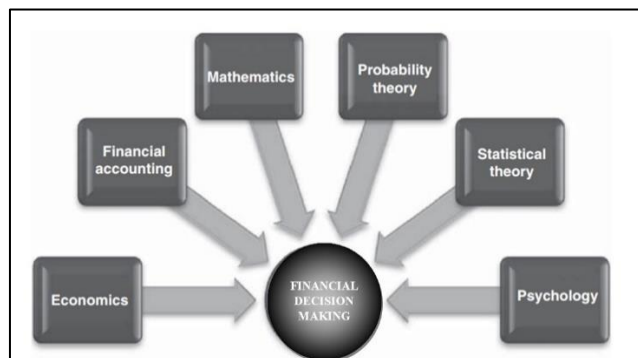


Figure 3. Financial Decision-Making Factors (Drake & Fabozzi, 2010;)

These six factors continuously have an impact on a person's financial decision making. One's economic situation and the current economic situation affect one's financial decision making, as well as one's financial calculations and one's mathematical calculations affect one's financial decision making, not only that the theory of probability and statistical theory as well as one's psychology affect one's financial decision-making process.

Many factors influence a person in making financial decisions, including in making investment decisions. Some of the factors that influence a person in investing are; *Self-image/firm image coincidence*, *Accounting information*, *Neutral information*, *Advocate recommendation*, and *Personal financial needs*. (Duqi & Al-Tamimi, 2019; Hamza & Arif, 2019; Durga & JaiSanker, 2018; Jagongo & Mutswenje, 2014).

Islamic Financial Literacy

The term *Financial Literacy* is derived from the development of the concept of *financial knowledge* (OECD, 2019; Fullenkamp, 2013; Fabozzi & Markowitz, 2011; Jorgensen and Savla 2010; Shim et al. 2010; Volpe et al., 2002) which then further evolved into *financial competence* and *financial education* (OECD, 2019; Lusardi and Mitchell 2014; Hsu 2016; Jappelli and Padula 2011;

Delavande et al. 2008). These three terms are related to each other, and are often used interchangeably in various literature and popular media (M. van Rooij et al., 2011; Remund, 2010; Huston, 2010; Servon & Kaestner, 2008; Johnson & Sherraden, 2007; Worthington, 2006; Huang et al., 2008). The

conception of *financial literacy* is still searching for a universal definition, which can represent many perceptions and disciplines, so that it can be applied in various times and universal regions.

Financial literacy is defined as a person's ability to use their knowledge and skills to effectively manage financial resources for lifelong financial well-being. (Remund, 2010). According to Retzmann (2016), the definition of *financial literacy* is a collection of an individual's cognitive judgment, decision-making and planning abilities, practical and technical skills to implement decisions and plans, including the use of electronic media, and their motivational, volitional, and social dispositions with respect to *finances*, also taking into account current and future income and material and non-material assets for themselves, others, and the general public, in generating and implementing these assets efficiently and responsibly to achieve the best effect for short, medium or long-term welfare.

From the explanation above, the author concludes that financial literacy involves not only knowledge, understanding and skills to deal with financial problems, but also non-cognitive attributes, such as motivation to seek information and advice from outside parties for financial planning, confidence to do so and the ability to manage emotions.

Investment Literacy

The term *investment literacy* is derived from the development of the conceptions of *investment knowledge* and *investment management*. Investment management is a specialized field in finance that deals with the management of individual or institutional funds, other terms commonly used to describe this field of finance are *asset management*, *portfolio management*, *money management*, and *wealth management*. (Fabozzi & Drake, 2009). In investment management, the processes involved are; (1) Setting investment objectives; (2) Setting investment policies; (3) Selecting investment strategies; (4) Building portfolios and assets; (5) Measuring and evaluating investment performance. (Drake & Fabozzi, 2010)

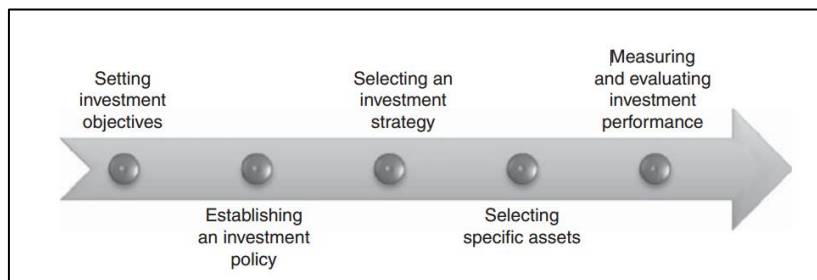


Image 4: Investment Management Process (Drake & Fabozzi, 2010)

Setting investment objectives begins with a thorough analysis of what is to be achieved, what type of investment to take, its purpose and the investment period, it begins with a decision on how to allocate assets in the portfolio. What is done in this process is to *classify the investment objectives* and determine the *benchmark* for evaluating portfolio performance (*benchmark*). The second major activity in the *investment* management process is *establishing an investment policy*.

