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The Role of Fintech in Increasing Investment Decisions on the Sharia Capital Market

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ABSTRACT

The digital transformation via FinTech has altered the global investment landscape, particularly the Sharia capital market. This technology provides quick access, low pricing, and inventive goods, opening up new potential for investors. However, extensive research on the impact of FinTech in improving investment decisions in the Sharia capital market from the standpoint of individual investors remains scarce. The purpose of this study is to examine the impact of age, income, environmental variables, and understanding of Sharia investment products on investing decisions made using FinTech applications. A quantitative study was conducted, including data collected from individual investors in Jabodetabek. The research was carried out utilizing Structural Equation Modeling (SEM). The findings are likely to give a thorough knowledge for FinTech developers, investors, and regulators looking to optimize the role of technology in the establishment of an inclusive Sharia finance market.

Keywords: *FinTech, Islamic Capital Market, Investment Decision, SEM, Investor Behavior.*

ABSTRAK

Transformasi digital melalui *FinTech* telah mengubah lanskap investasi global, khususnya pasar modal Syariah. Teknologi ini memberikan akses cepat, harga murah, dan barang inventif, membuka potensi baru bagi investor. Namun, penelitian ekstensif tentang dampak *FinTech* dalam meningkatkan keputusan investasi di pasar modal Syariah dari sudut pandang investor individu masih langka. Tujuan dari penelitian ini adalah untuk mengkaji dampak usia, pendapatan, variabel lingkungan, dan pemahaman produk investasi Syariah terhadap keputusan investasi yang diambil menggunakan aplikasi *FinTech*. Dilakukan studi kuantitatif, termasuk data yang dikumpulkan dari investor individu di Jabodetabek. Penelitian dilakukan dengan memanfaatkan *Structural Equation Modeling* (SEM). Temuan ini kemungkinan akan memberikan pengetahuan menyeluruh bagi pengembang, investor, dan regulator *FinTech* yang ingin mengoptimalkan peran teknologi dalam pembentukan pasar keuangan Syariah yang inklusif.

Kata kunci: *FinTech*, Pasar Modal Islam, Keputusan Investasi, SEM, Perilaku Investor.

INTRODUCTION

Islam is a religion of almost 1.6 billion people of the world. Indonesia has the world's largest Muslim population. The number of Indonesian Muslims as of June 2024 was 245.93 million people, or 87.08% of the total population of Indonesia and 11.92% of total global Muslim population. With 87.08% of Muslim Population, Indonesia holds significant potential for the implementation of Islamic Finance in

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daily life (Putri et al., 2024). Capital markets also play an essential part in the economy as they enable the flow of capital, facilitate investment, and contribute to economic progress (Priyadarshi et al., 2024). The capital market as an ecosystem with large and complex capitalization creates many gaps that can be used for large-scale crimes and has the characteristics of a white-collar crime (Darmawan & Japar, 2020), it might be a critical thing for investor to make their investment decision.

According to research from McKinsey in 2019, Indonesia is among the quickest in adopting digital customers, outperforming China in digital banking adoption. Indonesians exhibit a higher level of customer loyalty compared to other Asian countries. (Kurniawan et al., 2023). In recent years, there has been a notable transformation in the financial sector towards digitalization, as banks and financial institutions are now more frequently providing digital banking services to meet the changing demands of customers. It means, Financial Technology play an important role for economy field.

PT Indonesia Stock Exchange (IDX) reported that as of October 3, 2024, the number of investors in the capital market reached 14,001,651 single investor identification (SID) or jumped 15.07 percent (year-to-date) compared to December 31, 2023, which was 12,168,061 SID. Based on IDX data collected from Stock Exchange Members providing Sharia Online Trading System (AB-SOTS) services, in the last five years the number of sharia investors has increased by more than 240% from 44,536 investors in 2018 to 151,560 investors as of July 2024 with an activity level reaching 14.1%.

Based on the data from KSEI (Indonesia Central Securities Depository), the number of investors in Indonesia continues to increase every year. The composition is dominated by people aged 30 years and under, as many as 60,32%, most of whom belong to Generation Z. (Raita & Aryadi, 2022). The results of this fintech product have been widely used by many groups, especially for investment activities. In general, investments are usually made by people who have sufficient literacy skills. (Junianto & Kohardinata, 2021)

FinTech apps and investment is an important aspect to make foreign commutation and capital market by providing a better transactions way. Those both transactions are very important transactions that move money into financial assets of another currency or lend to or invest in a foreign business and benefit the economy but have low participation rates by the general public (Priyadarshi et al., 2024).

