



ANALYSIS OF FACTORS AFFECTING SHARIA STOCK INVESTMENT**Rangga Salam¹****Universitas Alwashliyah Medan, Medan, Indonesia**salamrangga14@gmail.com**Erliyanti²****Universitas Alwashliyah Medan, Medan, Indonesia**erliyantisauhan@gmail.com**Fahrul Ridha³****Sekolah Tinggi Agama Islam Aceh Tamiang, Aceh Tamiang, Indonesia**fakhrulridha@staiat.ac.id**Dian Alasta Selian⁴****Institut Agama Islam Negeri Takengon, Aceh Tengah, Indonesia⁴**dselian@iaintakengon.ac.id

Abstract

The purpose of this study is to analyze the factors that influence investors' decisions in investing in Sharia stocks, including aspects such as Sharia knowledge, risk, return, and other supporting factors. This study uses a qualitative research method based on a literature review. The findings of this study show that investors' decisions to invest in sharia stocks are influenced by various interrelated factors, including spiritual, economic, and psychological aspects. The main consideration for Muslim investors is adherence to Sharia principles. Investment in the sharia capital market has experienced significant growth in recent years, in line with the increasing public awareness of finance based on Islamic values. The sharia capital market serves as an alternative for investors who want to avoid interest (riba) and financial practices that are not in accordance with sharia principles. According to the Financial Services Authority (OJK), the market capitalization of sharia stocks in Indonesia accounted for more than 60% of the total national stock market capitalization by the end of 2023.

Keywords: Sharia Stocks; Investment, Capital Market





INTRODUCTION

Investment in the Islamic capital market has experienced significant growth in recent years, along with increasing public awareness of finance based on Islamic values. The Islamic capital market is an alternative for investors who want to avoid usury and financial practices that are not in accordance with Islamic principles. According to the Financial Services Authority (OJK), the capitalization of the Islamic stock market in Indonesia reached more than 60% of the total capitalization of the national stock market by the end of 2023 (OJK, 2023).

However, investors' decisions in choosing sharia stocks are not solely determined by adherence to religious principles, but are also influenced by various other factors. These factors can be economic, psychological, or social. According to (Statman 2014), investor behavior is often not entirely rational because it is influenced by cognitive bias, emotions, and personal values, including religious values.

Several previous studies have shown that risk perception, rate of return, and trust in sharia management also influence investment interest in sharia stocks. (Lesser, Rößle, and Walkshäusl 2016) found that religious investors tend to prefer financial instruments that are in line with their moral and ethical values, even when these choices provide lower rates of return. This shows that religious motivation can overcome profit motives in investment decision making.

In addition, financial literacy factors and understanding of the principles of the sharia capital market also play an important role. According to (Lusardi and Mitchell 2011), low levels of financial literacy can cause investors to make



less than optimal decisions. In the context of sharia stocks, a good understanding of the sharia stock screening criteria and sharia investment mechanisms is essential so that investors can choose the appropriate instrument.

In Indonesia, the availability of information and education about sharia stocks is also a challenge. Research conducted by Wulandari and Kassim (2016) shows that many retail investors still have difficulty distinguishing between conventional stocks and sharia stocks due to limited information that is easily accessible and understood. Therefore, transparency and public literacy regarding the sharia capital market need to be continuously improved.

Meanwhile, the aspect of trust in regulators and sharia market management institutions such as the National Sharia Council - Indonesian Ulema Council (DSN-MUI) is also a factor that cannot be ignored. This trust acts as a form of religious legitimacy for the instruments offered. As explained by Farooq and El Gamal (2009), sharia legitimacy is an important element in the success of the Islamic financial system.

Based on the description above, this article aims to analyze the factors that influence individual decisions in investing in sharia stocks in Indonesia. This study will examine various aspects such as religious motivation, perception of risk and return, financial literacy, and the role of institutions in shaping investor confidence. By understanding these factors, it is hoped that more effective strategies can be formulated to encourage public participation in the sharia capital market.

RESEARCH METHOD

This study uses a qualitative research method based on library research.



