

THE EFFECT OF ISLAMIC BRANDING ON THE DECISION OF MUSLIM INVESTORS IN CHOOSING ISLAMIC SHARES AS INVESTMENT INSTRUMENTS

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ABSTRACT

The focus of this study is to answer the problem about the influence of Islamic branding on the decisions of Muslim investors in the selection of Islamic stocks, as well as what obstacles and challenges are faced by Islamic stocks in their development process according to 10 respondents who are investors in Islamic stock instruments. This research uses descriptive qualitative research methods with data collection methods in the form of interviews. The results obtained in this study are that Islamic branding can affect the decision of Muslim investors to invest in Islamic stocks and the use of the Islamic label is quite effective both to attract interest and to make it easier to identify stocks that fall into the category of sharia. Seeing the very large Muslim population in Indonesia, the main problems faced are related to socialization and education. Socialization and education about Islamic stocks are still not widespread so that many people are still afraid to start investing in Islamic stocks and do not know what distinguishes Islamic stocks from conventional stocks. Many people still think that investing in Islamic stocks is something that is not halal, and many people have started, but have not continued because the profits they get do not match their expectations.

Keywords: Islamic branding, Muslim investors, Islamic stocks.

INTRODUCTION

Economic growth is closely related to the role of entrepreneurs who can make good use of population growth because economic growth relies on the growth in the number of human resources. Indonesia, which is a country with a Muslim population in the world, certainly affects market performance. Seeing the fact that the large Muslim population in Indonesia, the choice of sharia-based products can be one of the factors affecting the level of economic growth in Indonesia. Sharia-based products can be identified by the presence of a sharia label or halal label on the product which is a form of Islamic branding (Nasrullah, M., 2015).

For a Muslim, the decision to choose products based on sharia or halal products is a form of faith and piety. Therefore, apart from considering the benefits, Muslim consumers also consider it in terms of sharia. This is based on the word of Allah in Sura Al-Baqarah verse 168.

Meaning: "O people! Eat of clean and good (food) that is on earth, and do not follow in the steps of Satan. Really, the devil is a real enemy to you". (Surah Al-Baqarah verse 168)

A product can include a halal label after obtaining a certificate issued by a party who has the capacity and competence to provide law or fatwa in this case, namely the scholars by considering the arguments contained in the source of Islamic law. With the existence of a sharia label or halal label, consumers will not worry about the halalness of the product. The Indonesian Muslim community wants their products to comply with Islamic law or keep away from anything that is not halal. Regarding sharia products, sharia labels are not only found on food and beverage products but can also be found on investment products. Investment is an effort made by the community in managing finances to meet short-term and long-term needs. Investments can be classified into 2 forms, namely real assets and financial assets. Real assets are tangible assets whose forms of investment are related to the real sector and one example is a gold investment, while financial assets are intangible assets whose forms of investment are related to the financial sector and one example is an investment in shares traded in the capital market (Kasanah, HR, & Worokinasih, 2018). In financial assets, there are sharia-based investment products, one of which is Islamic stocks.

Sharia shares are stocks that do not conflict with sharia principles. Islamic stocks are one of the investment instruments traded on the Islamic capital market. The definition of the Islamic capital market is generally the same as the non-Islamic capital market, which is a meeting place for issuers and investors, where the issuer is the party issuing shares to obtain capital and the investor as the owner of capital to obtain profit from the purchase (Widuhung, SD, 2016).

Shares can be declared to meet the criteria of sharia after going through screening or screening which is carried out on two aspects, namely qualitative and quantitative aspects. The qualitative aspect referred to is that the business object carried out by the issuer must not conflict with sharia principles. Meanwhile, what is meant by the quantitative aspect is related to the debt ratio. The concept of screening for Islamic stocks in Indonesia is based on the formulation of the DSN-MUI as the party authorized to issue fatwas and the OJK as the party with the authority to regulate activities in the financial services sector in Indonesia (Fielnanda, R., 2017). Regarding the fatwa issued by the DSN-MUI, the basic provisions for screening have been regulated in the DSN Fatwa No. 20 / DSN-MUI / IV / 2001 concerning Investment Implementation Guidelines for Sharia Mutual Funds and Fatwa DSN MUI No. 40 / DSN-MUI / X / 2003, concerning the Capital Market and General Guidelines for the Application of Sharia Principles in the Capital Market Sector (Yafiz, M., 2008). The Muslim population in Indonesia in 2020 is estimated to reach 229 million out of Indonesia's 263 million population.

