

# Will Investment Interest in the Sharia Capital Market Continue to Grow in the Future?

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## Abstract

*The objective of this study is to determine the future development of investment in financial products in the Islamic capital market. The study focuses on three key determinants, including investment literacy, the type of product, and the return on investment in the Islamic capital market. The study utilized quantitative descriptive analysis techniques, specifically multiple linear regression analysis, and collected data from 400 participants residing in DKI Jakarta. The sampling technique employed purposive sampling, with the main criterion being individuals aged 22-45 years, residing in Jakarta, and holding a minimum high school education. The study findings reveal that investment literacy in the Islamic capital market significantly affects investment interest. However, the type of product in the Islamic capital market does not have a significant effect on investment interest. On the other hand, the return on investment in the Islamic capital market significantly influences investment interest. Additionally, all three variables, including investment literacy, the type of product, and the return on investment in the Islamic capital market, have a simultaneous effect on investment interest. The study outcomes can provide valuable insights and references for the Islamic capital market to devise effective strategies that attract more investors in the future.*

**Keywords:** *Islamic Financial Literacy; Islamic Financial Products; Sharia Investment Return; Productive Age*



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## **Introduction**

The growth and development of the sharia capital market in Indonesia have played a significant role in the Islamic financial sector market share (Nurwulandari, 2019). With the support of institutions such as the Bapepam-LK, Sharia Stock Index, and Indonesia's Ulema National Sharia Council, the Islamic capital market in Indonesia has been steadily expanding since its establishment in 2011. This growth has been further fueled by the increasing understanding and awareness of Islamic economics among the Indonesian population, which consists of 85% Muslims (Astuti, 2020). As a result, more individuals are seeking investment opportunities that align with their religious beliefs, leading to an increased demand for sharia compliant investment instruments.

As the majority of the Indonesian population is Muslim, the sharia capital market has great potential for further growth and contribution to national economic growth (Rohayani, et. al., 2022). In the future, we can expect to see continued expansion and diversification of sharia investment options in the Indonesian capital market. Sharia capital market is all capital market activities that do not contradict Islamic principles. All mechanisms of activities in the Islamic capital market, especially regarding issuers, types of securities traded, and trading mechanisms must be by sharia principles. Sharia capital market is one alternative to invest for Muslims in Indonesia. Based on data from Kemendagri (DataIndonesia, 2022), the number of Muslim population in Indonesia is 237,53 million as of December 31, 2021. The development of the Islamic capital market reached a new milestone with the enactment of Law Number 19 of 2008 concerning State Sharia Securities (SBSN) on May 7, 2008.

In 2023, the Financial Services Authority (OJK) reported that Indonesia's stock market is stable, with fundraising from the capital market steadily increasing each year. As of June 2022, the Composite Stock Price Index (JCI) reached 6.911,58, indicating a 5,02% increase compared to the end of 2021 (OJK, 2022a). Similarly, the Islamic Stock Index, ISSI, also experienced positive growth, increasing by 6,02% to reach a level of 200,39 compared to its previous level of 189,02 at the end of 2021. ISSI's market capitalization also grew by 6,92% to reach IDR 4.259,24 trillion (OJK, 2022). The rise in the number of Islamic stocks is one of the key factors contributing to the increase in both the index and market capitalization value.

Although the development of the Islamic capital market shows growth from year to year, investor interest in investing in the Islamic capital market in Indonesia is still fluctuating. Such development is due to various factors. Several factors that influence the interest of sharia investors consist of attitudes, behavioral control, profit

maximization, religiosity, and religious events (Septyanto, et. al., 2021). Meanwhile, according to Zulfikar and Wicaksono, the variables analyzed by Islamic stocks, risk perception, and return do not affect investment interest in students, and Islamic activities in the investment gallery have a significant effect on student interest in investing in Islamic stocks (Zulfikar and Wicaksono, 2019).

In general, another factor that influences investor interest is literacy, although several studies conducted in Indonesia have shown inconsistencies in the influence of financial literacy on investment decisions (Baihaqqy, et. al., 2020). Meanwhile, research by Nur Agustin and Hakim states that knowledge can influence sharia investment interest although it is less significant to the variable of sharia investment interest, while the perception of sharia bank products and financial literacy has a positive and significant effect on sharia investment interest (Agustin and Hakim, 2022).