The financial industry, notably the capital markets sector, has seen substantial change as a result of the development of financial technology, facilitating innovative solutions for financial services (Puzhakkal & Sivansankaran, 2024). Investors are drawn to fintech applications because of their accessibility, reduced transaction costs, and numerous cutting-edge features. It consists mobile payments, internet banking, and smart cards, which simplify transactions and lower expenses (Abudel & Ahmed, 2024).

However, the challenge lies in the level of literacy and understanding of sharia investment products. Even now, individuals are hesitant to engage in the financial

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market because of its uncertain character. This research focuses on FinTech's investing techniques for targeting individual investors, as five more percent of Indonesian's population are single investor or individual investors. Investors tend to choose low-risk financial instruments, and their investment decisions are influenced by the attitude of the investor. FinTech advances have resulted in cheaper transaction costs and simpler processes, making it easier for small and medium-sized businesses to access financial markets (Vadyba, 2020). Providing a better way to make foreign commutation & capital market transactions is an important aspect of Fintech apps and investment, these transactions are critical to the economy but have low participation rates among the general population. Apps like GoTrade Indonesia encourages involvement in foreign currency and capital market transactions by enabling citizens to engage in foreign exchange-traded funds with small sums of money. This involves boosting investment and shifting funds into financial assets in another currency.

The purpose of this study is to investigate the impact of Fintech in improving investment decisions in the Sharia capital market, with a particular emphasis on the factors influencing investor interest and behavior while utilizing Fintech apps. A thorough knowledge of this is intended to help shape a more inclusive Fintech business that meets the demands of Sharia capital market investors.

METHODOLOGY

Research Design

This study focused on capital market investing decisions through FinTech characteristics. This study uses investors' level point of view as unit analysis. We collect data responses using online questionnaires that focus on the role of FinTech applications in escalating investment decisions. For this research participants, we used random sampling for the survey, which aimed to look at what respondents believed about a number of subjects, including risk factor, saving, future prospects, ease of access, and if FinTech applications support people's participation in the sharia capital market. Because the data is provided in tables, this research is use quantitative with survey method, and explanatory research as research design which aims to explain the causal relationship between independent variables such as financial literacy, trust, and ease of use of the application and investment decision as the dependent variable. Data will be collected through questionnaires distributed to a sample of investors. Data analysis will be conducted using the statistical technique of Structural Equation Modeling (SEM) to test the research hypothesis.

Type of Data

We develop our research by adopting a quantitative approach to achieve its objectives and purposes. Information of this study used primary data gathered directly from sources, and secondary data collected from study, books, journal, and articles. The rationale behind choosing a quantitative approach lies in its capacity to gather substantial amounts of data and its efficacy in hypothesis testing. In terms of research tools, an online survey was utilized for various purposes. This research was

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conducted using quantitative methods, the survey solicited responses from all active investors in the sharia capital market through Fintech apps. Population size of 14 million capital market investors, 5% of Indonesia's population, also 144 thousand who invest in the sharia capital market. The sample size of this research is 75 respondents who invest in sharia capital market through the fintech application.

Data Analysis Methods

The information we used in this research consists of direct information obtained from the source or respondents as the main source of information, while for secondary information, we managed it from previous research, online articles, journals, or websites, etc. We gathered first-hand information as our questionnaire survey method, demographic information collected, income and age included. The data we obtained will help us further investigate and check the hypothesis, which will later yield valid results.

The independent variable for this research is "Role of Fintech Apps" evaluates how well respondents use the Fintech platforms, such as MotionTrade, Bibit, Stockbit, Ajaib, etc. By dividing some factor behind uses of Fintech, such as ages, income factor, environmental influence, and sharia financial literacy about sharia financial product and so on. The dependent variable, "Investment Behavior," gauges the extent of investment involvement and actions by respondents on the Fintech Apps. This study examines the convenience of Fintech Apps influences investment behavior through investment knowledge, user experience, and other influences factor.

The information gathered through the consumer survey is used for additional research and hypothesis verification, this information is formed to analyze the data statistically. The questionnaire exhibited good content validity as a result. Mean will calculate to improve accuracy and reliability of this study. Whether there is a link between investment decisions in sharia capital market and role of Fintech apps, the SEM will be used to determine them. Advance technological participation in investment decisions used to examine the relationship between investors' behavior.