Someone needs to really understand the value of a business or stock, so that armed with this knowledge it can easily find out investment opportunities and can be more precise in making decisions to buy or sell their investment assets, this is the basis for the urgency of investor knowledge related to capital markets and investment management. In this study, the authors want to focus more on exploring *Investment Literacy* by measuring the understanding of stock portfolios, stock valuation, *risk and return*, and *market efficiency*.

Behavioral Investment

The term *behavioral investment* is derived from the development of the concept of *behavioral finance* and *psychology of investing*, *behavioral finance* is generally defined as the application of psychology to finance. (Pompian, 2012) Basically, *behavioral finance* is about understanding how people make financial decisions, both individually and collectively. (Pompian, 2012). By understanding how investors and markets behave, it is possible to modify or adapt to these behaviors to improve financial outcomes. *Behavioral investment* emerged as a new concept that combines behavioral and psychological aspects in economic and financial decision making, especially investing. (Kumar & Goyal, 2015; Montier, 2009). Investment behavior is shaped by cognitive errors,

psychology, and social factors. (Nofsinger, 2018). This research wants to focus more on exploring *behavioral investment* from *heuristic, prospect, herding, market* and *religious factors*.

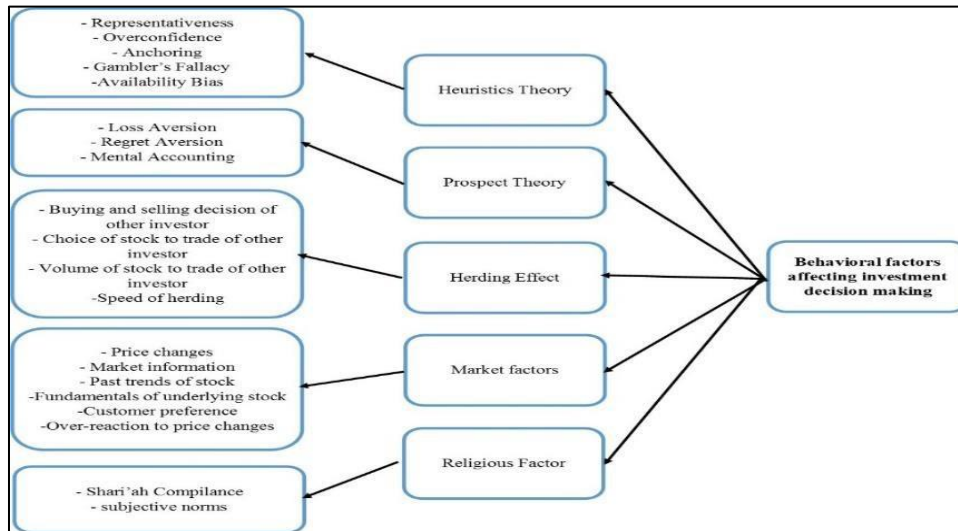


Figure 5. Islamic Behavioral Investment Factor

Method

This study utilized both qualitative and quantitative approaches. Data collection was conducted through surveys, focusing on the relationship between the main variables: Islamic Financial Literacy, Investment Literacy, Behavioral Investment, and Investment Decision. Data analysis used econometric models, namely Structural Equation Modeling (SEM) to test hypotheses. Data were processed using LISREL software, and the analysis included validity, reliability, and factor analysis.

Research Design

This research is explanative research that aims to explain the causal relationship between the variables studied. The deductive method is used to draw conclusions based on the results of the questionnaire, with a quantitative approach for generalization, and qualitative for a deeper understanding.

Place and Time

The research was conducted in the context of the Islamic capital market during a certain period, with data collection conducted through an online survey using Google Forms in 2021.

Population and Sample

This research focuses on retail/individual investors in the Islamic capital market as the population. The sampling technique used is purposive sampling, with

the main criteria being investors who already own shares listed on the Sharia Securities List (DES) or Islamic mutual funds. Following the recommendation of Solimun (2002), the ideal sample size is 100-200 respondents.

