Factors Affecting Muslims' Decision in Tangerang Selatan During Recession to Make Sharia Investment

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Abstract

The pandemic has significantly impacted the global economy, including Indonesia, which experienced a recession in 2020. However, a unique phenomenon occurs in the Islamic capital market, where Islamic stocks show stability and even experience significant increases during the recession. The study explores how the recession affects the decision of Muslims in Indonesia to invest in Sharia and whether Sharia investment can be an effective solution to deal with a recession. Data from the Central Statistics Agency and the Financial Services Authority shows that the sharia capital market in Indonesia continues to grow, especially in the form of sharia stocks and sharia mutual funds. This study aims to analyze the factors that affect the decision of the Muslim community to make sharia investments during the recession due to the COVID-19 pandemic. This study uses quantitative methods with respondents from various sectors of the Muslim community in Indonesia, including students, office workers, and entrepreneurs. The results of this study found that the decisions of the Muslim community have a significant influence on Islamic investment, with the results of the t-test showing a t-count value of 25.366 and a determination coefficient (R^2) of 86.8%. This means that most of the variations in sharia investment can be explained by community decisions, while the remaining 13.2% is influenced by other variables. The conclusion of this study is that increasing Islamic financial literacy and religious understanding can be an effective strategy to encourage interest in Islamic investment in Indonesia. This research is expected to be a reference for financial institutions and policymakers in improving accessibility and education related to Sharia investment.

Keywords: Sharia investment, recession, COVID-19, Sharia stocks, Islamic economics.

INTRODUCTION

According to data from Indonesia's Central Statistics Agency (BPS), the country's GDP declined by 3.49% in the third quarter of 2020, signaling a recession. (Darmastuti et al., 2021; Vanani & Suselo, 2021). This recession, as highlighted by BFI (2022), generally leads to a decrease in job opportunities and an increase in poverty. ty (Lasano et al., 2021). However, despite the downturn in many sectors of the economy due to the COVID-19 recession, Sharia stocks remained resilient and even experienced significant growth during this period (Faniyah, 2017).

The capital market serves as a financial forum that responds swiftly to economic changes. During the 2020 recession triggered by COVID-19, Indonesia's economy contracted by 5.32% in the second quarter, improved to -3.49% in the third quarter, and continued to recover, reaching 2.19% growth in the fourth quarter. The capital market responded to these shifts, but the Sharia capital market demonstrated greater stability compared to the conventional market. By 2022, the Indonesia Sharia Stock Index (ISSI) had grown by 15.2%, while the Jakarta Composite Index (JCI) only increased by 4.09%.

The stability of Sharia stocks can be attributed to their lower volatility, and further growth was anticipated towards the end of 2022 as the market continued to adapt (CNBC Indonesia, 2022).

The growing interest in Sharia stocks among investors is driven by the desire to gain investment profits while adhering to Islamic principles (Desta, 2022; Syufalmi, 2024). Sharia-compliant stocks not only offer potential financial returns but also align with the religious values of Indonesia's predominantly Muslim population, making them increasingly attractive (Manengkey et al., 2024; Pratiwi et al., 2023; Utami & Haryono, 2021).

Sharia investments are an appropriate choice given that Muslims make up the majority of Indonesia's population (Andini & Maghfiroh, 2022; Ichsan, 2016). According to statistics from the Financial Services Authority (OJK) in 2020, Indonesia's Sharia capital market has continuously grown since 1997. By the end of 2019, total Sharia capital market assets had reached IDR 4,569.01 trillion, with Sharia stocks accounting for 81.96%, valued at IDR 3,744.82 trillion. Sharia mutual funds provided 1.18%, with a net asset value of IDR 53.74 trillion, and corporate and government sukuk (Islamic bonds) accounted for 16.86%, with an outstanding value of IDR 770.45 trillion.

Several factors influence people's decisions in choosing Sharia investments, including the level of Sharia financial literacy, religiosity, the influence of the social environment, as well as sociodemographic conditions and expectations for investment returns. Islamic financial literacy is very important in understanding investment products that are in accordance with Islamic principles, while religiosity encourages individuals to choose investments that are not only financially profitable but also bring spiritual blessings. The social environment and demographics play a role in shaping people's mindsets related to investment choices based on Islamic values, which has a positive impact on the overall growth of the Islamic economy.

