

PREFERENCE FOR INDONESIAN MUSLIMS INVESTMENT

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Abstract

This study aims to determine the preferences of the Indonesian Muslim community in choosing investments. The object of this research is the preference of Muslims in selecting investments. The method used in this research is descriptive quantitative, with the analysis method being conjoint analysis. Research data is primary data obtained through questionnaires with random sampling. Respondents in the study amounted to 87 Muslim communities in Indonesia. The results of this study indicate that the investment preference of the Indonesian Muslim community is in Islamic institutions. They are not interested in investments managed by conventional institutions. In addition, the results of this study show that the preferences of Indonesian Muslim communities in choosing the type of investment are interested in saving, then investing in gold. People are not interested in investment deposits, mutual funds, and shares.

Keywords: investment, institution, preferences, Islamic

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I. Introduction

Investment is one of the components of economic growth. The existence of investment activity will affect the economic development of a country. In recent years, investment has been the second-largest contributor to Gross Domestic Product (GDP) after household consumption. In 2018, investment contribution to Domestic Products Gross (GDP) had increased to 32.29% from 32.16% in 2017, continuing into 2019. In 2020, investment contribution fell to 31.73% ([Zahara & Octavia, 2021](#)).

The pandemic has changed the behavior of investors globally, including in Indonesia. According to the Global Investor Study 2021 report from Schrodgers, based on a survey conducted by more than 23,000 people in 32 global locations, including Indonesia, 88% of Indonesian respondents spend more time thinking about their financial well-being and rearranging their finances due to the Covid-19 pandemic. In addition, 49% of the people have put more of their funds in general savings, while 40% of respondents have invested more in high-risk assets ([Mahardhika, 2021](#)).

Investors need to pay attention to their investment choices. Changes in the global economy and fluctuating interest rates make investors have to be observant in carrying out investment strategies. Diversification is one way to continue to achieve investment returns and reduce the risk of loss. In the Covid-19 pandemic, deposits, mutual funds, and the bond market have become relatively safe and profitable investment alternatives. According to their respective risk profiles, investors can take steps to keep investing to diversify their investment portfolio properly ([Kontan, 2021](#)).

With conditions of uncertainty that tend to be high at this time, a risk-averse will choose investment instruments with a good level of stability, such as gold. Investing in gold is now accessible because you don't have to buy directly, but it can be done in installments at Islamic banks. Another option is to invest in retail Sukuk or deposits using a *mudharabah* contract. Meanwhile, a person who is classified as a risk-taker will undoubtedly choose an investment instrument that is risky but provides a high return. Companies engaged in construction, telecommunications, and food and beverage are currently the primadonna in the stock market. By analyzing the fundamental aspects of the company's financial statements, it will be reflected on whether the company is worth investing in or not.

One of the references is the company's capital expenditure. The higher the value, the higher the possibility of the company continuing to grow and automatically generating significant returns for investors ([Fakhrunnas, 2020](#)).

With the change in the behavior of the Indonesian Muslim community during the pandemic, it is necessary to study the preferences of the Muslim community in financial investment. The urgency of this research is to determine the right strategy to attract public interest in investing in the financial institution. There has been no similar research regarding the preferences of the Indonesian Muslim community in investing, taking into account investment management institutions and types of investment.

II. Discussion

A. Literature Review

Investation

Investation can be interpreted as an investment in an activity that has a relatively long period in various business fields or projects that require funds to make a profit. In a conventional economic system, a person invests with different motives, including meeting liquidity needs, saving, getting more returns big, planning for retirement, and speculating. Islamic Investment is based on sharia principles, investment in the real and financial sectors, so investment cannot

be separated from sharia principles. Until the goal of speculative intentions in business and investment must not conflict with Sharia. All business activities cannot be free from uncertainty, namely the possibility of profit or loss of a business. So people speculate in determining investment choices business, regardless of profit or loss. It means any effort contains uncertainty of profit or loss/ *gharar* ([Pardiansyah, 2017](#)). Opinion ([Sakinah, 2014](#)) states that investment includes activities highly recommended in Islam even though there is no terminology found in investment and other terms such as capital market, stock investment, bonds, and so on in some classical Islamic literature. However, Muslims' needs based on sharia principles are essential to minimize investment in conventional institutions.

Financial Institution

A financial institution is any company whose business activities are related to the financial sector. Institutional business activities can be collecting funds, distributing funds, and collecting and distributing funds simultaneously with various schemes. The activities of financial institutions are aimed at individual investors, companies, consumption activities, and goods or services distribution activities. Financial institutions act as intermediary institutions. Operationally,

financial institutions can be in the form of conventional financial institutions or Islamic financial institutions. Conventional and Islamic financial institutions have differences in objectives, mechanisms, powers, scope, and responsibilities. Islamic financial institutions aim to promote and develop the application of Islamic principles in Islamic finance and business transactions ([Soemitra, 2018](#)).