This study was conducted by collecting articles and journals with themes that are in accordance with the objectives of the study as a reference, namely, Islamic banking in increasing national economic stability. This technique goes through stages of reducing data, such as articles and journals will be summarized and selected the main points selected, focused on important things, and then arranged systematically so that they are easy to understand. Then, display the previous data that has been reduced to conclude, and researchers look for the meaning of the data collected and draw more fundamental conclusions in accordance with the objectives of the study.

RESULTS AND DISCUSSION

Risk and Return Factors Influence Investor Preferences for Sharia Stocks Compared to Conventional Stocks

Investors' decisions in investing in sharia stocks are influenced by various interrelated factors, both from a spiritual, economic, and psychological perspective. The main factor that is considered by Muslim investors is compliance with Sharia principles. Sharia stocks are chosen because they provide a guarantee that the company's activities and income do not involve elements that are prohibited in Islam, such as usury, gambling, and other haram products. This provides a sense of spiritual security for investors who want to practice religious values in their economic activities (Malik 2017)

In addition to the aspect of compliance with Sharia, economic factors such as potential profits or returns from stocks are also important considerations. Although religious motivation is dominant, investors remain rational in evaluating the company's financial performance and the potential returns that



can be obtained. Sharia stocks that have good and stable growth prospects often attract attention because they can provide profits that are balanced with the risks taken.

In choosing Sharia stocks, the company's reputation and performance are also determining factors. Investors tend to invest their capital in companies that have professional management, healthy financial reports, and promising business prospects. This is in line with the principle of prudence in Islam, which encourages its followers not to speculate excessively and only invest in clear and real businesses.

The level of Sharia financial literacy also plays an important role in influencing investment decisions. Investors who understand the basic concepts of sharia finance, such as contracts, sharia screening, and certain financial ratios, will feel more confident and focused in determining their investment choices. Conversely, a lack of knowledge can be a major obstacle in making the right decision in investing in Sharia stocks.

To strengthen investor confidence, the presence of fatwas from official institutions such as the National Sharia Council-MUI and the list of sharia securities released by the OJK are very helpful guides. These fatwas and regulations provide legitimacy that the selected investment instruments have gone through a strict assessment process according to Sharia. Thus, investors do not need to worry about the halal status of the stocks they buy. The following is the market capitalization of the Sharia index on the stock exchange.



KAPITALISASI PASAR INDEKS SYARIAH DI BURSA EFEK INDONESIA (Rp Miliar)

Table with 6 columns: TAHUN, JAKARTA ISLAMIC INDEX, INDEKS SAHAM SYARIAH INDONESIA, JAKARTA ISLAMIC INDEX 70, IDX-MES BUMN 17, and IDX SHARIA GROWTH. Rows show data from 2000 to 2024 (Januari, Februari, Maret).

Figure 1: Market Capitalization of Sharia Index on the Indonesia Stock Exchange in 2024

No less important, psychological and social factors such as encouragement from the environment, religious figures, and communities can also influence investment decisions. Many investors feel that investing in sharia stocks is not only about profit, but also a form of moral responsibility and contribution to the development of the Islamic economy. This feeling is strengthened if there is support from the social environment that shares similar values.

The availability of transparent information also affects the level of investor trust in sharia stocks. Access to complete financial reports, sharia compliance reports, and explanations of the company's business activities will help investors analyze and make decisions. Companies that are open and honest in conveying information are generally more trusted by investors, especially in emerging markets such as sharia stocks.



In addition, the liquidity of sharia stocks is also a factor that cannot be ignored. Investors certainly want to have flexibility in reselling the shares they own. The higher the liquidity of a stock, the easier it is for investors to make transactions without significantly affecting market prices. Therefore, sharia stock indices such as the Jakarta Islamic Index (JII) and ISSI play an important role in providing references for actively traded sharia stocks. (Ratmojoyo, Supriyanto, and Nugraheni 2021)

Ease of access through technology also has a major influence on interest in investing in sharia stocks. Digital platforms that provide sharia-based investment services with a user-friendly display, educational information, and fast transaction processes will increase investor participation, especially among millennials and the younger generation. This technological development also opens up opportunities for increasing literacy and community involvement in the sharia capital market.