The implications of these factors are reflected in public trust in Sharia investment products, which ultimately has an impact on their decision to invest. This study focuses on the main variables, namely Sharia financial literacy, and religiosity, which is expected to provide a deep understanding of the influence of these variables on people's Sharia investment decisions.

Based on the results of the study Maulana et al., (2023), it is stated that there are at least 5 factors that can affect students' sharia investment decisions in Bogor Regency. These factors include Islamic financial literacy, religiosity, social environment, socio-democracy, and investment returns which have a positive and significant influence, both partially and simultaneously.

The novelty of this study compared to the research of Maulana et al. (2023) lies in its focus on Sharia investment decisions in the context of the economic recession due to COVID-19 in South Tangerang, which shows the stability and improvement of the Sharia capital market during the crisis. In addition, the study involved a more diverse population of Muslims in various professions, not only students, and highlighted the influence of macroeconomic conditions on Sharia investment decisions, an aspect that was not discussed in previous studies. This study also provides policy recommendations to

improve Islamic financial education, public trust, and digital access, which are relevant in supporting the growth of the Sharia market during a recession.

The purpose of this study is to examine the elements that influence Muslim communities' decisions to make Sharia investments during the COVID-19 pandemic-induced recession. The expected benefit of this study is to provide strategic recommendations for the government and financial institutions in developing policies that support sharia investment literacy and accessibility, so as to strengthen the sharia financial sector in Indonesia and encourage sustainable economic growth.

RESEARCH METHODS

This study uses descriptive quantitative methods with convenience sampling techniques The population in this study is the Muslim community in South Tangerang with the number of Muslim communities in Banten Province totaling 1,207,254 This data was obtained from the population data of BPS South Tangerang city and the sample obtained was 100 people. Data analysis was carried out using descriptive quantitative approaches and experimental research. Data for this study was obtained from the Financial Services Authority (OJK). The population consists of individuals who invested in Sharia-compliant instruments during the 2020 recession. The data was analyzed using simple linear regression and panel data techniques with SPSS 25 software. The dependent variable is explained through the equation $Y = a + bX$, where X represents the independent variables. Tests conducted include normality, linearity, classical assumptions, t-test, and coefficient of determination (R^2).

RESULT AND DISCUSSION

Research Instrument Test
Validity Test

The validity test is carried out by comparing the rcount value (correlation between item and total) with the rtable value. If the rcount is greater than the table (at a significance level of 5%), then the item is considered valid. To determine the value of rtabel, it can refer to the line df = n-2 = 100 - 2 = 98, where rtabel is 0.1966.

Table 1. Results of the Validity Test

Variable	*Corrected Item-Total Correlation*	table
X1.1	0,567	
X1.2	0,570	
X1.3	0,667	
X1.4	0,602	
X1.5	0,757	0,1966
X1.6	0,632	
X1.7	0,634	
X1.8	0,682	
X1.9	0,690	
X1.10	0,636	

Variable	Corrected Item-Total Correlation	table
Y.1	0,848	
Y.2	0,682	
Y.3	0,689	
Y.4	0,676	
Y.5	0,746	

Based on this table, the Muslim Community Decision (X) and Making Sharia Investment (Y) follow the theory that has been mentioned, and the results obtained are valid and meet the validity test because the count is > rtable value for each indicator.

Reliability Test

A research instrument is considered reliable if Cronbach's alpha value is greater than 0.60 (Ghozali, 2016).

Table 2. Results of the Reliability Test

Variable	Cronbach Alpha	Cronbach Alpha Value Limit
Making Sharia Investment (Y)	0.776	0,60
Muslim Community Decision (X)	0.842	

From the table above, it can be concluded that this research instrument can be considered reliable because it has met the requirements where the Cronbach Alpha value is above 0.60.

Descriptive Analysis of Research Results

To understand the answer categories of each descriptive variable, the respondent achievement rate (TCR) can be calculated.