Data collection was carried out by distributing questionnaires via various social media platforms, including WhatsApp, Instagram, Facebook, Telegram, and email, from April 16, 2021, to May 27, 2021, using Google Forms. Out of 532 responses received, 500 respondents met the criteria as retail/individual investors in the Islamic capital market, while 32 others did not qualify, as 28 were non-Muslim and 4 did not own shares, though they had other investment instruments in the capital market. Interestingly, the presence of non-Muslim investors actively owning Islamic shares was noted. The demographic profile of the 500 qualified respondents is further detailed based on location, gender, age, marital status, occupation, income, and education.

Table 3. Research Sample

Characteristics	Description	Number Person	Percentage
Domicile	Banten	20	4,00%
	DKI Jakarta	49	9,80%
	Jawa Barat	231	46,20%
	Jawa Tengah	50	10,00%
	DIY	18	3,60%
	Jawa Timur	47	9,40%
	Kalimantan	18	3,60%
	Sumatera	38	7,60%
	Sulawesi	18	3,60%
	Nusa Tenggara	4	0,80%
	Papua	5	1,00%
	WNI Luar Negeri	2	0,40%
Gender	Men	344	68,80%
	Women	156	31,20%
Age	< 21 Year	68	13,60%
	21 Year - 30 Year	310	62,00%
	31 Year - 40 Year	75	15,00%
	41 Year - 50 Year	36	7,20%
	> 50 Year	11	2,20%
Status	Single	318	63,60%
	Married	178	35,60%
	Widow/Widower	4	0,80%
Education	SD	2	0,40%
	SMP	2	0,40%

Characteristics	Description	Number Person	Percentage	
Job	SMA	86	17,20%	
	D3	24	4,80%	
	S1	299	59,80%	
	S2	77	15,40%	
	S3	10	2,00%	
	Studen	172	34,40%	
	Private Sector Employee	158	31,60%	
	Entrepreneur	71	14,20%	
	Lecturer and Teacher	32	6,40%	
	Civil Servant	28	5,60%	
	BUMN	12	2,40%	
	Housewife	9	1,80%	
	Doctor	4	0,80%	
	Freelancer	4	0,80%	
	Trader	3	0,60%	
	Retired	2	0,40%	
	Unemploye	5	1,00%	
	Monthly Income	≤Rp 2.000.000,00/Month	180	36,00%
		Rp 2.000.001,00 - Rp 6.000.000,00/Month	184	36,80%
Rp 6.000.001,00 - Rp 10.000.000,00/Month		71	14,20%	
10.000.001,00 - Rp 14.000.000,00/Month		28	5,60%	
Rp 14.000.001,00 - Rp 18.000.000,00/Month		8	1,60%	
≥ Rp 18.000.001,00/Month		29	5,80%	
Duration of Share Ownership		Under1 Year	208	41,60%
	1 - 3 Year	206	41,20%	
	3,1 - 5 Year	59	11,80%	
	5,1 - 10 Year	18	3,60%	
	More Than 10 Year	9	1,80%	

Detailed Information about Study Implementation

Data was collected through a questionnaire designed based on previous research and validated literature. The survey measured aspects of respondents' financial literacy and investment behavior. The questionnaire consisted of Likert scales to assess attitudes and perceptions, as well as True/False questions to test investment literacy.

Operational Definition of Research Variables

To understand more deeply, here is an overview of the concepts used in this study. there are four variables, namely the exogenous variables *Islamic Financial Literacy* (X1), *Investment Literacy* (X2), *Behavioral Investment* (X3), and the endogenous variable *Investment Decision* (Y). Then the following describes some operational definitions regarding concepts related to factors that influence investment decisions in the Islamic Capital Market.

Table 4. Operational Definition

Variables	Indicator	Reference	Measurement Scale
<i>Islamic Financial Literacy</i> (X1)	<i>Awareness of Sharia Economics Terms</i>		
	<i>Awareness of Islamic Social Financial Institutions</i>		
	<i>Awareness of Halal Products and Services</i>	Bank Indonesia, 2020	Likert
	<i>Sharia-compliant Financial Management</i>		
<i>Investment Literacy</i> (X2)	<i>Numerical Ability</i>		
	<i>Attitude towards the future</i>		
	<i>understanding of the Equity Portfolio</i>	Drake & Fabozzi, 2010	
	<i>stock valuation</i>	Fabozzi and Markowitz (2011), Takeda (2013)	True or False
	<i>risk and return</i>	Hagin, 2004, Aboluwodi (2020)	
<i>Behavioral Investment</i> (X3)	<i>market efficiency</i>	Drake & Fabozzi (2010)	
	<i>Heuristic</i>	Jain et al. (2019), Boda et al. (2016)	
	<i>Prospect</i>	Farooq et al. (2015), Waweru et al. (2008)	
	<i>Herding</i>		Likert
	<i>Market</i>		
<i>Investment Decision</i> (Y)	<i>religious factor</i>	Pitchay et al., (2019), Yaseen & Naqvi (2018), Firdaus (2017)	
	<i>Self-image/firm image coincidence</i>	Duqi & Al-Tamimi (2019), Hamza & Arif (2019), Durga & JaiSanker (2018)	Likert
	<i>Accounting information</i>		
	<i>Neutral information</i>	Jagongo & Mutswenje (2014)	
		<i>Advocate recommendation</i>	
	<i>Personal financial needs</i>		

