

SHARIA ECONOMIC LAW IN THE ISLAMIC CAPITAL MARKET: FACTORS INFLUENCING SELECTION AND DECISION-MAKING

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Abstract: Investment is a compelling topic, especially in the capital market context. In Indonesia, which has the largest Muslim population in the world, the Islamic capital market plays a significant role in economic development under Sharia economic law. However, many Muslim investors still use conventional investment accounts, indicating a gap in understanding and adherence to Sharia principles. This study aims to examine the behavior of Muslim investors in making investment decisions based on Sharia principles and the factors influencing these decisions. This research employs a literature review method, with data from various journals, books, documentation, and internet sources over the past five years. The findings reveal that perceived behavioral control significantly influences investor decision-making, and attitudes toward perceived risk also impact investment decision-making. This study identifies a gap in the literature regarding Muslim investors' understanding of Islamic investment products and contributes new insights by integrating behavioral investment analysis with adherence to Sharia principles. These findings are expected to provide practical recommendations for developing the Islamic capital market in Indonesia and enhance Muslim investors' awareness and understanding of the importance of Sharia-compliant investments under Sharia economic law.

Keywords: Islamic Capital Market, Investor Behavior, Investment Decisions, Sharia Economic Law, Indonesia

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Introduction

Indonesia, with a population of over 231 million Muslims, stands as the country with the largest Muslim population in the world. This demographic contributes significantly to Indonesia's economic development, including efforts to alleviate poverty. Islam emphasizes the importance of halal, benefit, and profit for its adherents in various aspects of life, including financial transactions regulated by Sharia economic law. One such implementation of Sharia economic law in the economy is through the Islamic capital market.

The Islamic capital market in Indonesia covers public offerings and trading of securities, public companies related to the securities they issue, and institutions and professions operating based on Sharia principles¹. According to Haryono, the Islamic capital market involves public offerings, securities trading, and institutions and professions operating according to Sharia principles². As the country with the world's largest Muslim population, Indonesia has the most prominent global Islamic capital market share, yet the market capitalization to Gross Domestic Product (GDP) ratio remains below 50%³.

Conducive government regulations, stable rupiah, and adequate foreign exchange reserves support the substantial potential for developing Indonesia's Islamic capital market⁴. Various products in the Islamic capital market include stocks, mutual funds, bonds, warrants, and other products⁵. Sharia-compliant stocks are among the popular investment choices among the Indonesian populace.⁶

¹ Ghofar Taufik, "MUSLIM INVESTORS BEHAVIOR IN DECIDING INVESTMENT IN SHARIA STOCK PERIOD 2018-2023: A SYSTEMATIC LITERATURE REVIEW Ghofar," *INTERNATIONAL STUDENTS' CONFERENCE ON ACCOUNTING & BUSINESS* 13, no. 1 (2023): 104–16.

² Slamet Haryono and Bella Atika, *Analyzing the Dynamics of Islamic Stock Market Indices in Several Muslim Countries*, *International Journal of Professional Business Review*, vol. 8, 2023, <https://doi.org/10.26668/businessreview/2023.v8i7.2891>.

³ OECD, *OECD Economic Surveys: Indonesia*, OECD Publishing, OECD Economic Surveys: Indonesia (OECD, 2022), <https://doi.org/10.1787/9789264064706-uk>.

⁴ Economic Report, "2023 Economic Report on Indonesia," 2023, https://www.bi.go.id/en/publikasi/laporan/Pages/LPI_2023.aspx.

⁵ Rajesh Dey, Salina Kassim, Sudhanshu Maurya, Rupali Atul Mahajan, Arup Kadia, Monika Singh, "A Systematic Literature Review on the Islamic Capital Market: Insights Using the PRISMA Approach," *Journal of Electrical Systems* 20, no. 2s (2024): 730–46, <https://doi.org/10.52783/jes.1571>.