Table 3. Results of Descriptive Analysis of Muslim Community Decision Variables (X)

Variable	Maximum Value	Mean	TCR Calculation	Description
X1.1	5	4.28	85.60	Very Good
X1.2	5	4.21	84.20	Good
X1.3	5	4.32	86.40	Very Good
X1.4	5	4.37	87.40	Very Good
X1.5	5	4.22	84.40	Good
X1.6	5	3.91	78.20	Good
X1.7	5	4.4	88.00	Very Good
X1.8	5	4.09	81.80	Good
X1.9	5	4.21	84.20	Good
X1.10	5	4.13	82.60	Good
Average	**5.00**	**4.21**	**84.28**	**Good**

From the results of this analysis, it can be seen that the average score of the Muslim community afecision variable from 100 respondents is good on indicators of knowledge, choices, and decisions because the average score is 5.00 in the range of scores from 1 to 5.

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It can also be seen that the value of the respondent achievement rate (TCR) is 84.28 percent, which is included in the good category.

Table 4. Results of Descriptive Analysis of Variable Making Sharia Investment (Y)

Variable	Maximum Value	Mean	TCR Calculation	Description
Y1.1	5	4.22	84.40	Good
Y1.2	5	3.91	78.20	Good
Y1.3	5	4.4	88.00	Very Good
Y1.4	5	4.09	81.80	Good
Y1.5	5	4.21	84.20	Good
Average	**5**	**4.166**	**83.32**	**Good**

The results of this analysis show that the average score of the variable making sharia investments from 100 respondents is good on indicators of knowledge, choices, and decisions because the average score is 4.166 in a score range of 1 to 5. It can also be seen that the value of the respondent's achievement level (TCR) is 83.32 percent which is included in the good category.

Test for deviations from the classical assumptions of simple linear regression

The conventional assumption test in basic linear regression consists of:

1. Normality Test: Data must have a normal distribution.
2. Linearity Test: The association between the Muslim community decision variable (X) and the variable of making Islamic investments (Y) should be linear.

Normality Test

The normality test is performed using the Kolmogorov-Smirnov Formula, which states that data is normally distributed if the significance value is more than 0.05 and not normally distributed if the significance value is less than 0.05.

Table 5. Normality Test Results

			Unstandardized Residual
N			100
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.92734768
Most Extreme Differences	Absolute		.103
	Positive		.072
	Negative		-.103
Test Statistic			.103
Asymp. Sig. (2-tailed)			.011[c]
Monte Carlo Sig. (2-tailed)	Sig.		.227[d]
	99% Confidence Interval	Lower Bound	.217
		Upper Bound	.238

Based on the analysis performed on the SPSS version 25 output table, it is possible to conclude in detail that when deciding on the normality test, the data is considered normally distributed if the Monte Carlo Sig. (2-tailed) significance value exceeds 0.227. This number exceeds 0.05, indicating that the data fulfills the normal distribution criterion.

According to expert theory, the basis for decision-making in the Kolmogorov-Smirnov test demonstrates that the data in this research is normally distributed and has passed the standard assumption deviation test stage of normalcy.

Linearity Test

The ANOVA table technique may be used to find the linear relationship between variables X and Y. If the linearity coefficient is less than 0.05, it means there is a linear relationship between the variables. In contrast, if the linearity coefficient value exceeds 0.05, there is no linear relationship between the X and Y variables.

Table 6. Linearity Test Results Anova Table Approach

			Sum of Squares	df	Mean Square	F	Sig.
Making Sharia Investment (Y) * Muslim Community Decision (X)	Between Groups	(Combined)	580.729	2029.036	36.192	.000
		Linearity	558.973	1	558.973	696.721	.000
		Deviation from Linearity	21.756	191.145	1.427	.138
	Within Groups		63.381	79.802			
	Total		644.110	99			

Based on the study performed using SPSS software version 25, the researcher may conclude that there is a linear relationship between the Muslim community choice variable (X) and the Islamic investment variable (Y) with a significance value of 0.000, which is less than 0.05. This demonstrates a steep slope of the line and validates the linear connection between the two variables. This demonstrates a steep slope of the line and validates the linear connection between the two variables.

