



Determinants of Investment Impact in the Islamic Capital Market: Internal and External Perspectives

Tuti Nadhifah¹, Muhammad Najib²

^{1,2} Muhammadiyah Kudus University, Indonesia

Correspondence ✉ Tutinadhifah@umkudus.ac.id

Keywords

Internal Factors,
External Factors,
Investment Interest.

Abstract

This research aims to explore the internal and external factors that influence interest in investing in the Islamic capital market among students. Using a qualitative approach, this research involved in-depth interviews with active students of Kudus Muhammadiyah University. The analysis results show that internal factors, such as investment knowledge and personal motivation, play an important role in shaping investor interest. Students who have good knowledge of the Islamic capital market tend to be more motivated to invest. On the other hand, external factors, including economic conditions and support from the social environment, do not show a significant influence on investment decisions. This research identified that although students are aware of the importance of investment, many of them are still hesitant to actively participate in the Islamic capital market. These findings suggest the need for more effective education and training programs to increase investment understanding and interest among students. This research contributes to the literature on investment in Islamic capital markets and offers insights for education managers to design more relevant curricula.

Kata kunci:

Faktor Internal,
Faktor Eksternal,
Minat Berinvestasi

Abstrak

Penelitian ini bertujuan untuk mengeksplorasi faktor internal dan eksternal yang memengaruhi minat berinvestasi di pasar modal syariah di kalangan mahasiswa. Dengan pendekatan kualitatif, penelitian ini melibatkan wawancara mendalam dengan mahasiswa aktif Universitas Muhammadiyah Kudus. Hasil analisis menunjukkan bahwa faktor internal, seperti pengetahuan investasi dan motivasi pribadi, berperan penting dalam membentuk minat investor. Mahasiswa yang memiliki pengetahuan baik tentang pasar modal syariah cenderung lebih termotivasi untuk berinvestasi. Di sisi lain, faktor eksternal, termasuk kondisi ekonomi dan dukungan lingkungan sosial, tidak menunjukkan pengaruh yang signifikan terhadap keputusan investasi. Penelitian ini menemukan bahwa meskipun mahasiswa sadar akan pentingnya investasi, banyak di antara mereka yang masih ragu untuk berpartisipasi aktif di pasar modal syariah. Temuan ini mengindikasikan perlunya program edukasi dan pelatihan yang lebih efektif untuk meningkatkan pemahaman dan minat investasi di kalangan mahasiswa. Penelitian ini memberikan kontribusi pada literatur investasi di pasar modal syariah dan menawarkan wawasan bagi pengelola pendidikan untuk merancang kurikulum yang lebih relevan.

Received, May 14, 2025; Accepted, December 31, 2025; Published, December 2025

Copyright: © The Author(s). 2025

Nadhifah & Najib, (2025). Determinants of Investment Impact in the Islamic Capital Market: Internal and External Perspectives. *Journal of Digital Islamic Economic Development*. 1 (2). 68-76. DOI: <https://doi.org/10.70992/xpfjcn47>

Open Access This is an open access article under the (CC BY-SA 4.0) license.

INTRODUCTION

Increasing consumer needs and preferences demand more rational and long-term financial management capabilities. In this context, investment becomes an important instrument for allocating funds to provide added value in the future. Investment is defined as the placement of funds for a certain period of time with the expectation of obtaining profits that can be used to meet future needs (Darmawan, A., Kornia, K., & Rajak, 2019). Along with the development of the capital market, the number of investors in Indonesia continues to increase, although the level of public participation is not yet evenly distributed across all segments of the population. Therefore, various efforts are being made to increase the number and quality of investors through financial education and literacy programs.

One such effort is through the development of a sharia investment gallery that serves as a means of education and investment facilitation, especially for universities. The existence of a sharia investment gallery is expected to encourage student involvement as potential investors while contributing to national economic development. The Financial Services Authority and Bapepam-LK (2011) stated that an individual's decision to invest is influenced by internal and external factors. Internal factors include knowledge and motivation to invest, while external factors include economic conditions and a supportive environment. Previous studies show that financial strength, family environment, and level of investment knowledge are the main determinants that influence a person's willingness to invest (Darmawan, A., Kornia, K., & Rajak, 2019).