⁶ Aqida Shohiha et al., "Factors Influencing Muslim Investors to Invest in Sharia Stocks during the Covid-19 Pandemic," *Journal of Islamic Economics Lariba* 8, no. 2 (December 31, 2022): 313–30, <https://doi.org/10.20885/JIELARIBA.VOL8.ISS2.ART11>.

Despite the rapid growth of the Islamic capital market, several issues remain underexplored. One major issue is the behavior of Muslim investors in making investment decisions⁷. Many investors still rely on advice from friends as the basis for their investment decisions, even though such advice may not always be accurate or sound⁸. Investment decisions often do not rely on fundamental analysis or compliance with Sharia economic law but instead on the desire for quick profits.⁹

This phenomenon indicates a gap in the literature on how to enhance the understanding and compliance of Muslim investors with Sharia economic law in their investment decisions. Research by Barber and Odean shows that individual investors tend to have lower investment performance due to overtrading and emotion-based decisions¹⁰. In the context of the Islamic capital market, this behavior can be more complex due to the obligation to comply with Sharia economic law, which prohibits practices such as usury (interest), *gharar* (uncertainty), and *maysir* (gambling)¹¹.

Research by Khatkhatay and Nisar indicates that many Muslim investors have a limited understanding of Sharia-compliant investment products and prefer conventional products with which they are more familiar¹². This creates a gap in the literature on how to enhance the understanding and compliance of Muslim investors with Sharia economic law in their investment decisions.

Previous research shows that there is still a lack of understanding regarding the behavior of Muslim investors in making investment decisions based on Sharia economic law. There is a need for further research to identify the factors influencing their

⁷ Miftahul Huda et al., “Analysis The Influence of Sharia Capital Market and Sharia Macroeconomic Variables on Indonesia’s Economic Growth,” *Jurnal Ilmu Ekonomi Dan Bisnis Islam* 5, no. 2 (2023): 113–33, <https://doi.org/10.24239/jiebi.v5i2.191.113-133>.

⁸ Irton Irton, Salihah Khairawati, and Mu’tashim Billah Murtadlo, “Investor Behavior In Islamic Capital Markets: Study On Muslim Students,” *Jurnal Manajemen Dan Bisnis Performa* 18, no. 3 (September 7, 2021): 45–60, <https://doi.org/10.29313/PERFORMA.V18I3.7986>.

⁹ Budi Wahyono, “Do Political Connections Affect the Market Reaction to Firms’ Inclusion in or Exclusion from the Sharia Index?,” *Eurasian Business Review* 13, no. 4 (December 1, 2023): 835–54, <https://doi.org/10.1007/s40821-023-00249-0>.

¹⁰ Brad M. Barber and Terrance Odean, “The Behavior of Individual Investors,” *Handbook of the Economics of Finance* 2, no. PB (January 1, 2013): 1533–70, <https://doi.org/10.1016/B978-0-44-459406-8.00022-6>.

¹¹ Mahmoud A. El-Gamal, *Islamic Finance: Law, Economics, and Practice* (Cambridge University Press, 2006), https://books.google.co.id/books?id=2EIRUvoVRxYC&printsec=frontcover&hl=id&source=gbs_ge_summary_r&cad=0#v=onepage&q&f=false.

¹² M. H. Khatkhatay and Shariq and Nisar, “Shariah Compliant Equity Investments: An Assessment of Current Screening Norms,” *Islamic Economic Studies*, July 1, 2007, <https://papers.ssrn.com/abstract=3159937>.

investment decisions and how these factors can be managed to enhance compliance with Sharia law.

This study will address this gap by combining investment behavior analysis with compliance with Sharia economic law, providing a new contribution to the literature on Islamic investment in Indonesia. Additionally, this research will identify economic and non-economic factors influencing Sharia investment decisions and provide practical recommendations for developing the Islamic capital market in Indonesia.

Research by Nofsinger and Varma found that socially responsible Sharia funds tend to have a more stable performance during market crises, demonstrating that ethical and Sharia principles can provide additional protection for investors¹³. This suggests that this research will provide insights into Muslim investment behavior and demonstrate how Sharia principles can enhance market stability and sustainability.

