

Muslim Investors' Behavior in Deciding to Invest in Sharia Shares in the Period 2018-2023: A Systematic Literature Review

Ghofar Taufik^{1*}, Oman Rusmana²

Universitas Jenderal Soedirman, Jawa Tengah^{1,2}

ghofar.taufik@mhs.unsoed.ac.id¹, oman.rusmana@unsoed.ac.id²



Riwayat Artikel

Diterima pada 5 Juni 2023

Revisi 1 pada 15 Juni 2023

Revisi 2 pada 23 Juni 2023

Disetujui pada 26 Juni 2023

Abstract

Purpose: The author's goal in this study is to investigate the factors that influence Muslim investors' decisions to invest in Sharia-compliant shares. This study aims to provide a detailed description of insider investor decision-making behavior.

Methodology: Using the Scopus database and Google Scholar, the author analyzed 10 articles published between 2018 and 2023 to map the pattern of behavior of Muslim investors in deciding whether to invest in Sharia shares. Data was collected and reviewed before doing an analysis review, followed by a systematic literature review to support the next study.

Results: Findings and results highlight that the behavior of Muslim investors is influenced by several factors, like investor ethics, motivation, patterns of investment, and religious factors. While the factors that influence the decision to invest in Islamic stocks are the level of return and investment risk. The implications of this research are to provide an understanding of the factors that influence Muslim investors' decisions in choosing Islamic equity investments, to provide insight into past investment experiences that influence Muslim investors' decisions, to improve perceptions of the risk of investing in Islamic equities so that investors can reduce risk and achieve better results from their investments. In addition, Islamic financial institutions can provide good services to Muslim investors and the government can take more appropriate steps to develop the Islamic financial market.

Keywords: *Investor behavior, studies of investment ethics, Sharia shares, systematic literature review*

How to cite: Taufik, G., Rusmana, O. (2023). Muslim Investors' Behavior in Deciding to Invest in Sharia Shares in the Period 2018-2023: A Systematic Literature Review. *Bukhori: Kajian Ekonomi dan Keuangan Islam*, 3(1), 1-10.

1. Introduction

The Islamic finance industry in Indonesia is growing well. The concept of Sharia-based finance is now widely accepted in the world as a good alternative market. One of the growing Sharia finance industries in Indonesia is the Sharia capital market industry (Irtan, Khairawati, & Murtadlo, 2021). In order to use investments to achieve goals, decisions must be made that take into account expected returns and the impact of accepted risk. Obviously, equity investors need to consider a wide range of factors when making an investment decision. To buy, sell or continue to hold the share (Amirullah & Ratnasari, 2020). People have always believed that they are capable of making transparent and logical decisions. This is the basis on which people apply rationality to investment decisions. These conditions mean that investors must avoid bad stocks, i.e. stocks of companies involved in unethical or immoral activities such as gambling, alcohol or the production of firearms. (Purbowisanti, Kusuma, & Hanafi, 2021).

Movement investment Muslim seen Enough squirming; some research published earlier has researched investor behavior in the Islamic capital market. According to the findings of the study, investors in the Islamic capital market have good faith in the validity of the shares traded on the Islamic capital market,

(Irton et al., 2021). Study about behavior in the field of investment Islam is still very limited. Reference-study behavior in the field of Sharia finance and investment, especially in Indonesia, occurs rarely. With the condition that studying behavior very much in the field of Sharia is required, researchers want to see the development of the behavior of Muslim investors from 2018–2023, which can affect their decision to invest in the Islamic capital market. Because of it, through exploration and understanding various perspectives, (Mubarok, Rahmatika, Susetyo, Raharjo, & Mardiani). This study sought to answer two research questions (RQ), as follows:

RQ1. What are some of the factors that influence the behaviour of investors in Islamic equities?

RQ2. What are factors that influence investor decision-making to invest in Sharia shares?