Based on the above discussion, this study aims to determine the effect of Islamic branding on Muslim investors' decisions in choosing Islamic stocks as an investment

instrument and to find out what are the obstacles and challenges faced by Islamic stocks in Indonesia.

LITERATURE REVIEW

Islamic Branding

The difference between a product and another product can be identified from its brand because a brand is the identity of a product. Therefore, a brand or brand has an important role in a product or service. The brand shows the difference between a product and a competitor's product, making it easier for consumers to identify the product. According to Kotler, a brand is a name, term, sign, symbol, design, or a combination of all the elements used to identify a product or service of a person or a group of sellers from its competitors (Nastain, M., 2017).

The brand can be defined as a producer strategy to cover a series of activities from innovation to product marketing. The purpose of making and using brands is to attract the attention of potential consumers to buy products, to bring in regular consumers who buy continuously. In the marketing strategy, branding is adjusted to the target market segmentation so that it creates an impression of harmony between the brand and target consumers because brands are not a competition to determine who makes a better product, but who can build a better perception. Therefore, one of the determinants of success, satisfaction, and consumer decisions in choosing a product is a brand. Islamic brands or halal products exist not only in the food and beverage industry, but also in cosmetics, pharmaceuticals, finance, investment, banking, tourism, and so on. Islamic appeal can be classified into three forms (Fithrati, N., 2017):

a. Islamic brand by compliance

Islamic brands intended for Muslim consumers whose manufacture is based on compliance with Islamic law. Brands in this category are halal products, produced by Islamic countries, and aimed at Muslim consumers. Manufacturers are more oriented towards the halalness of the product, for example, such as the composition in food or cosmetics.

b. Islamic brand by origin

Brands that get the predicate "Islamic" without having to show the halalness of the product because it comes from an Islamic country. In this category, manufacturers do not promote their products as sharia products. Examples include Etihad Airways airline, vehicle manufacturer W Motors, and telecommunications company Etisalat.

c. Islamic brand by costumer

This brand originates from non-Islamic countries where its products are specifically targeted at Muslim consumers. Even though they come from non-Islamic countries, their products are still described as Islamic products because of their target market. Examples include McDonald's, KFC, and L'Oreal.

Investment

Investment is an activity related to the economy in the form of financial management carried out by individuals or institutions. The definition of the investment itself is the activity of placing funds in one or more types of assets during a certain period in the hope of earning income or increasing value in the future. From this understanding, it can be concluded that the concept of investment is: 1) Placing funds, 2) A certain time, 3) To get benefits (Hidayati, A. N., 2017).

The objective of investing is to invest the funds that are owned now for the sake of getting profits in the future, which means that in general, the investment objective is related to the problem of profit. When described in general terms, investment objectives include (Kaidah, N., 2019) :

- a. Get as much profit as possible
- b. Guaranteed period
- c. Protect valued.
- d. Passive income
- e. Planning embodies desires

The understanding and understanding of investment in an Islamic perspective is not much different as described above. However, Islam has aspects that must be fulfilled in investment, such as (Fahmi, L., 2019):

- a. Financial and Material Aspects
- b. Aspects of Halalness
- c. Social and Environmental Aspects
- d. Aspects of Hope Ridho Allah

Sharia Capital Market

The Islamic capital market is a capital market whose activities are carried out under the principles of Islamic economic sharia, where these principles are free from prohibited things such as usury, gambling, speculation, and others. Activities in the capital market include Muamalah activities, in this case namely capital participation and/or buying and selling so that transactions in the capital market are allowed as long as nothing contradicts sharia.