Psychological and social factors often influence investor behavior. Darren Duxbury and Songyao Yao show that cognitive biases such as overconfidence and herding behavior can affect investment decisions. In the context of Muslim investors, investment decisions are also influenced by compliance with Sharia economic law¹⁴.

Sharia economic law emphasizes the legality and ethics of investing, including prohibitions on usury, uncertainty, and gambling¹⁵. Research shows that many Muslim investors still use conventional investment accounts, with a lack of knowledge about Sharia-compliant investment products and limited access being the primary reasons¹⁶. Investment decisions that comply with Sharia economic law must consider the social and environmental impacts of the investment, with screening criteria for Sharia equity funds also including financial and ethical aspects.¹⁷

¹³ Abhishek Varma and John R. Nofsinger, "Socially Responsible Funds and Market Crises," *SSRN Electronic Journal*, September 6, 2012, <https://doi.org/10.2139/ssrn.2142343>.

¹⁴ Darren Duxbury and Songyao Yao, "Are Investors Consistent in Their Trading Strategies? An Examination of Individual Investor-Level Data," *International Review of Financial Analysis* 52 (July 1, 2017): 77–87, <https://doi.org/10.1016/j.irfa.2017.05.001>.

¹⁵ El-Gamal, *Islamic Finance: Law, Economics, and Practice*.

¹⁶ Nisful Laila and Aam Slamet Rusydiana, "Islamic Capital Market Research in Scopus Indexed Journals Q1: A Review," *Islamic Capital Market* 1, no. 1 (2024), <https://doi.org/10.58968/icm.v1i1.437>.

¹⁷ Hans Visser, "Islamic Finance: Principles and Practice, Third Edition," *Islamic Finance: Principles and Practice, Third Edition*, 2019, 1–280, <https://doi.org/10.4337/9781786433503>.

Many stock investors want to make profits quickly regardless of the background of the company they are going to buy¹⁸. IDX has given Muslim investors a choice between conventional investment accounts and Sharia. However, many Muslim investors still use conventional investment accounts to invest in stocks. This is certainly not what is expected from the obligation to obey and obey Islamic Sharia that exists in a Muslim investor. Economic factors such as interest rates, inflation, and market conditions are crucial in investment decisions¹⁹. Additional factors such as compliance with Sharia economic law and company reputation are also crucial in Sharia investment.²⁰

By examining the behavior of Muslim investors and the factors influencing Sharia investment decisions, this research is expected to contribute significantly to the literature on Sharia investment. This research is also expected to provide practical recommendations for developing the Islamic capital market in Indonesia. The behavior of an investor who wants to earn profits in a relatively short period, then many investors only follow the advice of their friends, which can be used as a basis for deciding to invest in stocks even though the advice is not correct and reasonable. Conditions of stock prices on the stock exchange generally can be followed based on company development and market commodities. This can also be seen in the behavior toward the representative stock group at the specified time²¹.

In this study, the authors raised several sub-discussions, including the behavior of Muslim investors, investment decision-making, Sharia principles in making stock investment decisions, and factors influencing investment decision-making. The aim is to determine how investors make investment decisions based on Sharia principles and what factors influence stock investment decisions in the capital market. Based on this urgency, the authors are always enthusiastic about discussing literature studies related to

¹⁸ Dini Abdianti et al., "KONSEP KEBIKAN MONETER DALAM PERSPEKTIF EKONOMI ISLAM," *Mu'amalah: Jurnal Hukum Ekonomi Syariah* 2, no. 2 (December 15, 2023): 263–76, <https://doi.org/10.32332/MUAMALAH.V2I2.7042>.

¹⁹ Yuekun Liu and Alexey Malakhov, "How Do We Capture Long-Horizon Factor Timing? Measures and Their Application to Hedge and Mutual Funds," *SSRN Electronic Journal*, no. October (2023), <https://doi.org/10.2139/ssrn.4618247>.