In an attempt to address this RQ, we analysed the research evidence on this topic using the systematic literature review (SLR) technique of 10 articles published in Scopus and Google Scholar journals from 2018 to 2023. The aim of this analysis was to gain an in-depth understanding of the patterns, methodologies, theoretical foundations, leading journals and specific topics in this area of research (Abdullah Mubarok, 2022). This study aims to identify the factors that influence the behaviour of Muslim investors when deciding to invest in Sharia compliant stocks. This systematic literature review examines research on the characteristics of Muslim investors. Research on Islamic investment behaviour is still limited despite the fact that Indonesia has the largest Muslim population. Research references on behaviours and characteristics in the area of financial management and Islamic investment, especially in Indonesia, are still rare. Given these conditions, studies on the behaviour and characteristics of Muslim investors are still very much needed. In this study, the authors attempt to collect and analyse the factors that influence the behaviour of Muslim investors in making decisions to invest in Shariah stocks through literature review. This research is expected to provide a comprehensive picture of investor behaviour and help Muslim investors in their decision-making process to invest in Sharia compliant stocks.

2. Literature Review

2.1. Behavioural Finance Theory

Behavioural finance theory cannot be separated from the characteristics of Muslim investors, which is widely known as behavioural finance is the implication of psychology applied in the focus of financial disciplines, the purpose of the study of behavioural finance theory is used to provide understanding and take into account the implications of systematic financial markets from a psychological perspective (Amirullah & Ratnasari, 2020). Another view is that behaviour is an act of human rationality, with characteristics such as always thinking before deciding, having preferences, being able to choose the best alternative among available options, being able to pay attention to all information, being able to evaluate and compare information, and being able to find answers based on the results of rational information analysis (Irton et al., 2021).

2.2. Theory of Reasoned Action

This theory explains that behaviour is performed because individuals intend to do so, and is related to activities performed of their own volition (Hasan & Nurhuda, 2023) in (Septyanto, Sayidah, & Assagaf, 2021). This theory assumes that humans generally do things in a reasonable way, humans consider all available information and also take into account their actions, this attitude evaluates a person's positive or negative feeling beliefs in doing certain desired activities. Investor attitudes and intentions are one of the characteristics of Muslim investors, which is a predisposing factor or factor within a person who has learned to respond consistently whether he likes or dislikes evaluating certain objects (Septyanto et al., 2021). A positive attitude towards a behaviour occurs when individuals perceive that the consequences of the behaviour are positive. Conversely, if the consequences of the behaviour are perceived to be negative, a negative attitude will be attached to the individual.

3. Research Method

Different from reviewing narrative, the approach we use to analyze relevant literature in our study this is the SLR, which employs a scientific, transparent, and repeatable procedure. SLR allows

systematization and classification of findings that are key in area research and emphasizes characteristics that are not known so that direction can be developed for future research (Di Vaio, Latif, Gunarathne, Gupta, & D'Adamo, 2023). This research methodology consists of two distinct research phases: a) identification, reading and interpretation of publication-related material; and b) appraisal of selected articles. In accordance with the procedure recommended by the Preferred Reporting Items for Systematic Review and Meta-Analyses (PRISMA), authors should start at an early stage. The steps are: (1) identification of published articles from journals; (2) filtering of articles; (3) selection of relevant articles based on eligibility; and (4) finalisation and inclusion of an article for analysis. Figure 1 illustrates the data collection and analysis process for each stage of the study. This helps to ensure reliable methodology.