Model Testing

For testing the SEM model, there are 3 stages, namely, Testing the overall SEM model, to test whether the SEM model fits the sample data. This test is carried out by comparing the sample covariance matrix and the estimated covariance matrix of the SEM model; Measurement model testing using *confirmatory factor analysis* (CFA). After the measurement model is formed using CFA, then the relationship between latent variables and their indicator

variables is analyzed. In this testing process, including testing whether each manifest variable / indicator is really able to measure / reflect the latent variable; Structural model testing, which is testing the relationship between latent variables. Testing in this study uses Gof and CFA

To evaluate the overall structural and measurement models. This GoF index is a single measure used to validate the combined performance of the measurement model (*outer model*) and the structural model (*inner model*). The purpose of the GoF assessment is to measure the performance of the PLS model both at the measurement stage and in the structural model by focusing on predicting the overall performance of the model. There are three types of measures to test whether the SEM model fits the data (good fit), namely: *Absolute Fit Measures*, *Incremental Fit Measures*, *Parsimony Fit Measures*.

Result dan Discussion

Proof of Hypothesis the Effect of Islamic Financial Investment on Investing Decisions

HypoResearch:

HypoResearch H01 :*Islamic Financial Literacy* variable, has no significant effect on the *investment decision* variable of retail / individual investors in the Islamic Capital Market HypoResearch H11 :*Islamic Financial Literacy* variable, has a significant effect on the *investment decision* variable of retail / individual investors in the Islamic Capital Market, hypoThe first and second studies in this study discuss the effect of *Islamic Financial Literacy* on the *investment decisions* of retail / individual investors in the Islamic Capital Market.

Basis for Decision Making

Basis for decision making: (based on the T Statistics value with a significance level of 0.05) (Haryono, 2017).

- H01 is accepted if T Statistics < 1.96 (No effect)
- H01 is rejected if T Statistics \geq 1.96 (Influential)

Basis for decision making: (based on significance value) (Haryono, 2017).

- If the P Value > 0.05 then H01 is accepted (There is no effect)

- If the P Value ≤ 0.05 then H01 is rejected (There is an effect)

If the probability (sig value) > 0.05 or $-t_{table} < t_{count}$ then H0 is not rejected. If the probability (sig value) < 0.05 or $t_{count} < -t_{table}$ or $t_{count} > t_{table}$ then H01 is rejected, H11 is accepted.

(t_{table} for $\alpha = 0.05$ is 1.96 and t_{table} for $\alpha = 0.10$ is 1.65) In the table above, the t value of the *Islamic Financial Literacy* (ISLAMFIN) variable = $10.01 > 1.96$ so that H01 is rejected, and the P value is $0.039 < 0.05$, which means that this variable has a positive and significant effect on the Investment Decision (DECISION) variable. The higher ISLAMFIN, the higher DECISION. And vice versa.

This research is an influential indicator in financial understanding (*Islamic Financial Literacy*) is *Awareness* of terms in the Islamic capital market, *Awareness* of halal products and services, sharia financial management, and numerical skills. The most influential indicator is sharia financial management, this reflects that the understanding and awareness of retail/individual investors to manage their finances sharia or not against the rules of Islam is high.

Proof of Hypothesis The Effect of Investment Literacy on Investing Decisions

HypoResearch:

HypoResearch H02: *Investment Literacy* variable, has no significant effect on the *investment decision* variable of retail / individual investors in the Islamic Capital Market. HypoResearch H12: *Investment Literacy* variable, has a significant effect on the *investment decision* variable of retail / individual investors in the Islamic Capital Market. The third and fourth hypotheses in this study discuss the effect of *Islamic Financial Literacy* on the *investment decisions* of retail / individual investors in the Islamic Capital Market.