Islamic Stocks

Islamic stocks are shares in which business activities and management do not conflict with sharia principles and are carried out based on Mudharabah and Musyarakah contracts. The sharia principles referred to are being free from the elements of usury, gambling, and producing haram goods. Sharia principles in this case emphasize the halalness of products,

business activities, and clear benefits. In addition, the risk and profit-sharing must be fair to the parties concerned (Choirunnisak, 2019).

Companies engaged in the legal sector are legally permitted to issue shares, this is stated in the decision of Majma 'Al Fiqh Al Islami No. 63 of 1992, which reads "Based on the law of origin a Muamalah is permissible, then an issuer engaged in lawful law is permitted". The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) also emphasized that a company may issue shares as long as it is not intended to carry out prohibited activities such as producing liquor or conducting usury transactions (Erwandi, T., 2019).

METHODS

This study uses a qualitative research method with a case study approach. This research puts forward the process of observing the problem and the sample involved in the problem. The resulting data is descriptive and interpretative because the results of the study are following the data description and interpretation of the data in the field. The research was conducted by examining the effect of Islamic branding on Islamic stocks by taking existing data in the field where the research subjects were Muslim investors in the Islamic Stock Investor community. This study describes the interpretation of investors in the community towards Islamic branding on Islamic stocks.

The subjects of this study used the purposive sampling technique, which is a sampling technique by considering certain classifications and having capabilities related to a problem or phenomenon being studied (Siyoto, S and Sodik, A., 2015). The subjects of this research are 10 Islamic stock investors who are members of the Sharia Stock Investor community provided that they have invested in Islamic stocks for at least one year and are still active as investors until now.

This study uses two data sources, namely primary data and secondary data. Primary data is taken by using the interview method to obtain data from informants. Meanwhile, secondary data use files or documents related to the research topic. The interview method used is an unstructured interview method which is a free interview but contains specific questions that only contain important points related to the research topic.

RESULTS AND DISCUSSION

Overview of the Sharia Stock Investor Community

Sharia Stock Investor Community is a community consisting of investors who of course choose Islamic stocks as their investment instrument. This community is not specifically for those who are already investors, people who are not investors can also join the community to get information about Islamic stocks. This community is very open to the public for those who want to study, discuss, and seek information related to Islamic stocks.

The results of the interview with Rendy as the founder of the community show that the formation of the Sharia Stock Investor community originated from Rendy's awareness of the scarcity of communities that house investors and people who want to start investing in Islamic stocks. The purpose of establishing the Sharia Stock Investor community is to provide space for investors and people who are interested in investing in Islamic stocks to discuss, conduct education, and share information related to Islamic stocks.

For the reasons previously mentioned, Rendy founded the Sharia Stock Investor community in mid-February 2019. The first step in establishing the community was the creation of an Instagram @ Saham.syariah account was created to provide information and education related to Islamic stocks. Due to the high public enthusiasm marked by the increasing account followers, it was decided to create a discussion group on the WhatsApp application, and only earlier this year it was continued with the creation of a group on the telegram application.

Respondents

Respondents taken in this study are investors in the Sharia Stock Investor community who have been investing in Islamic stocks for at least 1 year and are active investors until now. Respondents in this study were 10 people whose descriptions include the founders of the community who are also community leaders, administrators, and several members of the Sharia Stock Investor community. More details can be seen in the table below:

Table 1. Respondents

No.	Name	Long Investing	Position in Community
1.	Rendy	4 years	Community Leader
2.	Kevin	2 years	Community Admin
3.	Wawan	4 years	Community Admin
4.	Farhan	1 year 8 months	Member
5.	Edi	10 years	Member
6.	Jati	5 years	Member
7.	Alfian	1 year 2 months	Member
8.	Ammar	5 years	Member
9.	Ajie	3 years	Member
10.	Gatra	2 years	Member