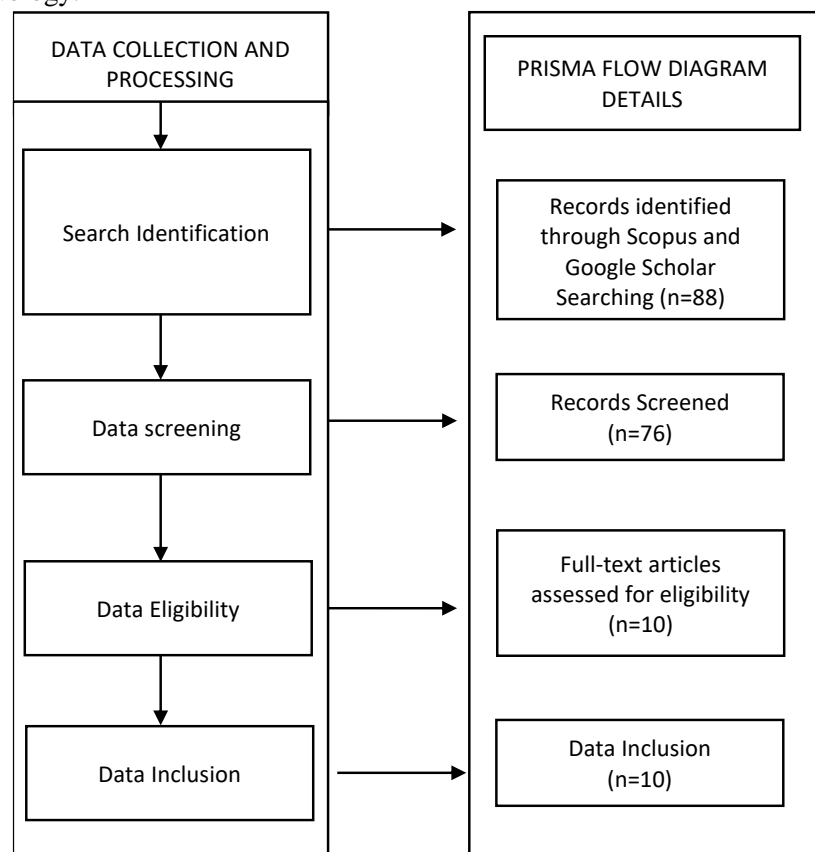


Figure 1. Data collection process

Writers start with database selection at this stage. In accordance with procedure, we selected the Scopus and Google Scholar databases. Scopus is the most comprehensive database of abstracts and citations available for scholars, government agencies, and organizations (Caniago, Meiliana, & Taufik, 2023; Di Vaio et al., 2023). The number of sources referenced since the 1970s is 1.8 billion. This includes 17.6 million profile authors, 84 million profile authors, and about 95 000 profile affiliates, who collectively represent 84 million recordings, furthermore helpful is this. Considering the h-index, the score shows the caliber of the journal, author, or article. The author's Scopus database search and our manual search on the Google Scholar website may be combined by authors to get more relevant results. The subject was selected in order to extend the reach because Scopus has greater coverage than other databases.

To compile all of the research on the characteristics and behavior of Muslim investors, the author chose a six-year study period, from 2018 to 2023. Besides it, to find all relevant articles, authors operate lots of searches through categories, as mentioned below:

- 1) "sharia stock" scopus 35 articles
- 2) "gender and sharia stock selection" google scholar 7 articles
- 3) "ethical investment and sharia stock" google scholar 42 articles
- 4) "behavior" and sharia stock" scopus 4 articles

Election-relevant publications focus on merging the categories above to highlight the possibility of connections between the obtained results in the four groups rather than discarding important contributions. For a moderate problem, check Keywords specifically used on stage First, a theme study included "investor behavior ", " shariah investor perceptions" and "decisions to invest in Sharia shares ". With this in the title of articles, abstracts, or keywords, Sharia stocks, factors influencing investment in Sharia stocks and the behavior of Muslim investors can be identified. Keyword research yielded 88 articles, which were then filtered for "same article" (author and title) to reduce the number of articles to 76.

The second stage involves selecting pertinent publications based on factors like the author of the study and the analysis in the abstract of the article. Examine the content abstract in as much detail as you can. In every article with a theme offered in our research, we repeated and then highlighted relevance in order to create ordered data. Consider the possibility that not all relevant articles are loaded into the Scopus database and that the author is manually searching Google Scholar for articles using the same search criteria to examine well-known top journals for articles about Muslim investor behavior, investment choices in Sharia stocks, and the traits of Muslim investors. Stage finished with studies This was centered on each scientific study, which was carefully analyzed by the author to identify areas that related to the subject under investigation. Article files are reviewed and downloaded by writers. to enhance the depth of the articles' material, yielding a final selection of 10 articles.

4. Results and Discussion

This study done for answers to two questions, factors affecting the behavior of Sharia stock investors and factors that influence investor decision-making to invest in Sharia shares, the following is a table evaluating the quality of an appropriate article with objective research:

Table 1. Articles selected

No	Author / year	Title	Method	Results
1	Abdulloh Mubarak / 2022	Investment ethical (concept, basis considerations and approaches)	Descriptive quantitative	ethical investment can interpreted as an investment in the decision to form an investment portfolio based on the integration of several non-financial criteria including ethical, social, environment, governance and religion. Based on the definition of ethical investment, there is some basic considerations in making ethical investment decisions, namely factors ethical, social, environmental, corporate governance and religious. As for that approach investors often do in ethical investment activities, including portfolio screening (negative and positive screening) and shareholder activism.
2	Abdulloh Mubarak et al/2022	Developing a conceptual framework of ethical	Literature review	So far, there are at least four main themes in the study of investment ethics: (i) Study of investor behavior. The theme of this research focuses on studying