This study processes the data using SEM (Structural Equation Modelling) to prove the hypothesis with collected data. The SEM methodology is a strong statistical strategy that combines a variety of analytical approaches to represent complicated interactions between variables. SEM differentiates between latent variables (unobserved constructs) and their indicators (observable variables), allowing for a detailed understanding of the underlying phenomenon (Wall & Amemiya, 2007). Using SEM accounts for measurement errors, reducing misleading results by incorporating all variables into the model (Carvalho & Chima, 2014). There is a correlation between using SEM and the output for this research, SEM enables the investigation of both direct and indirect correlations between variables, such as behavioral and sociodemographic characteristics that influence investment decisions. With this modeling, allows researchers to determine which characteristics, such as risk aversion and education level, adversely correlate with investing decisions, offering practical insights (Gabriel & Ribeiro, 2023). With its capacity to evaluate

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complicated correlations, causal links, measure latent variables, and test theoretical models, SEM is an excellent tool for studying the effect of FinTech apps in enhancing investing decisions in the Islamic capital markets.

The Partial Least Squares Structural Equation Modeling (PLS-SEM) methodology method consists of three major stages: data screening, measurement model evaluation, and structural model assessment, each of which is crucial to assuring the validity and dependability of the results (Haji-othman et al., 2024). Data screening ensures dataset appropriateness by correcting missing data and outliers, as well as checking for normality, linearity, and multicollinearity using diagnostic tests. Then, evaluate constructs using measures such as composite reliability and average variance extracted (AVE) to ensure that they correctly represent the underlying theoretical notions. Finally, examines its relevance. Assesses correlations between constructs, calculates coefficient of determination (R^2), and considers mediating and moderating influences (Haji-othman et al., 2024)(Irham Fatin Fadhilah & Lisnur Wachidah, 2023).

Statistical Hypothesis

This research aims to empirically test the ages, income factor, environmental influence, and knowledge about Sharia investment products on investment decisions through Fintech applications. The proposed hypothesis is as follows:

H1: There is positive associated regarding uses of FinTech Apps with age of investor
H2: Income factor of the investor has influential traits in investment decision in the Sharia Capital Market
H3: Environmental influence to invest through FinTech apps for Sharia Capital Market trade
H4: Sharia financial products knowledge influence investors to invest in the Sharia Capital Market

To test the hypothesis of this research quantitatively, the Structural Equation Modeling (SEM) method was used. The proposed hypothesis is as follows:

H1: $\gamma 1 \neq 0$, there is a positive significant regarding uses of Fintech Apps with age investor
H2: $\gamma 2 \neq 0$, there is a positive significant regarding income factor of the investor with investment decision in the Sharia Capital Market
H3: $\gamma 3 \neq 0$, there is a positive significant regarding environmental influence with investor decision to invest through Fintech Apps in Sharia Capital Market
H4: $\gamma 4 \neq 0$, there is a positive significant regarding sharia financial products knowledge that influence investors to invest in the Sharia Capital Market

In the context of SEM, γ (Gamma) symbolizes the path coefficient that indicates the magnitude of the direct influence between the independent variable and the dependent variable. This hypothesis testing will be conducted using data collected through questionnaires and analyzed with SEM software, such as SmartPLS.

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RESULTS & DISCUSSION

Structural Model Design (Inner Model)

The description of the latent variable along with its manifest variables is as follows:

1) Exogenous latent variable Perception of Age Influence (X1) has five manifest variables (indicators), namely, understanding the different levels of fintech investing across generations as stated by X11; perception of age affecting the frequency of investment transactions in fintech applications as stated by X12; perception of age affecting the preference for types of investment instruments in fintech applications as stated by X13; perception of age affecting the way of seeking information about fintech investments as stated by X14; and perception of age affecting the level of trust in the security of investments in fintech applications as stated by X15.
2) Exogenous latent variable Perception of Income Influence (X2) has five manifest variables (indicators), namely, the target percentage of income to be invested through the fintech application as stated by X21; the perception that irregular income affects investment decisions in the fintech application as stated by X22; the availability of emergency funds before investing through the fintech application as stated by X23; the perception that the level of investment risk is proportional to the level of income as stated by X24; and the perception that income influences the choice of premium features in the fintech application as stated by X25.
3) Exogenous latent variable The Environmental Influence (X3) has five manifest variables (indicators), namely, the frequency of attending seminars or workshops on Sharia investment in the surrounding environment as stated by X31; the frequency of discussing Sharia investment with people around as stated by X32; support from family and friends for investing in the Sharia capital market through fintech applications as stated by X33; the frequency of hearing/reading positive information about Sharia investment through fintech in the media as stated by X34; and information from religious/community leaders supporting Sharia investment through fintech as stated by X35.
4) Exogenous latent variable Knowledge about Sharia Investment Products (X4) has five manifest variables (indicators), namely, understanding the difference between Sharia stocks and conventional stocks as stated by X41; the ability to calculate and analyze the potential profits from Sharia investments as stated by X42; confidence in the ability to choose the right Sharia investment instruments as stated by X43; the frequency of reading or seeking information about the principles of Sharia investment as stated by X44; and understanding the risks and potential profits from various Sharia investment products as stated by X45.