The Influence of Knowledge of Sharia Principles on Interest in Investing in Sharia Stocks

Public interest in investing in the sharia capital market has continued to experience significant development in recent years. One factor that is believed to have a major influence on the increase in interest is individual knowledge of sharia principles. This knowledge includes an understanding of the concepts of halal and haram in Islamic economics, sharia stock screening mechanisms, and the contracts used in sharia financial transactions. The higher a person's understanding of these principles, the greater their tendency to participate in investments that are in accordance with Islamic values.

Adequate knowledge of sharia principles provides confidence and a sense



of security to prospective investors that the investments they make do not conflict with religious teachings. This is very important for Muslim investors who make the halal aspect the main basis for making financial decisions. By knowing that sharia stocks have gone through a strict screening process and do not contain elements of usury, *maysir*, and *gharar*, doubts about the religious legality of the instrument can be avoided.

In addition to providing a sense of security, knowledge of sharia principles also has an impact on perceptions of risk and return. Investors who understand that sharia stocks emphasize fairness, transparency, and social responsibility will see sharia investment not just as a means to gain profit, but also as a means to contribute to a more ethical and sustainable economy. Thus, sharia stock investment is seen as more stable and in line with moral values.

The education factor also plays an important role in encouraging interest in sharia stock investment. Socialization of sharia principles carried out by sharia financial institutions, OJK, and other educational media can increase public literacy. Educational programs such as seminars, training, and digital platforms that present educational content can bridge the information gap and increase public understanding of sharia-based investment. The following is the development of sharia stocks as follows:



JUMLAH SAHAM SYARIAH DALAM DAFTAR EFEK SYARIAH (DES)

Per Maret 2024

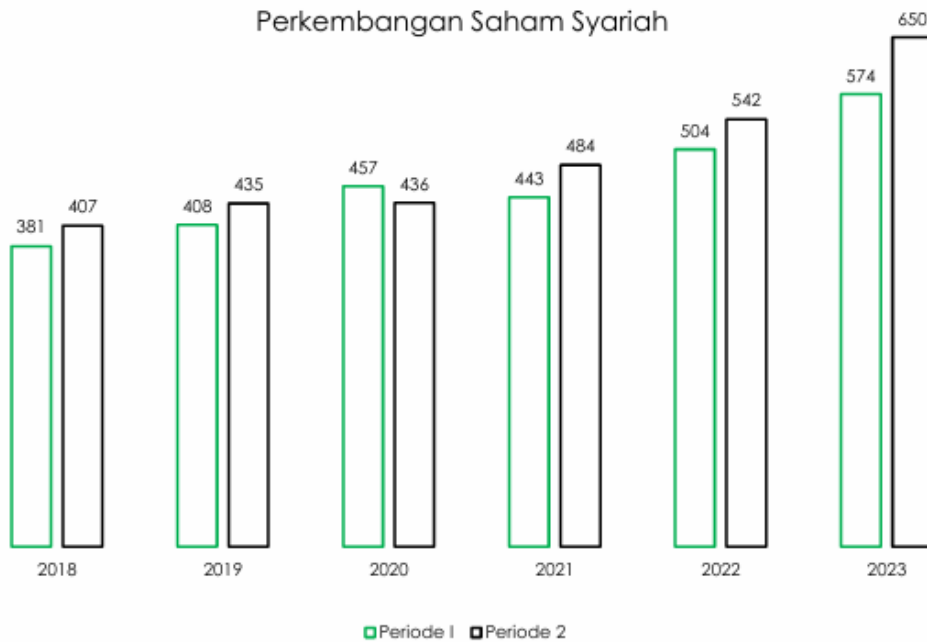


Figure 2
Development of Sharia Stocks in 2024

In this context, a positive correlation between the level of knowledge and investment interest is clearly visible. Someone who has broader insight into the basics of fiqh muamalah and its application in the capital market will be more open to exploring and trying various sharia instruments, including stocks. This knowledge not only reduces anxiety but also increases investor confidence in managing portfolios independently (Miswari, Rahayu, and Siregar 2025).