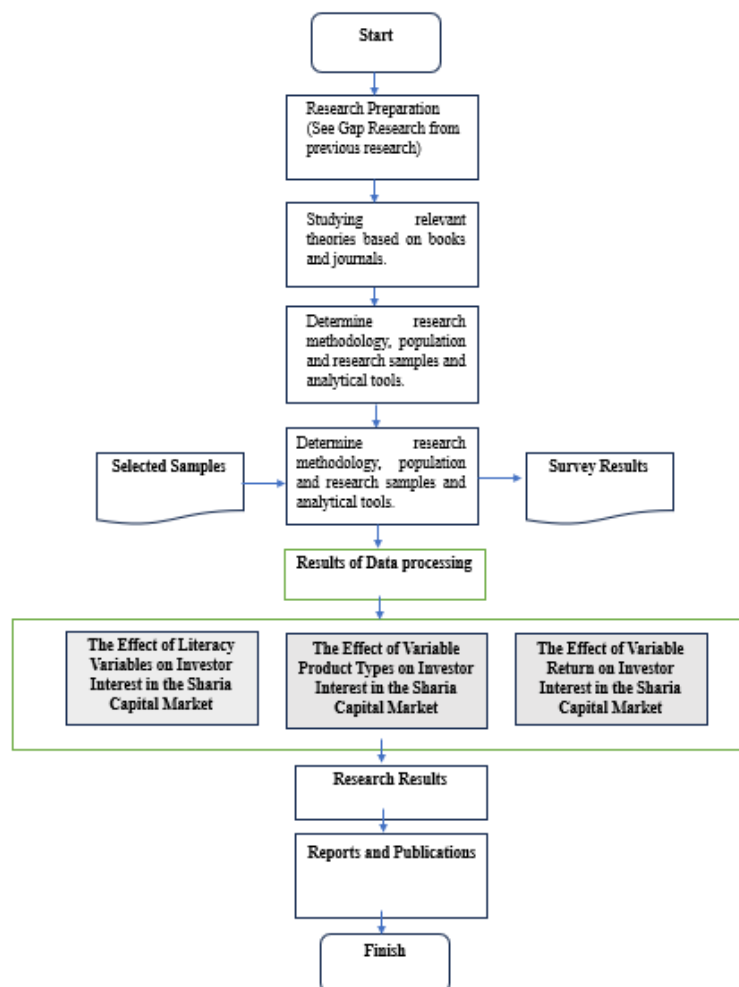
Based on data from the Financial Services Authority (OJK) in 2020, the national Islamic financial literacy rate is still very minimal with the index only increasing by 0,83% from 8,1% in 2016 to 8,93% in 2019. This index number means that only 8 out of 100 people understand and know about Islamic financial literacy. This figure is far below the composite average of financial literacy level, which is 38,03%. The Financial Services Authority (OJK) also stated that the problems of the development of the Islamic capital market are one of which is the literacy index and relatively minimal understanding. Another study conducted by Wardani and Maksum found that the level of knowledge of the Islamic capital market in DKI Jakarta for the millennial generation reached 68% and was included in the medium category for literacy based on the level of literacy. In the study, the millennial generation in detail does not know the source of business profits that are prohibited in Islam, so it is further necessary to identify what causes the younger generation to relate to sharia provisions in the capital market (Wardani and Maksum, 2023).

There are still inconsistent factors that cause investor interest to invest in the Islamic capital market, there are factors that influence sharia investment interest, namely education and socialization factors of sharia effects, positive impressions, and ethical products (Supriadi and Hariyanto, 2017), socialization and knowledge of sharia effects (Zulchayra, 2020), knowledge (Malkan, et. al., n.d.), sharia financial literacy (Ramadhani and Cahyono, 2020), sharia product literacy and profit (Susanti, 2022); risk, income, and motivation (Malik, 2017) and some have no effect such as risk perception and return (Zulfikar and Wicaksono, 2019). For this, this research is expected to contribute to factors that influence investor interest, especially productive age towards Islamic capital market products.