Simple Linear Regression Test Analysis

The results of testing the approach with simple linear regression can be presented in the following table:

Table 7. Simple Linear Regression Test Results

Models	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.617	.890		-1.817	.072
Muslim Community Decision (X)	.533	.021	.932	25.366	.000
a. Dependent Variable: Making Sharia Investment (Y)					

This analysis uses the basic model formulated as follows:

$$Y = -1.617 + 0.533X$$

From the regression equation obtained, it can be concluded that there is a negative relationship between the decision of the Muslim community (X) and Islamic investment (Y). Thus, this simple regression model equation can be interpreted as follows:

a. Constant = -1.617

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The interpretation of this constant is that if the independent variable, namely the Muslim community decision (X), is assumed to be unchanged, then the value of the dependent variable (Y) will remain at 1.617.

b.   X = 0,533

The interpretation of this coefficient is that if the decision of the Muslim community (X) increases by one percent, then Islamic investment (Y) will decrease by 0.533 percent, assuming other variables remain constant.

Partial Test (t-test)

In this study using the confidence level (α = 0.05) the degree of freedom (df) value of n - k = 100 - 2 = 98, and the ttable value of 1.98447 was obtained. Based on the results of the SPSS 25 Version above, a decision can be made to determine the partial relationship between the Muslim community decision variable (X) on Islamic investment (Y), where the table above can show the results of the analysis have a significance value of 0.00 <0.05 with a count of 25.366> table 1.98, where this decision states that there is a partial influence relationship between the Muslim community decision variable affecting Islamic investment, the hypothesis is accepted.

Test Coefficient of Determination (R^2)

Table 8. Determination Coefficient Test Results (R^2)

Models	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.932[a]	.868	.866	.932

a. Predictors: (Constant), Muslim Community Decision (X)
b. Dependent Variable: Making Sharia Investment (Y)

The Coefficient of Determination (R2) measures how well the model can explain fluctuations in the dependent variable. This coefficient's value ranges from zero to one. A low R-squared value suggests that the independent variables have a limited ability to explain fluctuations in the dependent variable. In contrast, a score close to one indicates that the independent variables almost totally give the information required to forecast fluctuations in the dependent variable.

In this study, the regression model estimation results show that the R-squared value of 0.868 indicates that the Muslim community's decision can explain variations in the Islamic investment variable by (0.868 x 100%) = 86.8 percent. Meanwhile, (100% - 86.8%) = the remaining 13.2 percent is influenced by other variables not included in this regression model.

Discussion

The discussion on the effect of Muslims' decisions on Islamic investment reveals a significant relationship between the two variables. Islamic consumption theory, as outlined by Iqbal & Mirakhor, (2011) States that economic decisions in Muslim communities are influenced by moral and religious aspects. In this case, investment decisions are not only oriented towards financial returns but also towards blessings and social responsibility.

Islamic investment is considered a form of investment that not only provides material benefits, but also brings positive impacts in spiritual and social aspects. The findings of this study indicate that the decision of the Muslim community has a significant influence on Islamic investment (Heradhyaksa, 2022).

This research is in line with the results of several related journals, as revealed by Jannati & Yuliani, (2022) In the Journal of Islamic Financial Studies, emphasizes that religious belief is a major factor in Islamic financial decision-making. This shows that individuals who better understand Sharia principles tend to choose investment products that are in line with their beliefs. Faridah et al., (2021) The Journal of Global Islamic Economics suggests that Islamic financial education has a significant impact on investment decisions. This confirms the importance of knowledge and information in shaping Islamic investment decisions. Anwar et al., (2023) in the Journal of Financial Decision Making highlighted that the level of trust in Islamic financial institutions has a direct effect on investment decisions, in line with the results of this study which show that the decisions of the Muslim community strongly influence Islamic investment (Gentari et al., 2024; Humairo, 2020).

At the global level, the Issahaku et al., (2024) wwww a significant growth in the Islamic finance market worldwide. This indicates that Muslims' decision to choose Islamic investments is not only influenced by religious aspects but also by economic factors, such as stability and ethics in Islamic finance. Islamic financial products are increasingly accepted by the general public, including in non-Muslim countries, as they are considered more ethical and transparent (Fahamsyah et al., 2023; Muzakkar et al., 2024).

CONCLUSION

The study concludes that the decisions of the Muslim community have a significant influence on Islamic investments, where most of the variation in such investments can be explained by the community's decisions. Suggestions include increasing education about Islamic financial products, strengthening regulations and transparency of financial institutions to build trust, and expanding public access to Islamic financial products, especially through digital platforms. Further research is recommended to explore other factors that influence investment decisions, such as economic, political, and social aspects, as well as qualitative approaches to understand people's motivations.

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