The Influence of Islamic Branding

Interest is the desire or tendency to choose something that contains an element of motivation within oneself to do something. This urge usually arises as a result of factors that attract someone's attention to do these activities. Regarding the interest of Muslim investors in investing in Islamic stocks, of course, some factors influence Muslim investors to invest in these Islamic stock instruments. These factors are the reasons for Muslim investors to invest, which can be seen in the following table:

Table 2. Factors Affecting Respondents Choosing Sharia Shares as Investment Instruments

No.	Name	Alasan Memilih	
		Islamic Branding	Promising Return
1.	Rendy	✓	✓
2.	Kevin	✓	✓
3.	Wawan	✓	✓
4.	Farhan	✓	✓
5.	Ajie	✓	
6.	Jati	✓	✓
7.	Edi	✓	
8.	Gatra	✓	
9.	Ammar	✓	✓

10.	Alfian	✓	✓
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Seeing the response from investors above, all respondents agree that the factor behind the respondents choosing Islamic stocks as an investment instrument is Islamic branding, the difference is the main factor that attracts respondents. Wawan chose Islamic stocks because of the promising returns. In investing, it is reasonable to expect profits because the essence of investing is profit. Wawan revealed, "Frankly initially because of the next return because I wanted a blessing because I am also a Muslim. So, as an investor, besides making a profit, it can also be a field of worship".

In investment, there is the term return. Return is the return or profit obtained from the investment made by the investor. Return is divided into two types, namely capital gains and dividends. Capital gain is the profit obtained by investors from the excess of the selling price compared to the purchase price, while dividends are the profits obtained from the income of companies that own shares and are received periodically. The profit earned is based on the percentage of the invested capital.

Different from Wawan, Gatra chose sharia stocks as an investment instrument because of the Islamic label. Gatra said that return was not the main factor that led him to invest in Islamic stocks but because of the Islamic label. Gatra revealed that before starting to invest in Islamic stocks, he was already interested in stocks but was still hesitant to start because of the pros and cons of halal and haram issues. The decision to choose a product is also based on the presence of branding on the product. Regarding sharia stocks, the existence of sharia labels and halal labels on sharia stocks also includes branding. Branding is a marketer's promise to provide certain features, benefits, and services to consumers. The main target of branding on Islamic stocks is Muslim people who want to invest in stock instruments. With the existence of the Islamic label on stocks, the public can distinguish which stocks are following Islamic rules from those that are not.

Islamic branding is effective in influencing investors' interest in investing in Islamic stocks. the existence of a sharia label, can help promote stock investment because according to him it can convince ordinary people who are interested in stock investment but are still doubtful about its halalness to start investing, this is because stocks that can be categorized as sharia stocks after meeting the conditions set by the Indonesian Ulema Council (MUI) as the party authorized to issue fatwas.

Barriers and Challenges Faced by Sharia Shares in Indonesia in the Process of Their Development

Indonesia, with the majority of the Muslim community, is a large market for sharia-based products. Judging from the total population of 263 million people with 87.2% of the population being Muslim, Indonesia has the potential to become a country with very high growth of Islamic stock investors (Editorial, 2020). When viewed in terms of benefits, investing in Islamic stocks can provide passive income that can be used for lifestyle needs and emergency funds. Passive income is income earned by individuals for economic activities without taking an active role in these activities. Investing in sharia stocks apart from the benefits provided for the development of sharia-based products is also a form of nationalism towards the Unitary State of the Republic of Indonesia. The total share ownership in the capital market of the Indonesia Stock Exchange (IDX) is still dominated by foreign investors, with a comparative percentage of 60% and 40% of domestic investors. If foreigners withdraw their investment simultaneously, the Indonesian economy can collapse (Mumpuni, M and Darmawan, H. 2017). Therefore, investing can minimize these risks and help and advance the Indonesian economy, which is a form of nationalism.