A number of empirical studies have also examined the influence of demographic characteristics on investment behavior. Harefa's (2019) research found that female millennials have a high tendency to follow investment trends, supported by their high intensity of digital technology use and social interaction. In addition, (Wibowo, A., 2019) emphasizes that knowledge and training in the capital market have a significant effect on investment interest. Individuals who have better investment experience and understanding tend to have more adequate risk management capabilities, thus showing higher investment interest.

Other studies also highlight the influence of risk variables, income, motivation, perception, and capital market learning on public participation in the Islamic capital market (Malek, 2017). A study conducted by (Darmawan, A., Kornia, K., & Rajak, 2019) on students of the Faculty of Economics and Business, Muhammadiyah University Kudus, shows that attitudes towards investment are influenced by academic factors, motivation, and educational background. These findings indicate that student investment behavior is the result of an interaction between cognitive, psychological, and environmental factors.

However, investment in the financial sector is still perceived as a relatively complex concept for some students at Muhammadiyah University Kudus. Interest in investing often increases after participating in investment socialization activities or seminars, but this is not always followed by the realization of sustainable investment decisions. This condition shows that internal motivation alone is not enough to produce optimal investment impacts without being supported by a comprehensive understanding of capital market mechanisms.

Another issue that has emerged is that student involvement in capital market investment activities is not yet fully supported by adequate financial literacy. Najib's (2022) research shows that investment knowledge, return expectations, investment benefits, motivation, self-efficacy, and subjective norms have a significant effect on students' interest in investing, while risk perception does not show a significant effect. These findings indicate that students are still encouraged to invest even though their understanding of capital market risks is still limited.

Social environmental factors also play an important role in shaping student investment behavior. Interaction with peers and exposure to information from social media are often the main sources of reference in investment decision-making. A social environment that displays investment success can encourage students to participate in the capital market, even though it is not yet supported by a deep understanding of the characteristics of investment instruments. This condition confirms that external influences have a significant role in shaping student investment decisions.

A similar phenomenon was also found among Sharia Economics students at Muhammadiyah University Kudus, who showed a fairly high level of participation in sharia capital market investments, particularly stocks. This participation was influenced by academic and social dynamics that encouraged student involvement in investment activities. However, this involvement did not fully reflect comprehensive investment readiness and understanding, thereby potentially affecting the resulting investment impact.

Social factors serve as an initial stimulus in encouraging investment interest, but without adequate literacy and guidance, investment decisions have the potential to be speculative. Therefore, educational institutions have a strategic role in creating a conducive learning ecosystem through the integration of investment literacy into the curriculum and academic activities. An academic environment that supports discussion and learning about investment is expected to improve the quality of students' investment decisions and impacts.

Based on this description, a study of the internal and external factors that influence the impact of investment in the Islamic capital market is relevant and urgent. This study is expected to provide a more comprehensive understanding of the determinants of the impact of investment on Islamic Economics students at Muhammadiyah University Kudus and to form the basis for the development of educational strategies and policies to strengthen Islamic investment literacy in higher education.

METHODS

This study uses a qualitative approach with a descriptive-analytical design that aims to gain an in-depth understanding of the internal and external factors that influence the impact of investment in the Islamic capital market. The qualitative approach was chosen because it is able to explain social phenomena contextually and comprehensively through the exploration of the meanings, perceptions, and experiences of the research subjects (Creswell, 2014). In the context of investment research, this approach is relevant for understanding investor behavior, which is influenced not only by rational aspects but also by psychological and social environmental factors (Miles, M. B., Huberman, A. M., & Saldaña, 2014). This study's analysis focuses on the role of internal factors, such as investment knowledge, motivation, and risk perception, as well as external factors, such as the social environment, economic conditions, and institutional support, in shaping the investment impact experienced by students in the Islamic capital market (Ajzen, 1991).

The research subjects were determined using purposive sampling, which is the deliberate selection of informants based on certain criteria relevant to the research objectives (Patton, 2015). The main informants in this study included: (1) students of the Sharia Economics Study Program at Muhammadiyah University Kudus who had experience investing in the sharia capital market, particularly in sharia stocks and mutual funds; (2) managers of the Sharia Investment Gallery at Muhammadiyah University Kudus who understand policies, educational programs, and investment assistance mechanisms for students; and (3) Sharia Economics lecturers who teach courses related to the sharia capital market or Islamic finance as supporting informants to provide academic and institutional perspectives. Data collection techniques were carried out through in-depth interviews (in-depth interview) with semi-structured interview guidelines so that the data obtained was systematic while allowing for flexible exploration of information (Kvale, S., & Brinkmann, 2015).