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5) Endogenous latent variable Investment Decisions through Fintech Apps (Y) have five manifest variables (indicators), namely, the routine of investing in the Sharia capital market through Fintech applications as stated by Y1; clear financial goals before investing in the Sharia money market as stated by Y2; consideration of risk factors and potential returns before investing in the Sharia money market as stated by Y3; plans to increase the amount of investment in the Sharia capital market through Fintech applications as stated by Y4; and recommendations for investing in the Sharia capital market through Fintech applications to others as stated by Y5.

When evaluating the measurement model for respondents of sharia capital market investors through a fintech application in Jabodetabek, the indicators used were not entirely valid and reliable. Thus, a suitable structural model for this research was obtained, as follows:

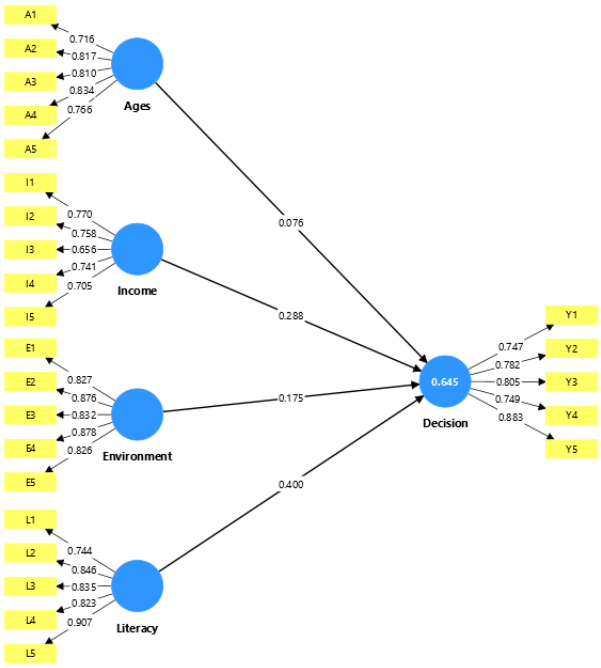

Figure 1. Research Model Design
Source: Processed primary data output, 2025

Evaluation of Measurement Model *(Outer Model)*

The evaluation of the measurement model consists of three stages: convergent validity test, discriminant validity test, and composite reliability test.

- **Convergent Validity Test**

  Validity testing for reflective indicators can be conducted using the correlation between the indicator scores and the construct scores. Measurement with reflective indicators shows that there is a change in one indicator within a construct if another indicator within the same construct

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changes. Here are the calculation results using the smart PLS 4 computer program:

Table 1. Output Result for Outer Loading

Source: Processed Primary Data Output, 2025

Indikator	Ages	Decision	Environment	Income	Literacy
A1	0.716				
A2	0.817				
A3	0.81				
A4	0.834				
A5	0.766				
E1			0.827		
E2			0.876		
E3			0.832		
E4			0.878		
E5			0.826		
I1				0.77	
I2				0.758	
I3				0.656	
I4				0.741	
I5				0.705	
L1					0.744
L2					0.846
L3					0.835
L4					0.823
L5					0.907
Y1		0.744			
Y2		0.782			
Y3		0.805			
Y4		0.749			
Y5		0.883			

According to (Hair et al., 2011), a correlation can be said to meet convergent validity if it has a loading value greater than 0.5. The output shows that the loading factor provides a value above the recommended value of 0.5. Thus, the indicators used in this study have met the criteria for convergent validity.