## Methodology

The study used quantitative descriptive analysis techniques, which involved hypothesis testing using multiple linear regression analysis methods to determine the relationship between variables. The primary data was obtained through the distribution of questionnaires to 400 respondents in Jakarta. The sample was selected using the purposive sampling method with the following criteria: (a) Productive people within the age range of 22 to 45 years; (b) Domiciled in DKI Jakarta; and (c) Have a minimum educational background of high school or equivalent. The study focused on investor intentions in the Islamic capital market and used Islamic financial literacy, product type, and return as independent variables. All variables were measured using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) to express the degree of consent. The series of studies from beginning to end can be seen in Figure 1 below:

Figure 1. Research Flow



Source: Data Processed

## Results and Discussion

### *Respondent Demography*

Table 1. shows that as many as 278 respondents or 69,50% who filled out the questionnaire aged between the ages of 22 years to 30 years were the most among others, then 81 respondents, or 20,25% who filled out the questionnaire aged between the ages of 31 years to 39 years, then 27 respondents or 6,75% who filled out the questionnaire aged between the ages of 40 years to 45 years and finally 14 respondents or 3,5% who filled out the questionnaire aged over 45 years.

**Table 1. Characteristics of Respondents by Age**

Age	Number of Respondents	Percentage
22 - 30 Years	278	69,50%
31 - 39 Years	81	20,25%
40 - 45 Years	27	6,75%
> 45 Years	14	3,5%
<b>Total</b>	<b>400</b>	<b>100%</b>

Source: Data Processed

Table 2. shows that as many as 278 respondents or 69,50% who filled out the questionnaire aged between the ages of 22 years to 30 years were the most among others, then 81 respondents, or 20,25% who filled out the questionnaire aged between the ages of 31 years to 39 years, then 27 respondents or 6,75% who filled out the questionnaire aged between the ages of 40 years to 45 years and finally 14 respondents or 3,5% who filled out the questionnaire aged over 45 years.

**Table 2. Characteristics of Respondents by Employment Status**

Employment Status	Number of Respondents	Percentage
Student	95	23,75%
Civil Servants	34	8,5%
Private Officers	170	42,5%
Private Officers	94	23,5%
Other	7	1,75%
<b>Total</b>	<b>400</b>	<b>100%</b>

Source: Data Processed

Based on the data presented in Table 3. it has been found that 173 respondents, which is 43,25% of the total, already possess a customer fund account (RDN). This indicates that these 173 respondents are currently investing in the capital market, or have plans to do so in the future. On the other hand, 227 respondents, accounting for 56,75% of the total, do not have a customer fund account (RDN). This could suggest that these 227 respondents are not interested in investing in the capital market or lack knowledge of investment opportunities in the capital market.

**Table 3. Characteristics of Respondents by Accounts Ownership Status**

RDN Ownership Status (Customer Fund Account)	Number of Respondents	Percentage
Have an Account	227	56,75%
Don't Have an Account	173	43,25%
<b>Total</b>	<b>400</b>	<b>100%</b>

Source: Data Processed

### *Validity and Reliability*

Based on the data presented in Table 4. the validity test by calculating the Pearson Correlation Value, the resulting value is more than 0,60 for all variables. This value identifies that the question grid is valid as a questionnaire question. Based on reliability tests performed by calculating the Cronbach Alpha of each item in all variables, the Cronbach Alpha value is more than 0,60. This value indicates that the indicators of all variables in the study are valid.

