

Article

Do Social & Psychological Factors Affect Investment Intention in Islamic Capital Markets?

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ABSTRACT

This research aimed to predict social and psychological factors affecting individual investment decision in the Islamic capital market. Furthermore, the Theory of Planned Behavior Model (TPB) was used to explain irrational investor decisions affected by cognitive biases. We attempted to correct the pessimistic view of investors on the Islamic capital market using social & psychological perspectives. This study used a self-administered survey and obtained 82 investors and non-investors as respondents. The main criteria of individuals selected as respondents of the study were those who knew about the stock market and have heard the term Islamic capital market. This paper provided empirical insights on how the TPB model successfully explains the variance of change in investment intention. The results indicated that all predictors had a significant positive effect on individual investment intention. Individuals tend to exhibit a cognitive bias that lead to irrational decisions because individual's attitude and PBC shape false perception of the usefulness of the Sharia capital market.

Keywords: Theory of Planned Behavior; Cognitive Bias; Investment Intention; Sharia Capital Market

JEL Classification: G11, G41, N20, B12, V6

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INTRODUCTION

As the country with the largest Muslim population, Indonesia has potential market for Islamic financial products. The capital market as a

place to carry out transactions of investment products is a proper medium to introduce Islamic financial products to the public. However, a

pessimistic view arises on the investment performance of Sharia products generally considered to have below average performance compared to the investment performance of conventional products (Setiawan and Oktariza, 2013). This causes investment interest in the Islamic capital market to be very low. The pessimistic view arises from the fact that sharia products or the economic activities of sharia companies are limited for two reasons. First, sharia principles limit the company's ability to obtain funding from external sources that are contrary to sharia principles. This is considered to hamper the company's growth. Second, Sharia principles limit the opportunity for investment of companies to investment products or other companies whose activities are contrary to Islamic principles. This is considered to reduce the company's potential earnings (McGowan, Jr. and Muhammad, 2010).

Islamic financial is a financial system based on the Qur'an and Hadith. The principles in Islamic finance prohibit the interest rate (*riba*) and structured uncertainty within financial contracts called *gharar* (Soemitra, 2013). In Islamic capital markets, Islamic financial principles also prohibit speculative short selling due to its uncertainty causing capital markets to be vulnerable to macroeconomic shocks. Facts have shown that speculative activity has caused the crisis on Wall Street in 1929, and the French financial crisis in 1969 (Pasaribu and Ridwan, 2015). The foundations of the Islamic capital market prohibit *riba* and speculative activities. This is believed to bring a more stable economy and financial system compared to a conventional economy and financial system based on interest and speculation which causes structured uncertainty (Chapra, 2011).

Several previous studies on sharia stock performance were conducted by Ahmad and Ibrahim (2002), Albaity and Ahmad (2011), Natarajan and Dharani (2012), and Setiawan and

Oktariza (2013). In general, the studies found that there were no significant differences between stock returns in Islamic stocks and conventional stock returns. Also, Rahmayanti (2003) analyzing the performance of sharia stocks in the Indonesian capital market showed that the sharia stock portfolio had above-average performance compared to companies in the Jakarta Composite Index (JCI) and LQ45 Index. In addition, Chiadmi and Ghaiti (2012) provided evidence that the Islamic stock index shows lower volatility compared to the conventional stock index in the long run. This proved that Islamic stocks had a lower investment risk. The results of the study concluded that empirical evidence did not support the view that Islamic stocks had performance or provided lower investment returns compared to conventional stocks. Other problems cause the low interest of investors and potential investors to invest in the Islamic capital market. Some previously mentioned studies only focused on financial and macroeconomic variables in studies related to investment in the Islamic Capital Market. Whereas investors' decisions are inseparable from cognitive biases that can cause their decisions to be irrational.

Tversky and Kahneman in early 1970 introduced cognitive biases as a systematic pattern of errors in judgment and decision making (Lockton, 2012). Based on the theory of limited rationality, individuals tend to make decisions based on the limited resources that they have (Wilke and Mata, 2012). For example, humans only have limited time, information, and cognitive capacity to determine which president to choose, food to buy, vehicles to own, and many other things that may have to rely on simple decision strategies (heuristics) in their decision-making. Tversky and Kahneman (1987) said that the human cognitive system is formed to make conclusions about the outside world based on

imperfect instructions so that it can cause discomfort in some circumstances.