- **Discriminant Validity Test**

  On reflective indicators, discriminant validity testing needs to be conducted by comparing the values in the cross-loading table. An indicator is considered valid if it has the highest loading factor value for the intended construct compared to the loading factor values for other constructs.

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Table 2. Cross Loading

Source: Processed Primary Data Output, 2025

Indikator	Ages	Decision	Environment	Income	Literacy
A1	0.716	0.48	0.336	0.438	0.448
A2	0.817	0.439	0.246	0.539	0.243
A3	0.81	0.435	0.35	0.672	0.394
A4	0.834	0.353	0.321	0.597	0.4
A5	0.766	0.351	0.257	0.494	0.36
E1	0.224	0.451	0.827	0.168	0.597
E2	0.395	0.476	0.876	0.3	0.624
E3	0.446	0.613	0.832	0.465	0.579
E4	0.273	0.593	0.878	0.427	0.714
E5	0.279	0.523	0.826	0.504	0.664
I1	0.517	0.551	0.554	0.77	0.627
I2	0.422	0.538	0.321	0.758	0.443
I3	0.49	0.39	0.332	0.656	0.544
I4	0.526	0.466	0.247	0.741	0.373
I5	0.589	0.474	0.167	0.705	0.3
L1	0.434	0.515	0.479	0.596	0.744
L2	0.346	0.52	0.62	0.511	0.846
L3	0.354	0.675	0.554	0.573	0.835
L4	0.361	0.579	0.744	0.392	0.823
L5	0.459	0.767	0.715	0.552	0.907
Y1	0.217	0.744	0.637	0.362	0.591
Y2	0.344	0.782	0.422	0.513	0.643
Y3	0.478	0.805	0.495	0.595	0.664
Y4	0.516	0.749	0.43	0.572	0.412
Y5	0.54	0.883	0.546	0.613	0.64

- **Composite Reliability Test**

  Ketchen (Ketchen, 2013) states that a latent variable can be said to have good reliability if the composite reliability value is greater than 0.7 and the Cronbach's alpha value is greater than 0.7.

Table 3. Latent Variable Reliability Test Results

Source: Processed Primary Data Output, 2025

Variabel Laten	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Ages	0,849	0,852	0,892	0,624
Decision	0,853	0,861	0,895	0,632
Environment	0,902	0,91	0,927	0,719
Income	0,777	0,785	0,848	0,529
Literacy	0,889	0,908	0,918	0,693

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Table 3 shows that all the latent variables measured in this study have Cronbach's Alpha and Composite Reliability values greater than 0.7, indicating that all the latent variables are reliable.

Structural Model Evaluation (*Inner Model*)

Evaluation of the structural model in SEM with PLS is conducted by performing the R-squared (R^2) test and significance test through path coefficient estimation.

- **R^2 Test**

The output for the R^2 value using the SmartPLS 4 computer program is obtained:

Table 4. Output Result for R-squared

Source: Processed Primary Data Output, 2025

Variabel Dependen	R-square	R-square adjusted
Decision	0,645	0,624

R-squared (R^2) value used to measure the extent of the influence of certain independent latent variables on the dependent latent variable. The dependent variable Investment Decision has an R^2 value of 0.645, indicating that the independent factors in the model can explain 64.5% of the variation in investment choices in the Sharia capital market using Fintech. According to Cohen (1988), an R^2 value of 0.26 indicates a considerable effect. Therefore, the R^2 value of 0.645 in this study may be classified as having extremely good predictive power, suggesting that the model has a strong capacity to describe the phenomena being examined (Ketchen, 2013).

- **Significance Test**

The significance test in the SEM model with PLS seeks to identify the impact of exogenous variables on endogenous variables. Hypothesis testing using the SEM PLS technique is performed by bootstrapping using the SmartPLS 4 computer application, resulting in the following connection between the effect of exogenous factors on endogenous variables:

Table 5. Research Data Bootstrapping Calculation Results

Source: Processed Primary Data Output, 2025

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Interpretation of Significance (alpha=0.05)
Ages -> Decision	0,076	0,079	0,124	0,616	0,538	Not Sgnificant
Income -> Decision	0,288	0,3	0,138	2,09	0,037	Significant
Environment -> Decision	0,175	0,178	0,144	1,211	0,226	Not Sgnificant
Literacy -> Decision	0,4	0,391	0,14	2,849	0,004	Very Significant