**Table 4. Questionnaire Reliability Test Results**

No	Variable	Number of Items	Cronbach's Alpha	Information
1	Literacy	6	0,897	Reliable
2	Product	8	0,891	Reliable
3	Return	6	0,852	Reliable
4	Investment Int.	4	0,884	Reliable

Source: Data Processed

**Regression Test**

The results of multiple linear regression testing can be shown in the following:

**Table 5. Double Linear Regression Analysis Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.805	.417		-4.325	.000
1 Literacy	.219	.029	.273	7.504	.000
Product	-.015	.021	-.024	-.744	.457
Return	.552	.024	.700	22.674	.000

a. Dependent Variable: Investment Intention

**Source:** Data Processed

Based on Table 5. above, the results of the multiple linear regression equation if we know the constant value (a) of -1.805, investment literacy in the Islamic capital market is 0.219, the type of product is -0.015, and the return on the Islamic capital market is 0.552, Then the formulation becomes:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + et$$

$$Y = -1.805 + 0,219X_1 - 0,015X_2 + 0,552X_3 + et$$

The constant value is -1.805, which means that the investment interest will be -1.805 if there is no literacy value, product type, or return. The coefficient of the Islamic capital market investment literacy variable ( $X_1$ ) is positive (0.219), indicating that a 1-point increase in literacy value will increase the investment interest by 0.219. The coefficient of the variable product types in the Islamic capital market ( $X_2$ ) is negative (-0.015), which means that a 1-unit increase in product type value will decrease the investment interest by -0.015. The coefficient of the variable return on investment in the Islamic capital market ( $X_3$ ) is positive (0.552), which means that a 1-point increase in return value will increase the investment interest by 0.552.

**Partial Test (Test t)**

A partial test or t-test is a regression coefficient test that can be used to find out if the independent variable affects the dependent variable. The t-test is carried out by comparing the calculated t value with the t table, where if the sig value  $< 0.05$  or t calculate  $>$  t table, there is an influence between the independent variable and the dependent variable. In this study, the t table was 1.966. Here are the results of the partial statistical test (t-test) in Table 6.

**Table 6. Partial Test Results (Test t)**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.805	.417		-4.325	.000
1 Literacy	.219	.029	.273	7.504	.000
Product	-.015	.021	-.024	-.744	.457
Return	.552	.024	.700	22.674	.000

a. Dependent Variable: Investment Intention

Source: Data Processed

From Table 6. it is known that the significance value for the influence of investment literacy on investment interest in the Islamic capital market is  $0.00 < 0.05$  and t calculate:  $7.504 >$  t table: 1.966. This shows that the investment literacy variable has a significant effect on the variable of investment interest in the Islamic capital market because the significance value is smaller than the significance level of 5% ( $\alpha = 0.05$ ). So hypothesis  $H_1$  is accepted and  $H_0$  is rejected.

From Table 6. it is known that the significance value for the influence of Islamic capital market product types on investment interest in the Islamic capital market is  $0.457 > 0.05$  and calculated:  $-0.744 <$  table: 1.966. This shows that the variable type of product in the Islamic capital market does not have a significant effect on the variable of investment interest in the Islamic capital market because the significance value is greater than the significance level of 5% ( $\alpha = 0.05$ ). So  $H_2$  is rejected and  $H_0$  is accepted.

From Table 6. it is known that the significance value for the effect of investment return on investment interest in the Islamic capital market is  $0.00 < 0.05$  and t calculate:  $22.674 >$  t table: 1.966. This shows that the variable return on investment has a significant effect on the variable of investment interest in the Islamic capital market because the significance value is smaller than the significance level of 5% ( $\alpha = 0.05$ ). So hypothesis  $H_3$  is accepted and  $H_0$  is rejected.



**Simultaneous Test (Test F)**

The simultaneous test or F Test can be used to determine how much influence the independent variable has on the dependent variable simultaneously. The independent variable can be said to have a joint influence on the dependent variable if the sig value  $< 0.05$  and the calculated value  $> f$  table, then the hypothesis can be accepted. And vice versa the hypothesis will be rejected if the sig value  $> 0.05$  and the calculated value  $< f$  table, in this F test the table is 8.533. The results of the F test are shown in Table 7. below:

**Table 7. Simultaneous Test Results (Test F)**

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1856.245	3	618.748	482.564	.000 <sup>b</sup>
	Residual	507.755	396	1.282		
	Total	2364.000	399			

a. Dependent Variable: Investment Interest

b. Predictors: (Constant), Return, Product Type, Literacy

**Source:** Data Processed

Based on the results of the simultaneous test (test f) in table 4.13, above it is known that the F calculate value is 482.564 and the significance (Sig) is  $0.000 < 0.05$ , it can be concluded that there is a significant influence of investment literacy variables, product types and returns together affect investment interest in the Islamic capital market. So that the hypothesis is accepted or in other words literacy, product type, and return simultaneously have a significant effect on investment interest in the Islamic capital market.