The role of financial institutions consists of institutions bank finance (both central bank, commercial bank conventional, Islamic commercial bank, bank conventional people's credit, Islamic bank people's credit) and institutions non-bank finance (insurance, company pension fund or taspen, cooperative, market capital or stock exchange, factoring company accounts receivable or factoring, capital company venture, pawnshop, leasing company business or leasing, credit card company, money market, company infrastructure financing, financing consumers) are: Raising funds Public; Distributing public funds; Transfer of assets (assets transmutation); Liquidity (liquidity); Allocation of income (income allocation); transactions or transactions. Financial institutions also act as facilities providers regarding financial flow funds from parties who have funds to parties in need (intermediation role). Financial institutions'

role in reducing the possible risk is the responsibility of the fund owner ([Wiwoho, 2014](#)).

Types of Investment

Savings are usually made in the safest place or product where money is always accessible. Savings products include savings accounts, check accounts, and certificates of deposit. ([Commission, 2013](#)). Islamic teachings encourage adherents to always invest their savings. There are types of direct investment (tangible assets). Direct investment is an investment in assets or production factors to do business (business). Examples of direct investment are gold, diamonds, silver, plantations, houses, land,

shops, etc. This investment can be seen as a physical and measurable impact on society. In addition, there are Indirect investments (financial assets), namely investments in financial assets (financial assets). This type of investment can be deposited in securities (securities) such as shares and bonds, Commercial Paper, and mutual funds. Investments in financial assets aimed at obtaining future benefits are referred to as financial assets investment remuneration in the form of dividends or capital gains ([Hidayati, 2017](#)).

Based on the literature review, the framework in this research is as follows:



Picture 1

Research Framework

This study has levels, namely Islamic Institution and Conventional Institution. This level has attributes of investment types, namely savings, deposits, mutual funds, shares, and gold.

B. Method

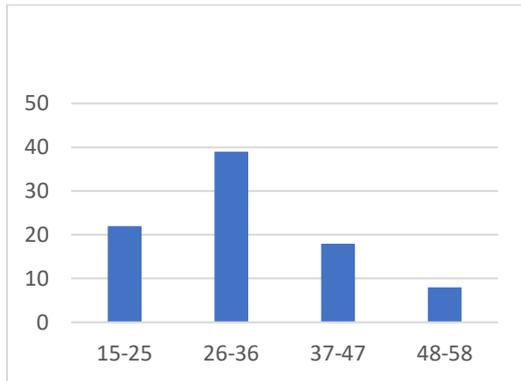
The object of this research is the preference of Muslims in choosing investments. The method used in this research is descriptive quantitative. The analysis used is conjoint analysis. Conjoint analysis was selected because this analysis can examine the stimulus evaluated by the respondent in detail where the trigger is a combination of

all levels or levels of each attribute of the object being studied ([Supranto, 2004](#)). The tool used is to use SPSS. Research data is primary data obtained through questionnaires. Questionnaires were distributed to 87 Muslim respondents. Sampling was done randomly, with Muslim respondents from various provinces in Indonesia.

C. Result

The data processing results, among others, show the demographics of respondents based on age and province. The

demographics of the respondents in this study can be seen in the following figure:



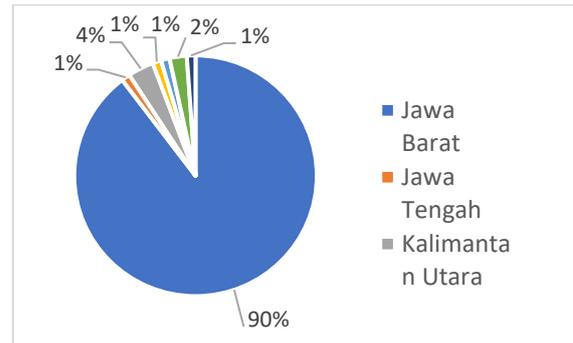
Picture 2
Demographics of Respondents by Age
(Source: Processed Data, 2021)

Demographics of respondents based on age showed that most respondents in this study were 26-36 years old. Meanwhile, the least respondents who filled out the research questionnaire were 48-58 years old.