Based on the rational limitations possessed by individuals in decision-making and the low investment interest in the Islamic capital market, this study aimed to analyze social and psychological factors using the Theory of Planned Behavior Model (TPB) to predict individual intentions and behavior in investment decision making in the Islamic capital market in Indonesia. TPB states that behavioral intention (intention to act) depends on three things, namely attitude, subjective norm, and perceived behavioral control (perception of ease/difficulty in doing something) or abbreviated as PBC (Ali et al., 2014).

TPB is basically an extension of the Theory of Reasoned Action or abbreviated as TRA (Icek Ajzen, 1991). TPB was developed to address the limitations of TRA which were first introduced by Ajzen and Fishbein (1980). The original model of TRA initially contained only two predictor components of intention to act, namely attitude and subjective norm. Through TPB, a new predictor variable of PBC was added Ali et al. (2014)

Several studies used the TPB model to predict individual intentions and behavior in decision-making. Shih and Fang (2004) used the TPB model to predict customer intentions in adopting internet banking in Taiwan. Gopi and Ramayah (2007) applied the TPB model in predicting the intention to use internet stock trading by investors in Malaysia. In addition, Amin et al. (2011) used the TPB model to predict customer intentions towards the use of Islamic personal financing.

Since TPB has been widely used in predicting individual intentions and behavior in various decision-making contexts, it could be possible that the TPB model is also appropriate to predict the intentions and behavior of investors and potential investors in making investment decisions in the Islamic Capital Market in Indonesia. Other than

studies using the TPB model to predict intentions and behavior, there were no other studies found to predict the intention and behavior of individuals towards investment in the Islamic Capital Market using the TPB model. Therefore, it is important to examine this issue to fill the gap. This study explored social and psychological factors affecting individual investment decision in the Islamic capital market.

In general, this research has several contributions. Practically, the results of this study can be used by policymakers especially the Financial Services Authority as a theoretical reference that in addition to the literacy problem, social and psychological issues can reduce the individual interest to invest in Islamic capital markets. For investors and potential investors, this study provided additional insight that individuals tend to exhibit cognitive biases in investment decisions so that investors and potential investors can reduce their irrational behavior. Theoretically, the results of this study are beneficial to the academic environment in addition to the TPB literature in the context of investment decision-making in the Islamic capital market.

The next section of this paper presents the literature review. The third section presents the research method. The fourth section presents a result, and the last section is the conclusion.

LITERATURE REVIEW

Islamic Capital Market

Law No. 8 of 1995 on Capital Market stipulates the provisions regarding the capital market in Indonesia. The law does not distinguish between conventional capital markets and Islamic capital markets. Therefore, the Islamic capital market is not a separate system from the overall capital market system (Nurlita, 2015). Islamic capital market and conventional capital market activities have no difference. The difference lies in

the type of business, investment products, and transaction mechanisms that are not contrary to Islamic principles (Nurlita, 2015). The Financial Services Authority Regulation No. 15/POJK.04/2015 on the implementation of Islamic principles in the capital market. It confirms that the types of businesses that are contrary to Islamic principles in the capital market are usury financial services, buying and selling risks containing uncertainty (*gharar*), and producing, distributing, trading, and/or providing illicit goods or services. Muzahid and Sadat (2016) state that the Islamic capital market is free from *riba* (usury), *maisir* (gambling) and *gharar* (ambiguity). Investment products or types of securities traded in Islamic Capital Market include Islamic stocks, Sukuk, Islamic mutual funds, Islamic asset backed securities (EBA Syariah), and Islamic real estate investment funds (DIRE Syariah).