		investment studies		<p>characteristics of ethical investors such as motivation, investment patterns and the basis for making investment decisions. (ii) development of ethical investment studies. Theme the second study emphasizes the description of ethical investment in a particular area, the arguments for ethical investment theory and the role of participants in ethical investment markets, including ethical investment mechanisms, namely shareholder screening and activism. (iii) ethical investment performance studies. The theme of the study focuses on performance which is calculated by comparing the return on ethical investment with the benchmark (nonethical investment). (iv) Ethical-based investment studies and religion (stock category sin stock)</p>
3	Ratih Purbowisanti et al / 2021	Muslim investor behavior in Indonesia capital markets: an extension of the theory of planned behavior	quantitative method	<ul style="list-style-type: none"> - that attitudes affect investment intentions - The results related to the last TPB variable are perceptions of control behavior - religiosity variable was found to positively influence Muslim intention to invest in Islamic stocks - This study found interesting findings related to religiosity. Even though religiosity affects Muslim intentions to invest in Islamic stocks, but data in the field found that most Muslim investors who invest in Islamic stocks also invest in conventional stocks. - This is a contradictory finding that religious Muslim investors should avoid investments that are prohibited by Islam. But in fact, 42% of investors Muslims in Islamic stocks in this study also invest in non-Sharia stocks. This shows that the Muslim investors in this study are rational investors . They invest not only in accordance with Islamic teachings but also

				the profit and loss profiles earned.
4	Muchammad Choir Rivo Amirullah , Ririn Tri Ratnasari / 2020	Influencing factors behavior of Muslim investors in decision invest share sharia	quantitative method	<ul style="list-style-type: none"> - influencing factors _ decision investment in Muslim investors in the Islamic capital market community in invest Islamic stocks are 1) technical analysis factors trend price stock ; 2) factor avoid investment in non-halal business ; 3) factor community forum recommendations ; 4) factor distribution dividends by the company / issuer ; 5) factor Afraid will loss results investment to news bad company / issuer - indicators with the highest loading value obtained from results calculation rotation factor is factor distribution dividends by the company / issuer - in decision invest, Muslim investors who are members in a community forum investment Sharia stocks to consider factor aspect rationality like technical analysis trend price stocks and factors distribution dividends by the company / issuer. Factor psychology like factor community forum recommendations and factors Afraid will loss results investment to news bad companies / issuers and factors religiosity like factor avoid investment in non-halal business.
5	Dihin Septyanto et al / 2021	The intention of investors in making investment decisions in sharia stocks: an empirical study in Indonesia	quantitative method	<ul style="list-style-type: none"> - Attitude influential to investors' intention to investing in Sharia stocks - Perceived behavioral control has an effect to investors' intention to investing in Sharia stocks - Religiosity influential to investor interest for investing in Sharia stocks - Incident religious influence investor interest for invest Sharia shares

				<ul style="list-style-type: none"> - Profit maximization effect to investors' intention to investing in Sharia stocks <p>Factors influencing the interest of Muslim investors to invest in Islamic products on the Stock Exchange Indonesia is attitude, perception of behavior control, religiosity, religious events, and profit maximization. The result of the coefficient of determination (R-Square) shows that the ability of these variables in explaining Muslim investors' interest in investing in sharia products on the Indonesia Stock Exchange is relatively high, namely 85%. This number means the opportunity for other variables to explain the interest of Muslim investors in investing product sharia on the Indonesia Stock Exchange relatively low .</p>
6	Irton et al / 2021	Investor behavior in Islamic capital markets: Study on Muslim students	Qualitative	<p>From the study conducted on the answers of respondents (informants) it can be obtained that basically Islamic capital market investors who are among students have a risk character takers and risk averters. Risk takers dare to make investment decisions without being complicated, full of trust yourself, understand that in every investment there must be a potential for failure, and believe that investment</p> <p>Those who want to gain large profits are also faced with the risk of loss. While risk averse tend to be careful in making investment decisions, tend to avoid investing, when will buy or sell stocks will analyze first, consult with friends or partners who have information and experience, not ready to lose. The risk averse type will choose to buy long-standing stocks compared to newly listed stocks and blue chips</p>
7	Suryadi et al / 2021	Risk and Return of Islamic and	Descriptive quantitative	<ul style="list-style-type: none"> - Based on data generated and processed from January 2017 to July 2019, the rate of return