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Before conducting hypothesis testing, the statistical significance level is set at 5% (α = 0.05). In PLS-SEM analysis, significance testing is conducted through the bootstrapping method, which produces T Statistics and p-value for each path. For a 95% confidence level, the generated T Statistics value will be compared to a two-tailed critical value of 1.96. Hypothesis testing for each relationship of the latent variables is shown as follows:

a. Hypothesis Testing of the Influence of Age Variable (X1) on Investment Decision Variables through Fintech Apps (Y)

H_{01} X1↛Y

H_{11} X1→Y

Based on the Hypothesis Testing output results in Table 6, the association between Perception of Age Influence (X1) and Investment Decisions using Fintech Apps (Y) has a T-statistic of 0.616 and a p-value of 0.538. The p-value (0.538) exceeds the specified significance level (α = 0.05), indicating that this association is statistically insignificant. The Original Sample Estimate value is positive at 0.076, suggesting that the connection between the Age Influence Perception variable (X1) and the Investment Decision variable via Fintech Apps (Y) is positive but not significant. As a result, the study's hypothesis (H1) that age has a major impact on investment decisions is denied.

b. Hypothesis Testing of the Influence of Income Factor Variables (X2) on Investment Decision Variables through Fintech Apps (Y)

H_{02} X2↛Y

H_{21} X2→Y

Based on the Hypothesis Testing output results in Table 6, the association between Perception of Income Influence (X2) and Investment Decisions using Fintech Apps (Y) has a T-statistics value of 2.090 and a p-value of 0.037. The p-value (0.037) is less than the predetermined significance level (α = 0.05), indicating a statistically significant association. The Original Sample Estimate value is positive at 0.288, showing that the connection between the variables Perception of Income Influence (X2) and Investment Decision using Fintech Apps (Y) is positive. Thus, the hypothesis that Income has a considerable impact on Investment Decisions (H2) in this study is accepted. This suggests that the more an individual's income, the more likely they are to participate in the sharia capital market using fintech apps.

c. Hypothesis Testing of Environmental Influence Variable (X3) on Investment Decision Variable through Fintech Apps (Y)

H_{03} X3↛Y

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H_{13} X3 → Y

According to the Hypothesis Testing output findings in Table 6, the association between Environmental Influence (X3) and Investment Decisions via Fintech Apps (Y) has a T-statistic of 1.211 and a p-value of 0.226. The p-value (0.226) exceeds the specified significance level (α = 0.05), indicating that this association is statistically insignificant. The Original Sample Estimate value is positive at 0.175, showing that the association between the Environmental Influence variable (X3) and the Investment Decision variable via Fintech Apps (Y) is positive, yet not significant. As a result, the study's hypothesis (H3) that the environment has a major impact on investment decisions is denied. This suggests that the contextual factors examined have no substantial effect on individuals' decisions to engage in the sharia capital market via fintech applications.

d. Hypothesis Testing of Knowledge Variable about Sharia Investment Products (Financial Literacy) (X4) against Investment Decision Variable through Fintech Apps (Y)

H_{04} X4↛Y

H_{14} X4 → Y

Based on the Hypothesis Testing output findings in Table 6, the association between Knowledge of Sharia Investment Products (Literacy) (X4) and Investment Decisions using Fintech Apps (Y) has a T-statistic of 2.849 and a p-value of 0.004. Because the p-value (0.004) is less than the stated significance level (α = 0.05), this association is considered highly statistically significant. The Original Sample Estimate value is positive at 0.400, showing that the connection between the variables Knowledge of Sharia Investment Products (Financial Literacy) (X4) and Investment Decision using Fintech Apps (Y) is positive. Thus, the hypothesis that Sharia Financial Literacy has a considerable effect on investment decisions (H4) in this study is accepted. These findings confirm that having a better grasp of Sharia investment products and how to use them through fintech applications enhances the possibility that people would make Sharia capital market investments.

CONCLUSIONS

The results of the research on Investment Decisions through Fintech Apps in the Sharia Capital Market show that out of the three exogenous latent variables: Age (X1), Income Factor (X2), Environmental Influence (X3), and Knowledge about Sharia Investment Products (Financial Literacy) (X4), only the Income Factor (X2) with its indicators and Knowledge about Sharia Investment Products (Financial Literacy) (X4) with its indicators significantly affect Investment Decisions through Fintech Apps in the Sharia Capital Market (Y) with their indicators.

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