²⁰ Hussain Kureshi and Mohsin Hayat, "Contracts and Deals in Islamic Finance: A User's Guide to Cash Flows, Balance Sheets, and Capital Structures," *Contracts and Deals in Islamic Finance: A User's Guide to Cash Flows, Balance Sheets, and Capital Structures*, January 1, 2015, 1–360.

²¹ Aenun, "PERILAKU INVESTOR DALAM PENGAMBILAN KEPUTUSAN INVESTASI SAHAM DI PASAR MODAL SYARIAH," 2022.

the behavior of a Muslim investor in selecting and making an investment decision between Islamic stocks and conventional stocks.

Methods

This research is done using a literature study method or literature review. A literature review is a comprehensive overview of research conducted on a specific topic to show readers what is already known about the topic²² and what is not, to seek a rationale for research that has been done or for further research ideas²³. Literature studies can be obtained from various sources, including journals, books, documentation, the Internet, and libraries.

The literature study method is a series of activities related to collecting library data, reading and taking notes, and managing writing materials²⁴. The type of writing used is a literature review study that focuses on the results of writing related to research topics or variables. Data sources are secondary data taken from journals, articles, and other references on the Internet. The data used are references published in the last five years. Then, the author reviews the existing data.

The Behavior of Muslim Investors

Behavior for an investor is a behavior chosen by an investor based on references, thoughts, expertise in choosing an existing option, expertise in receiving information, and expertise in making improvements or reassessing the results of an investor's analysis. Investor behavior is often said to be behavior in managing finance. Tilson said that behavior in financial management is based on a psychology of how deviant and emotional actions can affect an investor's actions. Rotter believes that behavior in financial management is based on the psychology of a person who adheres to the illusions that occur, which are simple rules and a person's tendency to make judgments²⁵.

²² Andrew S. Denney and Richard Tewksbury, *How to Write a Literature Review*, *Journal of Criminal Justice Education*, vol. 24, 2013, <https://doi.org/10.1080/10511253.2012.730617>.

²³ Andrew S. Denney and Richard Tewksbury, "How to Write a Literature Review," *Journal of Criminal Justice Education* 24, no. 2 (2013): 218–34, <https://doi.org/10.1080/10511253.2012.730617>.

²⁴ Eka Diah Kartiningrum, "Panduan Penyusunan Studi Literatur," *Lembaga Penelitian Dan Pengabdian Masyarakat Politeknik Kesehatan Majapahit, Mojokerto*, 2015, 1–9.

²⁵ Waweru, Ammy, and Soemitra, *STUDI LITERATUR PERILAKU INVESTOR MUSLIM DALAM PENGAMBILAN KEPUTUSAN INVESTASI ANTARA SAHAM SYARIAH DAN KONVENSIONAL*, 2008.

The behavior of a Muslim investor cannot be separated from a thought in the teachings of Islam. Therefore, the first discussion in this study starts by discussing the behavior of an investor in the view of the Islamic religion, which is usually known as *Homo Islamicus*. So, the economy in Islam is present in sharing an understanding that humans are *Homo Islamicus* which means as a product of Allah SWT where humans are entrusted as leaders in this world in behaving according to Islamic religious law and will be held accountable in the afterlife. Islam firmly states that all human beings must obey and comply with all actions by Islamic religious law. A primary thought of economics in Islam states that humans have an essential role. Therefore, self-interest from an economic perspective in Islam is very interesting. These are the three levels of homo Islamicus' self-interest in the economy.

Making Stock Investment Decisions

Investing in stocks is deciding to buy a company's shares, sell a company's shares, or wait and see in investing in a stock using appropriate thoughts or calculations. The decision to invest entirely depends on each free individual. A decision to invest in a stock must also be seriously considered regarding the level of profit and risk. It would be better to make decisions based on analysis before combining methods in the form of discussions or sharing for experts or experts about stocks professionally.