Along with the development of the Indonesian Islamic capital market, the Islamic stock index also developed. The first Islamic stock index launched was the Jakarta Islamic Index (JII) in 2000. The JII constituency only consisted of 30 of the most liquid Islamic stocks listed on the IDX. Furthermore, the Indonesian Sharia Stock Index (ISSI) was launched in 2011. ISSI is an indicator of the performance of the Indonesian Islamic stock market. ISSI constituents are all Islamic shares listed on the IDX and entered into the list of Islamic securities issued by FSA. As of July 2020, the number of constituents included in ISSI was 442 Issuers. This means that 74% of 597 companies listed on the Indonesia stock exchange have been classified as companies whose business types do not conflict with Islamic principles, despite regular update of the index. Lastly, Jakarta Islamic Index 70 (JII70) was recently launched on 17 May 2018. The JII70 constituency consists of only 70 of the most liquid Islamic stocks listed on the IDX.

Studies on the Islamic capital market are still scarce. Muzahid and Zadat (2016) had analyzed the problems and prospects of Islamic capital market in Bangladesh. The results showed that due to the rules and competition, the Islamic Capital Market in Bangladesh cannot be implemented optimally. Sumar'in et al. (2020) tested the Speculative Bubble in Indonesian Islamic Capital Market, but this study did not test the investor's perspective. Previous study that examined the socio-economic aspects of the Libyan Islamic Capital Market was Awn and Azam (2020), but this study only tested the intention to invest in one of the Islamic Capital Market products, namely sukuk. Similarly, the study conducted by Rahman et al. (2020) only focused on one of the Islamic Capital Market products by conducting a bibliometric analysis of the motivational factors of SRI Sukuk investment. Dayaratne and Wijethunga (2015) examined investor interest in the capital market, but this study did not specify the Islamic Capital market. Further, Ali, Zani, & Kasim (2014) tested investor interest in the Islamic Unit Trust. This study does not focus on the Islamic Capital Market, but complements previous studies by examining social and psychological aspects of investment intention in the Islamic Capital Market. In addition, this study also supports the study conducted by Muzahid and Zadat (2016) stating that Islamic Capital Market has a great potential, so that it is important to understand the investor behavior.

Theory of Planned Behavior (TPB)

TPB was used to establish conceptual relationships among variables. TPB model was developed by Ajzen (1991). TPB was established with the aim of answering the limitations of its predecessor theory, Theory of Reasoned Action (TRA). Original model of TRA originally contains two predictor components of behavioral intention, namely attitude, and subjective norm.

TPB added a new predictor of perceived behavioral control or PBC (Ali et al., 2014).

The results of several studies have proven the simultaneous influence of attitude, subjective norm, and PBC on behavioral intention. The studies conducted by Nasri and Charfeddine (2012), Al-Smadi (2012), and Al-Ajam and Nor (2013) concluded that attitude, subjective norms, and PBC had a positive effect on the intention to use the internet and electronic banking. In addition, Innan and Moustaghfir (2012) conducted a study on the insurance industry, they found that PBC and subjective norms had a more significant effect on employee intentions to use insurance products than attitude. Satsios and Hadjidakis (2018) tested saving behavior using TPB, the results showed that TPB could predict individual saving behavior. Octarina et al. (2019) tested the intention to purchase sharia mutual funds and the results indicated that not all indicators in TPB had an effect on consumer intentions.

In the context of investment, Gopi and Ramayah (2007) used the TPB model to predict the intention of using internet stock trading by investors in Malaysia. Awn and Azam (2020) used TPB to test investor interest in one of the Islamic Capital Market products, Sukuk. Dayaratne and Wijethunga (2015); Ali et al. (2014); and Sultana et al. (2018) used TPB to test investor interest, but not specifically on the Islamic Capital Market. Based on the literature, it can be concluded that TPB has been widely adopted in various research contexts. However, the studies using TPB model to predict the intentions and behavior of individuals to invest in the Islamic capital market, especially in Indonesia are limited. Therefore, this study complements the previous studies by examining the intention of investors to invest in the Islamic Capital Market using TBP.