The data sources in this study consisted of primary and secondary data. Primary data was obtained through in-depth interviews and limited observation of educational activities and student investment practices at Muhammadiyah University Kudus. Meanwhile, secondary data was sourced from relevant documents and official reports, such as reports on the development of the Islamic capital market published by the Financial Services Authority and the Indonesia Stock Exchange, policies and educational modules from the Islamic Investment Gallery, and academic documents related to student investment activities. Data analysis was conducted using thematic analysis, which included data reduction, data presentation, and conclusion drawing to identify patterns, relationships, and meanings of internal and external factors that influence the impact of investment in the Islamic capital market (Barber, B. M., & Odean, 2008).

RESULTS AND DISCUSSION

Result

The results of the study indicate that internal factors, particularly investment knowledge, have a significant influence on the impact of student investment in the Islamic capital market. Sharia Economics students at Muhammadiyah University Kudus who have an adequate understanding of the concept of the Islamic capital market, types of Islamic investment instruments, and the mechanisms of trading Islamic stocks and mutual funds tend to be able to make more rational investment decisions. One student informant stated that "*after understanding the differences between Islamic and conventional stocks and the risks involved, I no longer buy stocks randomly, but consider the company's performance and its Islamic principles.*" This statement shows that investment literacy not only influences interest but also determines the quality of the investment impact felt by students, both in terms of financial gains and increased understanding of Islamic finance.

In addition to knowledge, investment motivation is an internal factor that drives the sustainability of student investment activities. The interview results revealed that most students are motivated by the desire to prepare for their financial future and gain practical experience in the field of Islamic finance. One informant said, "*I consider investment as long-term savings, so even though the profits are not immediately large, I remain consistent because the goal is for the future.*" This kind of motivation makes students more resilient in the face of market fluctuations and less likely to make impulsive decisions. These findings show that strong motivation contributes to a more stable and long-term investment impact.

Risk perception is also an internal factor that influences how students interpret the impact of investing in the Islamic capital market. Students who have a good understanding of risk tend to be better prepared to face market uncertainty. One informant explained, "*I already understand that stock prices can go up and down, so when prices fall, I don't panic because that is already an investment risk.*" Conversely, students who have a limited understanding of risk admit that they often feel doubtful and worried when faced with a decline in investment value. These findings show that a realistic perception of risk helps students manage their emotions and expectations, so that the perceived impact of investment is more positive and does not cause excessive psychological pressure.

External factors in the form of the social environment proved to play a major role in encouraging students' initial involvement in sharia capital market investment. The interview results showed that many students started investing because of the influence of peers who had already experienced the benefits of investing in sharia stocks or mutual funds. One informant stated, "*Initially, I was interested in investing because I saw my classmates profiting from stocks, so I tried it even though I was still learning.*" This social environment influence became the initial trigger for investment interest, although at the initial stage, it was not always accompanied by a deep understanding. This shows that the social environment can be both a driving factor and a challenge if it is not balanced with adequate investment literacy.

Institutional support from Muhammadiyah University Kudus through the Sharia Investment Gallery also contributes significantly to the impact of student investment. The manager of the Sharia Investment Gallery said, "*We not only provide facilities for opening securities accounts, but also provide assistance and education so that students understand the risks and principles of sharia in investing.*" Students who participated in educational and assistance activities admitted to being more confident in making investment decisions. One student stated that "*after participating in training at the investment gallery, I now have a better understanding of how to analyze sharia stocks and am not easily influenced by issues on social media.*" These findings show that institutional support can strengthen the positive impact of investment by increasing literacy and a sense of security in investing.

Economic conditions and market information flows also influence the impact of student investment. Interview results show that students are quite responsive to economic news and developing market trends, although the depth of their analysis varies. One informant revealed that "*national economic news usually influences my decisions, but now I am more selective and do not immediately buy or sell just because of an issue.*" Students who already have investment experience tend to be more critical in responding to market information, so they are not easily trapped in speculative decisions. This shows that the ability to filter information is an external factor that determines the quality of the impact of investment.

The impact of investing in the Islamic capital market felt by students is not only financial but also non-financial. From a financial perspective, students feel an increase in income and experience in managing funds productively. From a non-financial perspective, students claim to have experienced an increase in financial literacy, discipline in managing finances, and a deeper understanding of Islamic economic principles. One informant stated that "*investing makes me more careful in using money and better understand how sharia principles are applied in financial practices.*" This finding shows that investing in the Islamic capital market has a significant educational impact on students.