Basis for Decision Making

Basis for decision making: (based on the T Statistics value with a significance level of 0.05) (Haryono, 2017).

- H02 is accepted if T Statistics < 1.96 (No effect)

- H02 is rejected if T Statistics ≥ 1.96 (Influential)

Basis for decision making: (based on significance value) (Haryono, 2017).

- If the P Value > 0.05 then H02 is accepted (There is no effect)
- If the P Value ≤ 0.05 then H02 is rejected (There is an effect)

If the probability (sig value) > 0.05 or $-t_{table} < t_{count} < t_{table}$, then H02 is not rejected.

If the probability (sig value) < 0.05 or $t_{count} < -t_{table}$ or $t_{count} > t_{table}$ then H02 is rejected, H12 is accepted. (t_{table} for $\alpha = 0.05$ is 1.96 and t_{table} for $\alpha = 0.10$ is 1.65) In the table above, the t value of the *Investment Literacy* variable (INVEST) = 8.95 > 1.96 and the P Value value of 0.036 < 0.05 so that H02 is rejected, which means that this variable has a positive and significant effect on the *Investment Decision* (DECISION) variable. The higher the INVEST, the higher DECISION. And vice versa.

The results of this study are that investors' knowledge related to investment affects their decisions in investing, especially in the perception of *risk* and *return* obtained, at a young age (20-30 years) the higher the *return* offered, the more courageous they are to invest and are ready to experience losses as evidenced by their willingness to buy IPO shares whose fate is not clear in the capital market in the future, while older investors (over 50 years) are more careful in putting their money into *high return* investments, they prefer to invest in *Bluechip* stocks that have been tested for safety.

Proof of Behavioral Investment Hypothesis on Investing Decision

HypoResearch:

HypoResearch H03: *Behavioral Investment* variables, do not have a significant effect on the *investment decision* variables of retail / individual investors in the Islamic Capital Market. HypoResearch H13: *Behavioral Investment* variables, have a significant effect on the *investment decision* variables of retail / individual investors in the Islamic Capital Market

HypoResearch The third and fourth studies in this study discuss the effect of *Behavioral Investment* on the *investment decisions* of retail / individual investors in the Islamic Capital Market.

Basis for Decision Making

Basis for decision making: (based on the T Statistics value with a significance level of 0.05) (Haryono, 2017).

- H03 is accepted if T Statistics < 1.96 (No effect)
- H03 is rejected if T Statistics \geq 1.96 (Influential)

Basis for decision making: (based on significance value) (Haryono, 2017).

- If the P Value > 0.05 then H03 is accepted (There is no effect)
- If the P Value \leq 0.05 then H03 is rejected (There is an effect)

If the probability (sig value) > 0.05 or - t table < t table < t table then H03 is not rejected. If the probability (sig value) < 0.05 or t count < - t table or t count > t table then H03 is rejected, H13 is accepted

Conclusion

This study identifies six Islamic financial literacy factors that influence individual investors' investment decisions on the Indonesia Stock Exchange, namely: *Awareness of Sharia Economic Terms, Awareness of Sharia Social Financial Institutions, Awareness of Halal Product and Service, Shariah Financial Management, Numerical Ability, and Attitude Toward the Future*. The results showed that the three main factors that have a significant influence on investment decisions are Awareness of Halal Products and Services, Sharia Financial Management, and Numerical Ability, with loading factor values of 0.68, 0.87, and 0.66, respectively. In contrast, Awareness of Islamic Social Financial Institutions and Attitude towards the Future have loading factors below 0.60, so they are considered invalid to measure the construct and need to be removed from the model.

In addition, there are four investment literacy factors that influence individual investors' investment decisions, namely Understanding Stock Portfolios, Stock Valuation, Risk and Return, and Market Efficiency. All four factors are valid with a loading factor above 0.78, and all have a significant positive impact on investment decisions. In the context of Behavioral Investment, this study found that there are four factors that influence investment decisions, namely Heuristic, Prospect, Herding, and Market Factor,

with loading factors of 0.72, 0.67, 0.73, and 0.70, respectively. However, the Religious Factor is invalid as an indicator because it has a loading factor below 0.60 and is removed from the model.

Finally, this study found that the majority of retail investors in the Islamic Capital Market do not only invest in Islamic stocks. As many as 67% of the investors studied own more than three non-sharia stocks, indicating that their investment decisions are still influenced by the conventional capital market. This finding suggests that Islamic stocks are not yet the first choice for most investors in the Islamic Capital Market, despite efforts to follow Islamic principles in investing.

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