***Coefficient of Determination (R<sup>2</sup>)***

The coefficient of determination has a function to determine how much influence the variable X or independent simultaneously has on the variable Y or dependent. The calculation result for the R<sup>2</sup> value is as follows:

**Table 8. Results Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.886a	.785	.784	1.132

a. Predictors: (Constant), Return, Product Type, Literacy

**Source:** Data Processed

Based on Table 8. above, it is known that the value of the coefficient of determination / R Square is 0.785 or equal to 78.5%. This figure means that the variables of literacy, type of product, and return simultaneously (together) affect the variable of investment interest by 78.5%. While the rest ( $100\% - 78.5\% = 21.5\%$ ) 21.5% are influenced by other variables outside this regression equation or variables that are not studied.

***The Effect of Financial Literacy on Investment Interest in the Sharia Capital Market***

According to a study, investment literacy in the sharia capital market has a positive impact on public investment interest, especially among individuals aged between 22 to 45 years in DKI Jakarta. The research was carried out among 400 respondents from the DKI Jakarta province belonging to the same age group annually in the year 2022. The distribution of questionnaires revealed a t-test score of 7.504, which was greater than the t-table score of 1.966, indicating that there is a significant influence on the interest of people in investing in the Islamic capital market. Therefore, greater investment literacy and understanding of the Islamic capital market among the public, specifically among the researched age group, leads to higher interest in investing in the Islamic capital market. These findings are consistent with Fenni and Hariyanto's research conducted among 100 respondents, which revealed that the primary reason for the lack of interest in investing in the Islamic capital market is the lack of education about sharia securities in the capital market.

***The Effect of Product Type on Investment Interest in the Sharia Capital Market***

The results of the study stated that the types of products in Islamic capital market investment did not affect or negatively affect public investment interest, especially in Jakarta with an age range of 22 years – 45 years in investing in the Islamic capital market. This study was conducted on 400 respondents from people domiciled in DKI Jakarta province with an age range of 22 years to 45 years per the year 2022, the distribution of questionnaires obtained results on the t-test of -0.744 with t table of 1.966 which means  $\text{count} < t \text{ table}$  and sig values. 0.457 is greater than the significance value of 0.05, therefore, it means that there is no significant influence on the interest of the people of DKI Jakarta in the age range of 22 years to 45 years in investing in the Islamic capital market. This result aligns with the Wahyuni and Gusnita research indicating that the younger generation is interested in investing based on clear information about capital market instruments (Wahyuni and Gusnita, 2022).

***The Effect of Return on Investment Interest in the Sharia Capital Market***

The results of the study stated that the return on investment in the Islamic capital market has a positive effect on public investment interest, especially in Jakarta with the age range of 22 years – 45 years in investing in the Islamic capital market. This research was conducted on 400 respondents from communities domiciled in DKI Jakarta province in 2022, the distribution of questionnaires obtained results on the t-test of 22,674 with a t table of 1,966 which means  $t \text{ calculate} > t \text{ table}$  and sig value. 0.00 Thus, there is a significant influence on the return on the interest of the people of DKI Jakarta in the age range of 22 years to 45 years in investing in the Islamic capital market. The results of this study are different from the results of research conducted by Zulfikar and Wicaksono the variable of return perception does not have a significant effect on students' interest in investing in Islamic stocks (Zulfikar and Wicaksono, 2019).

**Conclusion**

The study reveals that the interest in Islamic financial products is determined by three factors, namely literacy, types of products, and returns from Islamic capital market products, which have a simultaneous impact. The results demonstrate that Indonesia's young generation makes rational decisions when choosing Islamic financial products and relies on the literacy and rate of return of these products. However, the number of types of Islamic financial products does not have an impact on their decision making process. Therefore, Islamic financial product providers do not need to offer various types of products as it may confuse the public.

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