On the other hand, a lack of knowledge is often the main obstacle for someone to start investing in Sharia stocks. Many people are still hesitant because



they do not understand how the Sharia stock mechanism works and how its validity is according to Islam. This doubt can cause fear of sin or inconsistency with religious principles, so they choose not to invest at all.

Therefore, increasing sharia literacy among the community is the key to developing the sharia capital market in Indonesia. With a large Muslim population, the potential for sharia investment growth is very large if supported by massive and sustainable education. This is a challenge as well as an opportunity for the government, sharia financial institutions, and academics to work together in creating an investment ecosystem that is more inclusive and in accordance with Islamic values.

Risk and Return Factors Influence Investor Preferences for Sharia Stocks Compared to Conventional Stocks

In the world of investment, two main factors that always concern investors are risk and return. These two factors play a crucial role in influencing investor preferences, both for Sharia stocks and conventional stocks. In the context of Sharia stocks, perceptions of risk and return are closely related to religious values, Islamic business ethics, and the financial stability offered by the instrument.

Sharia stocks are often perceived as having a lower risk level than conventional stocks. This is due to a strict screening process based on Sharia principles, where companies involved in non-halal, speculative activities, or have a high debt structure will be removed from the list of Sharia securities. In other words, Sharia stocks tend to come from companies that have a more stable, transparent, and ethical business model, so they are considered safer in the long term. (Karyatun 2018)

However, risk preferences are not always uniform. Some investors may



consider that the limited choice of sharia stocks, as well as the relatively lower liquidity compared to conventional stocks, actually increases the risk in terms of flexibility and potential capital gains. Therefore, investor preferences for sharia or conventional stocks often depend on the level of risk tolerance and investment strategy held.

In terms of returns, conventional stocks are generally considered more competitive because the number and variety of sectors are wider, including sectors such as conventional banking and the alcohol or tobacco industry, which are financially quite profitable but prohibited in Sharia. However, several studies have shown that sharia stocks are also able to provide competitive returns, especially when the market is in stable conditions or during a crisis, because sharia stocks tend to be more defensive and less volatile.

Investors who prioritize ethical and sustainable principles tend to prefer Sharia stocks, even if they have to sacrifice a little potential return. For them, returns are not just about profit figures, but also moral values and adherence to religious teachings. In this case, Sharia stocks offer "spiritual added value" that conventional stocks do not have, which in turn influences overall investment preferences.

In addition, non-financial risks such as reputational risk or risk of violating religious values are also important considerations for Sharia investors. Investing in conventional stocks that are not in accordance with Sharia principles can cause inner conflict or guilt, especially for investors who strongly adhere to Islamic values. Therefore, for this investor segment, sharia stocks are the main choice, even though theoretically the return is slightly lower.

Another factor that plays a role is financial education and literacy. Investors who have a good understanding of risk management and return structures in



sharia stocks will find it easier to accept the fundamental differences between sharia and conventional stocks. They will be more rational in compiling a portfolio that suits their respective risk profiles and ethical preferences.

The preferences of the younger generation and millennials, who are increasingly aware of the importance of socially and religiously responsible investment, have also shifted interest from conventional stocks to Sharia stocks. They not only consider financial benefits, but also the social impact of the companies they invest in. Thus, Sharia stocks that prioritize the principles of justice, honesty, and social responsibility are becoming increasingly relevant.

CONCLUSION

Based on the analysis results, it can be concluded that Sharia stock investment is influenced by various interrelated factors, such as knowledge of Sharia principles, risk and return levels, financial literacy, and spiritual and ethical motivations. Muslim investors tend to choose Sharia stocks because they are believed to be in accordance with religious values and provide a sense of moral security. In addition, economic considerations such as return stability and long-term prospects also influence investment decisions. Proper education and the availability of transparent information are key to increasing public interest in Sharia stocks. The growth of Sharia stock market capitalization in Indonesia reflects an increase in awareness of halal and sustainable investment. Therefore, synergy between the government, financial institutions, and market players is needed to strengthen an inclusive and competitive sharia capital market ecosystem.

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