Attitude and Investment Intention

Attitude has long been identified as a construct that guides future behavior and causes individual intentions or actions (Gopi and Ramayah, 2007). Basically, attitude is defined as the evaluative impact of positive or negative feelings of individuals in taking certain actions (Fishbein and Ajzen, 1975). Ajzen and Fishbein (2000) define attitude as the level of liking or disliking of an individual's feelings towards psychological objects. Several studies have shown that attitude had a positive effect on behavioral intention, including Davis et al. (1989), Mathieson (1991), Taylor and Todd (1995), Lu et al. (2003), Rhodes and Courneya (2003), Ma'rif et al. (2005), Shih and Fang (2004), Amin et al. (2011), Ali et al. (2014), Dayaratne and Wijethunga (2015), Satsios and Hadjidakis (2018), Sultana et al. (2018), Awn and Azam (2020). All of the studies concluded that attitude was a determinant of behavioral intention.

Fishbein and Ajzen (2005) explained that there are two important components in attitude, namely attitude towards the object and attitude towards certain actions on the object. The studies conducted by Warsame and Ileri (2018) and Awn and Azam (2020) showed that attitude had an effect on individual's intention to invest in Sukuk. Ali et al. (2014) showed that attitude had an effect on individual's intention to invest in Islamic unit trusts funds. Similarly, the study conducted by Octarina et al. (2019) indicated that attitude can increase individual intention to buy Islamic mutual funds. Satsios and Hadjidakis (2018) also showed the same results by examining the effect of attitude on an individual's saving intention. Different results were shown by Dayaratne and Wijethunga (2015), they showed evidence that attitude had no effect on individual intentions to invest in the capital market. This study focused on the Islamic capital market. It can be seen that the higher the level of individual preference and investment in the Islamic

capital market, the greater the individual's interest in investing in the Islamic capital market. Based on empirical evidence and logical argument, then the hypothesis is formulated as follows.

H1 : Attitude has a positive effect on investment intention in the Islamic capital market

Social Influence and Investment Intention

Social influence variable examined in this study referred to subjective norm or normative pressure in TPB model. Comprehensively, subjective norm is defined as individual perceptions of the possibility that potential reference groups/ individuals agree or disagree with the behavior given (Icek Ajzen, 1991). To date, empirical evidences showed that subjective norms had a positive effect on behavioral intention (Davis et al., 1989; Taylor and Todd, 1995; Venkatesh and Davis, 2000; Teo and Pok, 2003; Ramayah et al., 2003; Ma'rif et al., 2005; Fu et al. (2006); and Amin et al. (2011), Dayaratne and Wijethunga (2015), Satsios and Hadjidakis (2018), and Octarina et al. (2019).

Sultana et al. (2018) stated that social issues had an effect on investment decisions. Different results were shown by Ali et al. (2014) examining the effect of social influence on investment intentions in Islamic Unit Trust Funds. The results showed that social influence had a positive and significant effect on investment intention. In this study, where there is social influence and high social pressure on a particular action, the individual will also have great pressure to act. It was predicted that social influence had a positive effect on behavioral intention. Based on empirical evidence and logical argument, the following hypothesis is formulated.

H2 : Social influence has a positive effect on investment intention in the Islamic Capital Market

PBC and Investment Intention

Perceived behavioral control (PBC) is a new construct added when TPB appears to answer the limitations of the TRA model (Icek Ajzen, 1991). PBC is included in the theoretical model to address situations where individuals may not have full control over behavior. Awn and Azam (2020) define PBC as an individual's perception of the ease or difficulty of doing something interesting or performing a particular behavior. They need to consider the resources and opportunities needed. The performance of certain behaviors correlates with belief in the ability to perform these behaviors (Ajzen, 1991).

Previous studies have shown that PBC is positively correlated with behavioral intention such as Mathieson (1991), Teo and Pok (2003), Shih and Fang (2004), Wu and Chen (2005), Fu et al. (2006), Amin et al. (2011), Ali et al. (2014), Ajzen (2015), Satsios and Hadjidakis (2018), and Awn and Azam (2020). Basically, PBC is an individual's belief about his or her ability for carrying out a certain task. The belief is derived from two aspects, namely past experiences and information from others (Awn and Azam, 2020).