Investment cannot be separated from the discussion about profit. Profits are one of the reasons investors make decisions to invest. Profits are also a determining factor in choosing an investment instrument for investors. From the results of an interview with Kevin, regarding the issue of the advantages of investing in Islamic stock instruments, he argued that the benefits provided by investing in Islamic stocks were no less promising than investments in conventional stocks or other investment instruments.

When viewed from the point of view of the benefits and benefits provided, Islamic stock instruments are very attractive to be used as a means of investment, but in reality, investors in Islamic stocks are still relatively small considering the very large population of Indonesian Muslims. Responding to this problem, Wawan, who has been an investor for more than 4 years, said that the obstacles and challenges to the development of Islamic stocks in Indonesia are the same as the problems faced by stock investment in general, namely related to socialization and education. The responses of other respondents regarding the obstacles and challenges faced by Islamic stocks in their development process are as follows:

Jati revealed that the public still finds it difficult to accept the word stock investment. People still think investing in stocks is something that is expensive, difficult to learn, and prone to fraud.

According to Farhan, the obstacles and challenges faced by Islamic stocks are related to the uneven socialization outside the capital city of Jakarta. According to him, the development of Islamic stocks in the capital city of Jakarta is quite significant because people, from school children to parents, are starting to accept and open themselves to investing in Islamic stocks, but this has not been felt by people outside the capital.

The obstacles and challenges faced by Islamic stocks, according to Gatra, are also related to the issue of socialization. The share of socialization about Islamic stocks is still small compared to conventional share socialization. He hopes that the socialization carried out by the IDX, securities, and sharia stock market enthusiasts can be more active in promoting Islamic stocks because the potential development of Muslim investors in Indonesia is very large, given the fact that the majority of people are Muslim.

Ammar revealed the obstacles and challenges faced, namely regarding openness and clarity regarding which issuers are included in Islamic stocks and which are not because their status often changes due to the rules for the ratio of company debt to total assets which cannot be more than 45%. This can be overcome by opening a sharia account for transactions, but there are still a few who use sharia securities accounts, therefore it needs higher exposure.

According to Alfian, the development of Islamic stock investors is quite high, but he also thinks that Islamic stocks are not well known by the public so that many people, ranging from those who have not started investing or those who have become investors, think that Islamic stocks are the same as conventional ones, the only difference is that located on the label.

According to Edi, the obstacles and challenges faced by Islamic stocks are convincing the Muslim community who are still pessimistic about the development of Islamic finance. The sentiment that states that Islamic stocks are the same as conventional stocks is still often heard from Muslims themselves and also the temptation of the development of more promising conventional stocks sometimes makes investors prefer conventional stocks to Islamic stocks.

The results of the interviews conducted with 10 respondents were the main obstacles and challenges faced by Islamic stocks in their development process, namely related to the view and attention of the public on Islamic stocks which were still minimal. So it requires more widespread socialization and more active education so that it can attract attention and convince the Muslim community to invest in Islamic stocks.

CONCLUSION

Islamic branding in the context of Islamic stocks, which in this study is defined as the labeling of sharia on Islamic stocks, is a factor that can influence Muslim investors in choosing Islamic stocks as an investment instrument and its use is effective enough to attract public interest to invest in Islamic stocks according to the respondents. . On the other hand, the existence of a sharia label makes it easier for investors to distinguish between stocks that are categorized as sharia and conventional stocks. Sharia stock investors believe that choosing sharia stocks is a form of their obedience as Muslims and as a form of hope for blessings from Allah Subhanahuwata'ala for the activities carried out and the benefits they get.

The obstacles and challenges faced by Islamic stocks are related to education and socialization issues. It is still difficult for the public to accept Islamic shares because they have not received any information related to this. Educational activities and outreach about

Islamic stocks are still rarely carried out and are less widespread so that there are still many people who do not understand the meaning, benefits, advantages, there are still many who think these activities include gambling, and many still think that Islamic stocks are no different from conventional stocks.

For members of the Sharia Stock, the Investor community always assist the socialization and education process related to Islamic stocks to the public.

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