Meanwhile, data (Malik, 2021) shows that in terms of age, investors aged 30 years and under dominate the capital market investors, amounting to 59.23%. Then, investors aged 31-40 contributed 21.54% and 41-50 years old by 10.69%. However, in terms of asset value, investors over the age of 60 dominate capital market assets, reaching Rp.451.9 trillion, even though the number of investors is only 3.13% of the total capital market investors.

Thus, it can be concluded that the Indonesian Muslim community in the age range of 30 to 40 years is interested in matters related to investment; one of the indicators of this interest is the willingness

to fill out a questionnaire regarding this investment preference.



Picture 3
Demographics of Respondents by Province
(Source: Processed Data, 2021)

Figure 3 above shows the demographics of the respondents based on the province of origin of the respondents. The respondents of this study are Indonesian Muslim communities from seven regions. Most of the respondents came from West Java Province.

Other research (Malik, 2021) says that in terms of region, as many as 69.93% of investors are located in Java Island, with total assets of Rp.3,441.5 trillion, or 96% of the total capital market assets. The minor investors are in the Maluku and Papua regions, with only 0.96% of investors with an asset value of IDR 3.28 trillion.

The same thing was conveyed by (Humas, 2021); the investment level of the West Java community grew significantly during the Covid-19 pandemic. West Java is a potential province in Indonesia for capital market investment. Based on data from the

Indonesia Stock Exchange, West Java's Single Identification Number as of August 2021 was 471,439.

Table 1 Utilities

		Utility Estimate	Std. Error
Institution	Islamic	.354	.012
	Conventional	-.354	.012
Investment	Savings/ Tabungan	.223	.023
	Deposit/ Deposito	-.101	.023
	Mutual Fund/ Reksadana	-.142	.023
	Share/ Saham	-.142	.023
	Gold/ Emas	.162	.023
(Constant)		2.014	.012

(Source: Processed Data, 2021)

Table 1 shows preferences by level. That Islamic institutions have a value of 0.358, while Conventional Institutions have a value of -0.358. Thus, the Indonesian Muslim community prefers to be more interested in investments managed by Islamic institutions and not in investments managed by conventional institutions. Based on the attribute, namely the type of investment, the highest preference of the Indonesian Muslim community, with a value of 0.223, is the savings-investment type. Furthermore, with a value of 0.162, people are interested in this type of gold investment. The type of investment in mutual funds and shares has a value of -1.42, and time deposits have a value of -1.01, meaning that the public is not interested in this type of investment.

This study's results differ from those described by ([Malik, 2021](#)); the Indonesian Central Securities Depository (KSEI) noted that capital market investors reached 6.43

million people in September 2021. Mutual fund investors dominated the number of capital market investors, namely 5.78 million people, an increase of 82.18% from the end of 2020. Stock investors reached 2.9 million people, and Government Securities (SBN) investors reached 571.79 thousand. Stock and government securities investors increased 71.58% and 24.2%, respectively, from the end of 2020.

The results of other studies conclude that most investors in Serang City are interested in investing in Sharia in the Islamic capital market ([Peristiwa, 2016](#)). Age, region, time, and situation factors may influence these different results. During the Covid-19 Pandemic, people's behavior showed changes in terms of investment. People tend to choose assets that have low risks, such as savings, gold, and time deposits. Research ([Trimulato, Supriadi, Mustamin, Umar, & Ningsih, 2021](#)) shows that PT Bank Panin

Dubai Syariah's growth in the period May 2020 to May 2021 experienced an increase in assets of 7,6%, and for *murabahah* financing, a decrease of -44%. Current accounts grew by 11%, savings grew by 27%, and time deposits decreased by -7,9%. As the survey ([DRI, 2020](#)) results stated that the percentage of respondents' ownership of investment products during the pandemic, the highest was a gold investment at 31.9%, the next was mutual funds at 21.8%, shares

at 20.21%, deposits at 11.70%, foreign exchange 5.32 % and other investments of 9.57%. These results are supported by other studies ([Suryani, 2021](#)) that respondents in investing are conservative. The results also show that respondents chose gold investment as much as 78%. While the underlying factors the selection is a small risk and long term as many as 44% of respondents respectively.

Table 2 Importance Values

Institution	40.599
Investment	59.401
Averaged Importance Score	

(Source: Processed Data, 2021)

In Table 2, investment has a value of 59,401, which is greater than the institution's value, which is 40.599. The results of this study indicate that the preference of the Indonesian Muslim community is on the type of investment offered. People choose between savings, deposits, mutual funds, shares, or gold investments. After considering the type of investment, the public finds the institution that manages the investment, whether it is an Islamic institution or a conventional institution. In this study, people are more likely to choose assets managed by Islamic institutions.