Overall, the results of this study confirm that the impact of student investment in the Islamic capital market is the result of an interaction between interrelated internal and external factors. Internal factors shape the readiness and quality of investment decision-making, while external factors act as triggers and reinforcers of investment participation. When investment literacy, motivation, social environment, and institutional support are harmoniously integrated, investment in the sharia capital market not only provides economic benefits but also shapes a more rational, ethical, and sharia-compliant financial attitude.

Table 1. Summary of Research Findings on Internal and External Factors Affecting the Impact of Sharia Capital Market Investment

Dimension	Factor	Category	Empirical Findings
Internal Factors	Investment Knowledge	Internal	Adequate understanding of Sharia capital market concepts and instruments enhances rational and informed investment decision-making among students.
Internal Factors	Investment Motivation	Internal	Long-term financial orientation and learning motives encourage investment consistency despite market volatility.
Internal Factors	Risk Perception	Internal	Realistic risk perception contributes to emotional stability and positive investment outcomes.
External Factors	Social Environment	External	Peer influence serves as an initial trigger for student participation in Sharia capital market investment.

External Factors	Institutional Support	External	The Sharia Investment Gallery plays a significant role in improving financial literacy and investment confidence.
External Factors	Economic Information	External	Experienced students demonstrate selective and critical responses to economic news and market information.
Investment Outcomes	Financial Impact	Output	Investment activities provide additional income and practical financial management experience.
Investment Outcomes	Non-Financial Impact	Output	Participation in Sharia investment enhances financial discipline and understanding of Islamic financial principles.

Discussion

The Role of Internal Factors in Shaping the Impact of Student Investment in the Sharia Capital Market

The results of the study indicate that internal factors are the main determinants in shaping the impact of student investment in the Sharia capital market. Investment knowledge has been proven to have a significant influence on the quality of investment decision-making. Students who understand the concepts of the Sharia capital market, the characteristics of Sharia stocks and mutual funds, and transaction mechanisms tend to be more rational and cautious in determining their investment choices (Wahyuni, 2025). This finding reinforces the financial literacy theory which states that the level of investor knowledge has a direct effect on the ability to evaluate risk and investment returns (Lusardi, A., & Mitchell, 2014). Investment knowledge not only encourages participation, but also improves the quality of the perceived impact of investment, both financially and educationally.

Investment motivation is also an internal factor that plays an important role in maintaining the sustainability of student investment activities. Long-term orientation, the desire to prepare for financial future, and the drive to gain practical experience in Islamic finance shape more consistent and less speculative investment behavior. This condition is in line with the theory of planned behavior, which places motivation as the main determinant of individual intentions and actual behavior (Ajzen, 1991). Previous research also shows that investment motivation has a positive effect on investor persistence in facing market fluctuations (Darmawan, A., Kornia, K., & Rajak, 2019).

Risk perception is another internal aspect that influences how students interpret the impact of investment. Students with adequate risk understanding demonstrate psychological readiness in facing market volatility and tend not to react emotionally to declines in investment value. These findings support the view that risk awareness contributes to the stability of investment decisions and investor satisfaction (Nguyen, T. M., Gallery, G., & Newton, 2017). Realistic risk perception helps students manage expectations and view investment as a long-term learning process, not just a means of obtaining instant profits.

The Influence of External Factors on Participation and the Quality of Sharia Investment Impact

External factors act as triggers and reinforcers in the process of student investment in the Islamic capital market. The social environment, particularly the influence of peers, has been shown to encourage students' initial involvement in investment activities. Exposure to positive experiences from peers increases students' interest in trying to invest, even though at the initial stage this is not always accompanied by a deep understanding. This phenomenon is in line with social influence theory, which states that individual behavior is often influenced by the norms and experiences of the surrounding group

(herding behavior) (Bikhchandani, S., & Sharma, 2001). However, this study shows that social influence tends to be an initial trigger and does not become a major determining factor for the sustainability of investment.

Institutional support through the Sharia Investment Gallery at Muhammadiyah University Kudus has contributed significantly to improving students' literacy and confidence. Educational facilities, mentoring, and access to market information help students develop their analytical skills and reduce their dependence on speculative information. These findings are in line with research stating that institutional support and investment education programs play an important role in shaping rational and ethical investment behavior (Aren, S., & Zengin, 2016). The presence of supporting institutions also creates a sense of security in investing in accordance with sharia principles.