Satsios and Hadjidakis (2018) stated that the higher the individual PBC, the higher the individual's intention to behave. Ajzen (2015) in his study showed that PBC can predict individual intentions. Different results were shown by Dayaratne and Wijethunga (2015) and Octarina et al. (2019), they concluded that PBC had no significant effect on individual intentions. However, the study conducted by Satsios and Hadjidakis (2018) showed that PBC had a significant effect on investment intention and actual investment. Based on previous studies, individuals can control their level of perception of ease/difficulty on a particular action. Increased information sources and experience will increase the level of perception. The higher the level of perception of

the ease/difficulty of an action, the higher the individual's interest in the action. Based on empirical evidence and logical argument, the following hypothesis is formulated.

H3a : PBC has a positive effect on investment intention in the Islamic capital market

H3b : PBC has a positive effect on actual investment in the Islamic capital market

Investment Intention and Actual Investment

The intention is defined as an individual's perception of the performance of certain actions (Fishbein and Ajzen, 1975). In the TRA model, the intention is defined as a person's location on a subjective probability dimension involving a relation between himself and some action (Fishbein and Ajzen, 1975). In the TPB model, the antecedents of intention are attitude, subjective norm, and PBC. Ajzen (2015) stated that when an action is under individual control, the intention can predict the actual action with a significant degree of accuracy.

Gopi and Ramayah (2007) and Shih and Fang (2004) have proven that intention is positively correlated significantly to actual usage in online trading and internet banking. Satsios and Hadjidakis (2018) examined the effect of individual intentions on final saving behavior. The result shows that individual intention has a significant positive effect on final saving behavior. Ali et al. (2014) and Dayaratne and Wijethunga (2015) also show the same results, the results show that investment intention has an effect on actual behavior. Based on previous studies, it can be concluded that Intention reflects the extent to which an individual is likely to plan to do a given behavior..The stronger the intention to engage in a behavior, the more likely should be its performance. Therefore, it is predicted that intention has a positive effect on actual

behavior. Based on empirical evidence and logical argument, the following hypothesis is formulated.

H4 : Investment intention has a positive effect on actual investment in the Islamic capital market

Research Framework

The pattern of relationships between variables of all the hypotheses predicted in this study is illustrated in the following model.

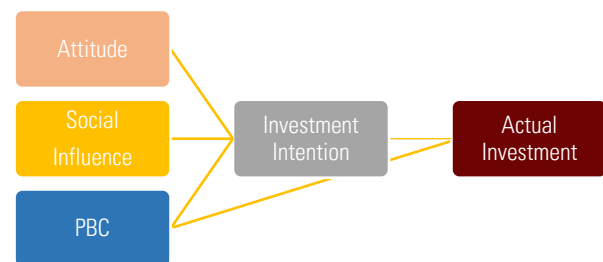


Figure 1
Research Framwork (Ajzen, 2015)

METHODOLOGY

Research Design and Samples

Research data collection was carried out using a survey. The reason for selecting surveys is because it is the most appropriate and possible method for capturing phenomena and analyzing the relationships between variables in the proposed theoretical model. The population in this study was investors and non-investors of the Indonesian Islamic Capital Market. The sampling frames were investors and non-investors in Yogyakarta, Indonesia. The basis for the selection of Yogyakarta was because First Asia Capital (FAC) Securities branch office is located in the city. The samples of this study were investors registered with FAC Securities because it uses shariah online trading system (SOTS). The main criteria for individuals selected as respondents are those who understand the capital market and have heard the term Islamic Capital Market. The sampling method was purposive sampling. The number of samples that

met the criteria of this study was 82 respondents out of a total of 100 respondents.

Measurement of Variables

All instruments were adapted from various previous studies and were modified to the context of this study. The first dependent variable, investment intention, was measured using an instrument adapted from Amin et al. (2011). The measurement instrument contains four-item statements. Each statement was measured using a five-point Likert scale (strongly disagree - strongly agree).

The first independent variable, attitude, was measured using an instrument adapted from Gopi and Ramayah (2007). The measurement instrument contains two-item statements. Social influence was measured using instruments adapted from Shih and Fang (2004). The measurement instrument contains six-item statements. Perceived Behavioral Control (PBC) was measured using instruments adapted from Shih and Fang (2004) and Gopi and Ramayah (2007). The measurement instrument contains four-item statements. All items on independent variables were measured using a five-point likert scale (strongly disagree-strongly agree).