For investors who have fundamental thinking, with the example of Mr. Warren Buffet, investments with a relatively short period have the nature of speculators, namely an investment that is wrong because it will reduce the rate of return on an investor's profits because there is a transaction cost that an investor will bear and also negative thoughts from a psychological will be accepted by an investor because there is a feeling of anxiety and fear if the stock price increases or decreases²⁶. This will change the decision for an investor because there is the nature of speculators where it is only an issue, and it also gives the impression that it is just like following other investors. Investor behavior like this will usually cause the market to experience a drastic decline without any correct analysis in selecting company shares.

²⁶ Asian Journal, "Do Investors of Islamic Equity Funds Follow Warren Buffet'S Advice? A Regression Assessment," *Asian Journal of Accounting and Governance* 18 (2022): 111–19, <https://doi.org/10.17576/ajag-2022-18-08>.

Sharia Principles in Making Investment Decisions Share

The principles of Sharia in investment represent fundamental rules originating from Allah SWT directed towards Muslims, particularly concerning *muamalah*, which pertains to interactions among creatures created by Allah or relationships among humans. According to Ali, compliance with Sharia is a way to fulfill obligations towards all Sharia principles in Islam, encompassing character, integrity, and quality within Islamic financial institutions²⁷. Islam teaches various measurable and immeasurable qualities, psychological needs, wealth, and ways to meet them that influence an individual's behavior in life²⁸. This view promotes a balance between material and spiritual aspects, enhances human social feelings, and establishes human behavior standards.

Muslim investors act as Homo Islamicus, aiming to achieve *Falah* (success in this world and the Hereafter) and focusing on intentions and developments that align with Sharia principles in Islam²⁹. One of the critical principles of Sharia-compliant investment is the prohibition of *riba*, known as interest in loan transactions³⁰. *Riba* is considered exploitative and unfair in Islam, and the Quran explicitly prohibits *riba* and emphasizes fair and just financial transactions³¹. The Quran, in Surah Al-Baqarah, verses 275-279, emphasizes the prohibition of *riba*, urges Muslims to avoid it, and emphasizes fair and just transactions in Islam.³²

Gharar refers to excessive uncertainty in contractual terms or the subject of a transaction. Investments involving speculative risks or lack of transparency are

²⁷ Rahail Ali, "Islamic Finance: A Practical Guide," *International Journal of Islamic and Middle Eastern Finance and Management* 1, no. 4 (2008): 345–46, <https://doi.org/10.1108/17538390810919646>.

²⁸ Muhammad Umer Chapra, "Morality and Justice in Islamic Economics and Finance," *Morality and Justice in Islamic Economics and Finance*, 2014, 1–278, <https://doi.org/10.4337/9781783475728>.

²⁹ El-Gamal, *Islamic Finance: Law, Economics, and Practice*.

³⁰ Ihsan Helmi Lubis et al., "THE PILLARS AND CONDITIONS OF A CONTRACT IN MUAMALAT TRANSACTIONS," *Mu'amalah: Jurnal Hukum Ekonomi Syariah* 2, no. 1 (June 12, 2023): 15–32, <https://doi.org/10.32332/MUAMALAH.V2I1.6983>.

³¹ Nafis Alam, Lokesh Gupta, and Bala Shanmugam, "Islamic Finance: A Practical Perspective," *Islamic Finance: A Practical Perspective*, December 18, 2017, 1–481, <https://doi.org/10.1007/978-3-319-66559-7/COVER>.

³² Melisa Tiran, "Islamic Economics: Principles and Applications in Contemporary Finance," *International Journal of Science and Society* 5, no. 3 (August 1, 2023): 180–88, <https://doi.org/10.54783/IJSOC.V5I3.735>.

unacceptable in Sharia law³³. This principle ensures that all parties understand the terms and conditions involved in investments, promoting justice and reducing potential disputes.