		conventional indices on the Indonesian stock exchange		<p>on conventional stocks is greater than the rate of return on Islamic stocks in May 2019.</p> <ul style="list-style-type: none"> - From the comparison of the Sharpe ratio index the highest sharia and conventional stocks indicate that the conventional stock index numbers are greater than sharia stocks. This shows that the performance of conventional stocks is better than sharia stocks.
8	Qoonita Ftri Al-Nisa / 2018	Comparison between Islamic stock returns and stocks conventional stock exchange Indonesia	Descriptive quantitative	<p>The results of the average description show that the return value of sharia stocks represented by JII and the return value of conventional stocks represented by the JCI produces an average JII index result that is much better than the IHSG return. as in the JII index it is better in average return, and not so risky, in the results of the tapering test the JCI has a value that does not fluctuate too much and is more stable, while the JII index excels in profit value long term. So it can be concluded that the results of the descriptive research illustrate that the JII index is much better than the JCI index.</p>
9	Churniawansyah Shit Sumarno et al / 2019	Comparison performance investment Sharia and conventional stocks in determine policy investment	quantitative	<ul style="list-style-type: none"> - The performance of LQ45 in 2014-2015 was better than JII when using the Sharpe method. For 2014 the LQ45 index is better than JII and in 2015 where the JII index is better than LQ45 - JII's performance in 2014-2015 was better than JII when using the Treynor method. For 2014 the results of LQ45 were better than JII. For 2015, the JII index is better than the LQ45. - For 2014-2015, using the Alpha Jensen index calculation results are more profitable investing in JII than in LQ45. As for 2014, it is more profitable to invest in LQ45 and for 2015, it is more profitable to invest in the JII index.

10	Purwanto Widodo / 2022	Is the volatility of the Islamic stock index lower than the conventional stock index during the covid-19 pandemic? Empirical evidence in Indonesian stock exchange	Descriptive statistics	Because Islamic financial system which is based on the principle of risk sharing is more able to get out of the crisis more fast , this can be seen from the movement of the moving Islamic financial index The Islamic financial index experienced a relatively better movement when compared to the index finance conventional during Covid-19.
----	---------------------------	--	------------------------	---

Source: data processed 2023

According to the analysis conducted, a number of elements, including the study of investment ethics, which focuses on the characteristics of ethical investors, including motivation, investment patterns and the basis for making investment decisions, have been found to influence the behaviour of Muslim investors (ABDULLOH MUBAROK, 2022) (Mubarok et al.). Another finding is that religious factors can influence the behaviour of Muslim investors, because if he is able to bring himself closer to the Creator, he will engage in lawful transactions. Buying shares in companies that produce halal goods or avoiding non-halal products (Purbowisanti, 2021) (Rivo & Ratnasari, 2020).

Risk has become an important consideration when investing in Sharia stocks, (Widodo, 2022) this might affect how muslim investors behave and decide whether to buy Sharia-compliant stocks. Besides that, level return returns can also be taken into consideration, (Al-Nisa, 2018) mention the Sharia stock index is better in terms of its moving average compared to the conventional stock index, which indicates that Sharia stocks have better returns. Opinion the different with results research conducted by (Suryadi, Endri, & Yasid, 2021) mention that in 2019, the level of stock returns with conventional shares will be higher than with Sharia shares. So investors who will invest in the companies recommended for more notice level affecting risk and return index price share as reference appropriateness investment in the century future so no experiencing capital loss (Sumarmo & Yusuf, 2019). Also anticipated are investors. Always look for the most recent information regarding shares to invest in because external factors might affect the price of shares in the market (Fatchurrohman & Saputri, 2023; Irton et al., 2021).

5. Conclusion

Investors in the Islamic capital market have good confidence in the validity of shares traded in the Islamic capital market. Based on the above studies and findings, it can be concluded that the behaviour of Muslim investors can be influenced by several factors such as: investor ethics, motivation, investment patterns and religious factors. While the factors that influence the decision to invest in Shari'ah stocks are return and investment risk, investment risk is an important consideration for Muslim investors. Therefore, before investing in the Shari'ah capital market, it is better to consider the level of risk and the level of return, as the risk is different for each person.