The second dependent variable, actual investment, was measured using instruments adapted from Gopi and Ramayah (2007). The measurement instrument contains one question in the form of "have" or "never" made investments in the Islamic capital market. The Appendix provides the full list of measurement items.

RESULT AND DISCUSSION

Demographics of Respondents

Respondents as the sample in this study were investors and non-investors living in the province of Yogyakarta. The amount of data collected met the

criteria as the samples were 82 respondents. The main criteria for individuals selected as respondents were those who understand the capital market and have heard the term the Islamic capital market. The demographic characteristics of the respondents are divided into several categories presented in the Table 1.

Table 1
Demographic Characteristics of Respondents

	Information	Freq.	Perc.
Gender	Men	47	57.32%
	Woman	35	42.68%
	Total	82	100%
Age	< 18 years old	3	3.66%
	18 - 24 years old	56	68.29%
	25-34 years old	22	26.83%
	> 34 years old	1	1.22%
	Total	82	100%
Profession	Student	54	65.85%
	Government emply	1	1.22%
	Private emply	4	4.88%
	Lecturer	15	18.30%
	Professional	2	2.44%
	Others	6	7.32%
	Total	82	100%
Investor Status	Conv investor	15	18.30%
	Islamic investor	8	9.75%
	Conv and Islamic inv	8	9.75%
	Non-investor	51	62.20%
	Total	82	100%

Source: Author Estimation (2021)

Descriptive Statistics

Descriptive statistical analysis was performed to describe data between variables. Specifically, descriptive statistics present details of the spread of values from the numbers given by respondents in the instrument. The highest mean score were attitude ($m= 4.03$; $sd= 0.79$), and the lowest mean score were PBC ($m=3.44$; $sd= 0.85$). From the mean score, it can be seen that the average score is above the middle value. The results of the descriptive statistics are presented in the Table 2.

Table 2
Descriptive Statistics

Variable	N	Theoretical Score		Current score		Average	Deviation Standard
		Min	Max	Min	Max		
Investment Intention	82	1.00	5.00	1.00	5.00	3.8598	0.88462
Attitude	82	1.00	5.00	2.00	5.00	4.0305	0.79872
Social Influence	82	1.00	5.00	1.67	5.00	3.5382	0.75341
Perceived Behavioral Control	82	1.00	5.00	1.25	5.00	3.4451	0.85167
Valid N	82						

Source: Author Estimation (2021)

Validity and Reliability Testing

Validity testing was carried out using Principal Component Analysis (PCA). Total Explained Variances produced from PCA are 77.08% and formed by four components.

Table 3
Validity Testing Results
(Rotated Component Matrix)

	Component			
	Social Influence	PBC	Investment Intention	Attitude
SI 1	.752	.029	.105	.212
SI 2	.826	.017	.038	.340
SI 3	.810	.310	.087	.102
SI 4	.861	.477	.156	.078
SI 5	.875	.038	.184	.063
SI 6	.765	.148	.365	-.144
PBC 1	.004	.831	.204	.111
PBC 2	.102	.850	.192	-.032
PBC 3	.22	.877	.019	.238
PBC 4	.076	.795	.346	.216
II 1	.169	.250	.699	.445
II 2	.176	.221	.813	.268
II 3	.104	.148	.824	.141
II 4	.353	.218	.757	.032
A 1	.146	.210	.283	.856
A 2	.343	.243	.288	.739

Source: Author Estimation (2021)

The first factor with eigenvalue of 6,798 explained 42.48% variance, the second factor with eigenvalue of 3,036 explained 18.97% variance,

and the third factor with eigenvalue of 1,423 explained 8.89% variance, and the fourth factor with eigenvalue of 1,076 explained 6.72% variance. The results of validity testing that indicate factor loading scores can be seen in the Table 3.