The results of this study are supported by previous research ([Amalia, 2019](#)), which states that investment in Islamic banks

through savings could be an alternative for investors who do not want to take such a considerable risk. The advantage of investing with savings in Islamic banks is the funds invested by investors can be taken at any time. And funds invested by investors will also be managed into the business sector far from the element of *gharar*. You don't have to worry about investing through savings either will the invested funds disappear due to savings or savings guaranteed by the deposit insurance agency. Other studies ([Meriyati, 2015](#)) also state that people choose to invest in Islamic institutions because Islamic investment is driven financially, and religious beliefs influence a small part. The assumption of

prohibition of bank interest on conventional banks is seen from understanding fanaticism. Many customers turn to Islamic banks to store assets. Customers expect comfort physically and mentally.

The respondents' preference in this study on investments managed by Islamic institutions can be caused by religiosity because the respondents in this study are Muslims. This result is in line with previous research ([Nabilah & Hartutik, 2020](#)) showed that knowledge partially affects the interest in

Table 3 Correlations

	Value	Sig.
Pearson's R	.998	.000
Kendall's tau	.978	.000

a. Correlations between observed and estimated preferences

(Source: Processed Data, 2021)

Conjoint analysis, in principle, aims to estimate the respondent's opinion pattern, which is called Estimates Part-Worth, and then compares it with the respondent's actual opinion (Actual), which is in the process of stimuli. The conjoint analysis results should not differ much from the views of the actual respondents, which is reflected in the high correlation between the Estimates results and the actual results. Correlation results in conjoint analysis produce Pearson's R-value and Kendall's tau values. Pearson's R-value describes the level of preference relationship with predictive results. This value has the same interpretation meaning as multiple

investing; Religiosity is partially influential to investment interest; Partially, no motivation affects investment interest.

The study found 4 Islamic stocks with the best financial conditions, 25 Islamic shares with medium financial situations, and 1 with relatively weak financial needs ([Asmadi, Izzaty, & Erwan, 2021](#)). Thus, Islamic institutions are a good choice for the Indonesian Muslim community to invest in capital market investment.

correlations in multiple regression analysis and is applied if the measurement is carried out with a preference rating. Kendall's tau value also explains the level of preference relationship with the predicted outcome calculated by the Kendall Tau correlation.

Table 3 shows the correlation results. The correlation value above 0.5 indicates a strong relationship between the actual and estimated preferences. Correlations results show Pearson's R-value of 0.998 and Kendall's Tau value of 0.978, indicating a strong relationship between estimates and actual. The significance value of Pearson's R and Kendall's tau is 0.000, which means the

value is below 0.05. So it can be ascertained that the level (Islamic Institutions and Conventional Institutions) and attributes (savings, deposits, mutual funds, shares, and gold) used in this study has a solid and significant relationship.

This study's results align with other research ([Alam, Akbar, & Shahriar, 2017](#)) that the basic principles of investing in Islamic institutions, namely the stock market. The stock market in Islamic institutions is adjusted to the norms set by Sharia and the current global practice of the stock market and Islamic indices. Other studies explain that Muslims have rules and regulations. Even though the profits are enormous, earning from illegal investment activities is prohibited in Islam. It is essential to ensure that our investment activities are carried out according to Sharia guidelines to realize the goals of the Islamic economy in bringing about significant changes to the Muslim community ([Razaly, et al., 2015](#)).

Thus, it can be seen that every sharia investment product at an Islamic Institution has been reviewed by an authorized institution and is in accordance with sharia principles. Other researchers suggest ([Toto, Herlina, & Darna, 2020](#)) that the advantages of Islamic investment are usury-free, minimal risk, Islamic management, halal, and social activities. Meanwhile, the risks that investors may face are the risk of losing

capital, the risk of uncertainty, and the difficulty of selling investment products. The study results found that non-Muslims currently favor Islamic investment products. The concept of profit sharing is considered more profitable than interest. Get the key that Islamic rules can now be accepted by various circles of society in the world.

Islamic or conventional investment management institutions offer similar products as a form of competition in attracting investors. The model built in this study can represent the actual situation in terms of attributes in the form of products from conventional and Islamic institutions.

III. Conclusion

The Indonesian Muslim community prefers Islamic institutions based on the level of investment management institutions. They are not interested in investments managed by Conventional Institutions. Based on attributes is the type of investment, the results of this study indicate that the preference of the Indonesian Muslim community is highest for investment in the form of savings. In addition, the public shows a second preference for the type of gold investment. Indonesian Muslim communities do not like investments in the form of deposits. They also do not like investments in mutual funds and shares.

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