The limitations of the research lie in the data available, as there are still very few studies on the behaviour of Muslim investors when deciding to invest in Sharia-compliant equities. There may be different interpretations of the same data, as the interpretation of the data may be influenced by the researcher's interpretation. For further research suggestions, Islamic equity investment has unique characteristics and features, therefore empirical evidence is still needed to measure the behaviour of Muslim investors in deciding to invest in Islamic equities.

Reference

- Al-Nisa, Q. F. (2018). Perbandingan antara Return Saham Syariah dan Saham Konvensional di Bursa Efek Indonesia (Pendekatan Vektor Error Correction Model). *Inklusif (jurnal pengkajian penelitian ekonomi dan hukum ISLAM)*, 3(2), 147-155.
- Amirullah, M. C. R., & Ratnasari, R. T. (2020). Faktor Yang Mempengaruhi Perilaku Investor Muslim Dalam Keputusan Berinvestasi Saham Syariah. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 7(11), 2202-2220.
- Caniago, I., Meiliana, R., & Taufik, T. (2023). Accountant Ethics: The Role of Islamic Work Ethic as a Solution. *Bukhori: Kajian Ekonomi dan Keuangan Islam*, 2(2), 75-83. doi:10.35912/bukhori.v2i2.1969
- Di Vaio, A., Latif, B., Gunarathne, N., Gupta, M., & D'Adamo, I. (2023). Digitalization and artificial knowledge for accountability in SCM: A systematic literature review. *Journal of Enterprise Information Management*(ahead-of-print).
- Fatchurrohman, M., & Saputri, P. L. (2023). Limitation of Non-Halal Income (Interest) in The Criteria of Sharia Securities List in Indonesia Stock Exchange. *Bukhori: Kajian Ekonomi dan Keuangan Islam*, 2(1), 29-38. doi:10.35912/bukhori.v2i1.1708
- Hasan, Z., & Nurhuda, A. (2023). The Role of Sharia Economic Law in Supporting A Healthy Economic System for Indonesian Communities. *Bukhori: Kajian Ekonomi dan Keuangan Islam*, 2(2), 103-110. doi:10.35912/bukhori.v2i2.1978
- Irtan, I., Khairawati, S., & Murtadlo, M. t. B. (2021). Investor Behavior In Islamic Capital Markets: Study On Muslim Students. *Jurnal Manajemen dan Bisnis (Performa)*, 18(3), 45-60.
- Mubarok, A. (2022). Investasi Etis (Ethical Investment)(Konsep, Dasar Pertimbangan Dan Pendekatan). *Jesya (Jurnal Ekonomi dan Ekonomi Syariah)*, 5(1), 766-783.
- MUBAROK, A. (2022). Strategi Skrining Positif Dan Aktivisme Pada Investasi Etis Di Indonesia (Studi Kasus Perusahaan Manufaktur Terdaftar Di Bei 2015-2019).
- Mubarok, A., Rahmatika, D. N., Susetyo, B., Raharjo, T. B., & Mardiani, N. Developing Conceptual Framework of Ethical Investment Studies.
- Purbowisanti, R., Kusuma, H., & Hanafi, S. M. (2021). Muslim Investor Behavior in Indonesian Capital Markets: an Extention of Theory of Planned Behavior. *Journal of Economics, Finance And Management Studies*, 4(08), 1225-1234.
- Septyanto, D., Sayidah, N., & Assagaf, A. (2021). The intention of investors in making investment decisions in Sharia Stocks: Empirical study in Indonesian. *Academic Journal of Interdisciplinary Studies*, 10(4), 141-141.
- Sumarmo, C. S., & Yusuf, M. (2019). Perbandingan Kinerja Investasi Saham Syariah Dan Konvensional Dalam Menentukan Kebijakan Investasi. *JURNAL MADANI: Ilmu Pengetahuan, Teknologi, dan Humaniora*, 2(1), 175-184.
- Suryadi, S., Endri, E., & Yasid, M. (2021). Risk and return of islamic and conventional indices on the Indonesia Stock Exchange. *The Journal of Asian Finance, Economics and Business*, 8(3), 23-30.
- Widodo, P. (2022). Is the Volatility of the Islamic Stock Index Lower than the Conventional Stock Index during Covid-19 Pandemic? Empirical Evidence in Indonesia Stock Exchange. *Journal of Islamic Economics and Finance Studies*, 3(1), 24-42.