Table 3 shows the factor loading scores for each indicator in the measurement instrument. The factor loading score is above 0.6 for each component. The absence of cross-loading between components indicates that the instrument used meets the assumption of validity. Social influence component is formed by SI1-SI6 indicators, PBC component is formed by PBC1-PBC4 indicators, investment intention component is formed by II1-II4 indicators, and attitude component is formed by A1 and A2 indicators.

Reliability test was carried out to determine the reliability of measuring instruments. Reliability test was performed using Cronbach's alpha values. The reliability test results can be seen in the Table 4.

Table 4 shows that Cronbach's alpha values for all indicators are above 0.7. This indicates that the instruments used in this study fulfill the reliability assumption.

Table 4
Reliability Test

	Item-Total Statistics			Cronbach's Alpha if Deleted
	Scale Mean if Deleted	Scale Variance if Deleted	Corrected Item-Total Correlation	
SI 1	54.878	87.071	.530	.903
SI 2	54.902	86.262	.583	.902
SI 3	55.207	86.438	.519	.903
SI 4	54.927	85.353	.584	.901
SI 5	54.927	84.192	.598	.901
SI 6	55.000	84.346	.614	.900
PBC 1	54.963	86.604	.486	.905
PBC 2	55.329	85.162	.494	.905
PBC 3	55.085	86.672	.460	.906
PBC 4	54.890	83.951	.634	.900
II 1	54.707	81.790	.696	.897
II 2	54.634	82.062	.690	.898
II 3	54.549	84.028	.561	.902
II 4	54.720	82.402	.677	.898
A 1	54.451	85.732	.577	.902
A 2	54.512	84.994	.681	.899

Source: Author Estimation (2021)

Hypothesis Testing

Multiple regression was used to test the theoretical relationship between attitude, social influence, and PBC toward investment intention. Model test or simultaneous testing showed that all predictors simultaneously had a significant effect on investment intention with F value of 22,244 and $p < 0.01$. The coefficient of determination or adjusted R^2 value = 0.440 indicates that the variance of investment intention is explained by 44% of independent variables, namely attitude, social influence, and PBC. Simultaneous testing results can be seen in the Table 5.

The partial test through multiple regression also showed that all variables predictors partially had a significant effect on investment intention.

Table 5
Test Model (Simultaneous)

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	29.226	3	9.742	22.244	.000
Residual	34.161	78	.438		
Total	63.387	81			

Source: Author Estimation (2021)

Attitude had a significant positive effect on investment intention with β value = 0.370 and $p < 0.01$, meaning that hypothesis 1 was accepted. Social influence had a significant positive effect on investment intention with β value = 0.239 and $p < 0.01$, meaning that hypothesis 2 was accepted. PBC had a significant positive effect on investment intention with β value = 0.281 and $p < 0.01$, meaning that hypothesis 3a was accepted. Partial test results can be seen in the following table.

Table 6
Partial Test

Model	Unstandardized Coefficients		Standzd Coeff	t	Sig
	B	Std. Error	Beta		
(Cons)	.208	.458		.453	.652
Att	.410	.111	.370	3.713	.000
SI	.281	.107	.239	2.615	.011
PBC	.292	.096	.281	3.047	.003

Source: Author Estimation (2021)

Test of hypotheses 3b and 4 was carried out using discriminant analysis because the actual investment was measured using a categorical scale (has been or has not been performed). Wilk's Lambda test showed p value < 0.01 , it means that PBC and Investment Intention had a significant effect on actual investment. The test of *Equality of Group Means* also showed that each of PBC and investment intention predictors had a significant positive effect on actual investment with each p value < 0.01 , it means that hypotheses 3b and 4 were accepted. The testing

results of *Equality of Group Means* can be seen in the following table.

Table 7
Test of Equality of Group Means

	Wilks'				
	Lambda	F	df1	df2	Sig.
PBC	.844	14.831	1	80	.000
Investment Intention	.944	4.720	1	80	.033

Source: Author Estimation (2021)

CONCLUSION AND RECOMMENDATION

Discussion and Implications

A pessimistic view arises on the investment performance of Islamic products generally considered to have below average performance compared to conventional product investment performance (Setiawan and Oktariza, 2013), causing investment interest in the Islamic capital market to remain very low. In the empirical realm, several previous studies showed the fact that in general, there was no significant difference between returns of Islamic stocks and returns of conventional stocks. Ahmad and Ibrahim (2002); Rahmayanti (2003); Albaity and Ahmad (2011); Natarajan and Dharani (2012); Setiawan and Oktariza (2013). The results of the study concluded that empirical evidence did not support the view that Islamic stocks have lower investment performance compared to conventional stocks.