Investments that resemble gambling or involve excessive risk-taking are prohibited in Islam. Maysir is a detrimental activity that can cause significant loss and social damage. Therefore, Sharia-compliant investments should be based on sound economic principles and avoid speculative behavior³⁴. Sharia-compliant investments should also avoid businesses and industries deemed haram (forbidden) in Islam, such as alcohol, pork, gambling, and entertainment, that are considered detrimental to moral and ethical standards.³⁵ By adhering to these guidelines, Muslim investors ensure their investments are ethically and morally aligned with Islamic teachings.

Applying Sharia principles in investment provides a strong foundation in Islamic teachings and promotes justice, transparency, and social responsibility in investment activities. The principles prohibiting riba, gharar, maysir, and others ensure that Sharia-compliant investments follow Islam's moral and ethical principles, creating a healthy and fair economic environment for all parties involved.

According to Islamic views, investments should avoid riba because it is considered exploitative and unfair. Riba is defined as an excess taken unfairly from the borrower, and its prohibition is affirmed in several Quranic verses. Surah Al-Baqarah verses 275-279 explicitly prohibit riba and urge Muslims to adhere to this principle. Gharar, or excessive uncertainty, should also be avoided in Sharia-compliant investments³⁶.

This principle emphasizes the importance of transparency and clarity in the terms and conditions of investment contracts to avoid conflicts and injustice. Maysir, which refers to gambling and excessive speculation, is also prohibited in Islam because it can cause significant loss and social harm. Investments should be based on sound economic principles, promoting justice and economic sustainability.

In the literature, Khan El-Gamal provides an in-depth analysis of Sharia principles in investment, highlighting the importance of adhering to the prohibitions of

³³ El-Gamal, *Islamic Finance: Law, Economics, and Practice*.

³⁴ Zamir Iqbal and Abbas Mirakhor, *An Introduction to Islamic Finance, An Introduction to Islamic Finance*, 2011, <https://doi.org/10.1002/9781118390474>.

³⁵ Alam, Gupta, and Shanmugam, "Islamic Finance: A Practical Perspective."

³⁶ El-Gamal, *Islamic Finance: Law, Economics, and Practice*.

riba, gharar, and maysir. They explain that clarity in the terms and conditions of investment contracts is critical to ensuring transparency and fairness in Islamic financial practices. El-Gamal also contributes significant insights into the fundamentals of Islamic economics, emphasizing the need to avoid speculation and gharar in investments. He notes excessive risk and unhealthy uncertainty in economic transactions can harm all parties involved³⁷.

Melisa Tiran highlights Islamic views on businesses that violate the moral and ethical principles of Islam, asserting that Sharia-compliant investments should avoid sectors such as alcohol, pork, gambling, and entertainment that are detrimental to moral and ethical standards³⁸. By adhering to these guidelines, Muslim investors can ensure that their investments are aligned with the principles of Islamic teachings.

There are several indicators in Sharia principles for investing, which include the fact that they do not contain usury elements, *ghahrar* elements, or maysir elements, avoiding subhat elements, and elements forbidden in Islam. Umar Chapra explained that Islam's role in teaching measurable and immeasurable traits, psychological needs, wealth, and ways to satisfy would affect a person's personality in the form of behavior in life, references, and the actions of a person or those around him create a sense of balance materially or spiritually, increasing social feelings among human beings and also a standard of human behavior³⁹.

The habits of Muslim investors, as well as a sense of well-being and happiness, are not based on the individual but on the social sphere. The behavior of an investor who is Muslim is not as *Homo Economicus* but as *Homo Islamicus*, that is, in achieving a Falah. Someone who is already a Muslim investor when investing in stocks does not always focus on profit and maximizes the result, but is based on intentions or developments that are by sharia principles in Islam.

Factors Influencing Decision-Making in Stock Investing

It is stated that the role of law in Islam influences Muslim investors in the selection of stocks where Muslim investors will choose shares of companies that are registered as Sharia-compliant. The list of companies that are already Sharia compliant

³⁷ El-Gamal, *Islamic Finance: Law, Economics, and Practice*.