The researchers suspected that other problems caused the low interest of investors and potential investors to invest in the Islamic capital market. Some previous studies only focused on financial and macroeconomic variables in studies related to investment in the Islamic Capital Market. Whereas investors' decisions are inseparable from cognitive biases that tend to cause their decisions to be irrational.

This study fills this gap by testing the Theory of Planned Behavior to predict social and

psychological factors that influence individual decisions in investing in the Islamic capital market in Indonesia. Statistical testing using multiple regression and discriminant analysis shows that the TPB model is suited for explaining the variance in changes in investment intention and actual investment. All predictors in the form of attitude, social influence, and PBC had a significant positive effect on individual's investment interest and decision.

The findings of this study indicated that other than the literacy problem which has been the focus of the Financial Services Authority's attention, social and psychological issues also need attention to address the low investment interest in the Islamic capital market in Indonesia. Individuals tend to exhibit cognitive biases that can lead to irrational errors in decisions. This is due to individual's attitude and PBC which form a false perception of the usefulness of the Islamic capital market, as well as social influence from the surrounding environment that gives normative pressure to individual's irrational actions.

Lastly, the findings of this study have practical and theoretical implications that are expected to be useful for the parties concerned. Practically, this study contributes to policymakers and capital market players (investors and potential investors). First, for policymakers or regulators, the results of this study can be translated into Financial Service Authority programs as stipulated in the Islamic capital market roadmap. The Islamic capital market roadmap needs to be renewed, especially the programs in Direction IV "Promotion and Education of Islamic capital markets". Based on the results of this study, a theoretical reference in the "Socialization and Education" program in the Islamic capital market roadmap needs to be made. The public needs to understand the phenomenon of cognitive biases that cause investment choices and decisions to be irrational. This knowledge will

correct the individual's wrong perception of the benefits of the Islamic capital market, that eventually increase investment interest in the Islamic capital market. In addition to psychological factors, this study also indicated that social factors had an effect on individual's interest in investing in the Islamic capital market. The results of this study can also be used as a theoretical reference in the "Cooperation with Universities and Related Institutions" program, in the Islamic capital market roadmap. Universities and related institutions can be used as a source of social influence that forms normative pressure on individuals around them. Positive normative pressure on the Islamic capital market may influence and increase individual's interest to invest in the Islamic capital market.

Secondly, for market participants, the results of this study will contribute directly to their investment considerations in the capital market. Based on the evidence that attitude, social influence, and PBC have an effect on investment decisions in the Islamic capital market, investors need to review their investment decisions so as not to exhibit irrational behavior perceiving that the Islamic capital market is less useful than the conventional capital market. Theoretically, the findings of this study contribute to the behavioral finance literature, by testing the effect of attitude, social influence, and PBC on investment interests and behaviors in the Islamic capital market. This

study also supports the theoretical conceptual model of Ajzen (1991) that adds PBC variable in the TPB model to predict individual intentions and decisions in various contexts.

Limitations and Recommendation

This study is one of the first studies to examine the TPB model in the context of investment intentions and decisions in the Islamic capital market. However, this research cannot be separated from its shortcomings. The main limitation of this study is small sampling frame, with only investors and non-investors in Indonesia. Another limitation is that the results of this study are dependent on the honesty of the respondents in the survey. Thus, there is a possibility of social desirability bias. However, the researchers believe that such possibility did not affect the overall results of this study.

Future studies are expected to examine the TPB model in the context of investment intentions and decisions on the Islamic capital market on a broader object and sample. In addition to answering the limitations of the second, further research can be carried out using experimental methods in testing similar social and psychological variables on investment intentions and decisions on the Islamic capital market.

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