³⁸ Tiran, "Islamic Economics: Principles and Applications in Contemporary Finance."

³⁹ Chapra, "Morality and Justice in Islamic Economics and Finance."

was chosen to be a decision in investing in stocks because the company is considered to be free from elements of usury and gambling, does not sell alcoholic beverages, does not sell pork, and does not do business that is forbidden in Islam.

The role of Islamic law significantly influences Muslim investors in their stock selection process. Muslim investors prefer shares of companies that are Sharia-compliant, meaning they do not involve elements of usury, gambling, the sale of alcoholic beverages, or pork, and do not engage in other activities forbidden in Islam.

Criteria	Description
Sharia Compliance	Companies are free from usury, gambling, alcohol, pork, and other prohibited activities.
Positive Screening	Selection of companies that follow Islamic principles.
Negative Screening	Exclusion of companies involved in forbidden activities.
Sharia Board Approval	Approval from a board of Islamic scholars to ensure compliance with Sharia principles.

Grouping shares in Islamic stock groups can help increase the price of company shares by increasing the relationship between traders in stocks for Muslim groups. The Islamic investor group will stop seeking *Initial Public Offering* (IPO) shares based on a 60% ratio if the cleric's decision does not obtain a category permit, whether the shares are Sharia or non-sharia.

For an investor who is Muslim, all his actions and all economic activities are, of course, based on not always thinking about aspects of rationality but rather prioritizing spiritual morality so that he can filter out something that is forbidden in investing in stocks. The principle in the Islamic religion is fundamental and must be obeyed by Muslim investors when deciding to invest in stocks, namely that there is no element of usury in it. This is because, in Islam, a person is forbidden to use usury practices.

The study found that Muslim investors prefer Sharia-compliant stocks due to the religious and ethical considerations associated with Islamic law. This preference stems

from the belief that adherence to Sharia principles aligns with religious teachings and ensures ethical and moral investing.

The importance of Sharia compliance in stock selection was evident, with investors choosing companies that meet Sharia criteria, as illustrated in Table 1. This choice is guided by the desire to uphold religious principles and avoid involvement in activities considered harmful or unethical in Islam.

The study also highlighted the role of Sharia boards in approving companies as Sharia-compliant, assuring Muslim investors. This approval process involves a rigorous assessment to ensure companies adhere to Islamic principles. The findings suggest that adherence to Sharia principles significantly influences Muslim investors' decision-making in stock investing. The preference for Sharia-compliant stocks reflects a commitment to ethical and religious values, shaping the investment landscape among Muslim investors.

Conclusion

The capital market is one of the drivers of the global economy, including Indonesia. In this case, companies in the capital market must have good fundamentals. In addition, an investor must also be able to consider his decision when choosing which stock to buy based on existing references and analysis. News about a good company's financial statements will also affect investor confidence in determining a stock to increase investors' confidence in buying a company's shares. As a Muslim investor, profit is not the main thing in investing, but there is also an intention and flow carried out in purchasing shares that must comply with Sharia principles.

The principle in the Islamic religion is fundamental and must be obeyed by Muslim investors when deciding to invest in stocks, namely that there is no element of usury in it. This is because, in Islam, a person is forbidden to use usury practices. Muslim investors will use an analysis to choose company shares based on financial reports showing that shares can go up. For an investor who is Muslim, all actions and all economic activities themselves are, of course, based on not always thinking about aspects of rationality but rather prioritizing spiritual morality so that they can filter out things that are forbidden in investing in stocks. Islam emphatically makes halal in choosing instruments and their benefits and benefits in investing in stocks, but related to

an investor's behavior in the capital market, in practice regarding an investor's faith Islam. As a Muslim investor, investing in stocks does not always focus on profit and maximizing the final value but also begins with an intention or a plot that meets the standards of Islamic religious law.

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