Economic conditions and market information flows also influence the impact of student investments, although their influence is not determinative. Students who already have investment experience and literacy tend to be more selective in responding to economic news and market trends, so they are not easily trapped in speculative decisions. This finding reinforces the view that the ability to filter information is an important competency in modern investing (Barber, B. M., & Odean, 2008). The integration of external factors and internal readiness results in investment impacts that are not only financial but also non-financial, such as increased discipline, financial literacy, and understanding of Islamic economic values.

CONCLUSIONS

Based on field findings, this study concludes that the investment decisions and impacts of Sharia Economics students at Muhammadiyah University Kudus in the sharia capital market are mainly determined by internal factors. Investment knowledge has proven to be the main foundation in shaping rational, planned, and sharia-compliant investment behavior. Students who understand the concepts of the sharia capital market, investment instruments, and risk mechanisms demonstrate more mature and non-speculative decision-making abilities. Personal motivation, particularly long-term orientation and the desire to gain practical experience in Islamic finance, plays an important role in maintaining investment consistency despite market fluctuations. These findings confirm that students' cognitive and psychological readiness is a key prerequisite for creating positive investment impacts, both financially and non-financially.

External factors serve as triggers and reinforcers of investment participation, but their influence is complementary. The social environment, especially peers, encourages students' initial involvement in Islamic capital market investment, although this is not always accompanied by adequate literacy. Institutional support through the Sharia Investment Gallery contributes significantly to improving students' literacy, confidence, and analytical skills, enabling them to minimize impulsive decisions due to market information flows. Students with investment experience and guidance respond more critically to macroeconomic conditions and market information, which does not directly distort investment decisions. These findings indicate that harmonious interaction between internal and external factors results in more stable, educational, and Sharia-compliant investment outcomes.

Based on these results, this study recommends that novice investors, especially students, prioritize improving their Sharia investment literacy before and during investing, by understanding the risks, Sharia principles, and long-term investment objectives. Universities are advised to strengthen the role of the Sharia Investment Gallery as a center for education and sustainable guidance, not just as a transaction facility. Further research is recommended to examine additional psychological factors such as self-efficacy, behavioral biases, and the role of digital technology in shaping Sharia investment decisions, as

well as expanding the research subject across universities to obtain more comprehensive generalization of findings.

REFERENCES

Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50(2), 179–211. [Https://Doi.Org/10.1016/0749-5978\(91\)90020-T](Https://Doi.Org/10.1016/0749-5978(91)90020-T), 50.

Aren, S., & Zengin, A. N. (2016). Influence of financial literacy and risk perception on choice of investment. *Procedia - Social and Behavioral Sciences*, 235, 656–663. <Https://Doi.Org/10.1016/j.Sbspro.2016.11.047>.

Barber, B. M., & Odean, T. (2008a). All that glitters: The effect of attention and news on the buying behavior of individual and institutional investors. *Review of Financial Studies*, 21(2), 785–818. <Https://Doi.Org/10.1093/Rfs/Hhm079>.

Barber, B. M., & Odean, T. (2008b). All that glitters: The effect of attention and news on the buying behavior of individual and institutional investors. *Review of Financial Studies*, 21(2), 785–818. <Https://Doi.Org/10.1093/Rfs/Hhm079>.

Bikhchandani, S., & Sharma, S. (2001). *Herd behavior in financial markets*. *IMF Staff Papers* 47(3), 279–310.

Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches* (4th ed.). Thousand Oaks, CA: Sage Publications.

Darmawan, A., Kornia, K., & Rajak, S. (2019). Pengaruh pengetahuan investasi, motivasi investasi, dan lingkungan keluarga terhadap minat investasi di pasar modal. *Jurnal Ilmu Manajemen*, 7, 340–349.

Kvale, S., & Brinkmann, S. (2015). *InterViews: Learning the craft of qualitative research interviewing* (3rd ed.). Thousand Oaks, CA: Sage Publications.

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44. <Https://Doi.Org/10.1257/Jel.52.1.5>.

Malek, M. A. (2017). Factors influencing individuals' participation in Islamic capital market: A conceptual framework. *International Journal of Islamic Economics and Finance Studies*, 3.

Miles, M. B., Huberman, A. M., & Saldaña, J. (2014). *Qualitative data analysis: A methods sourcebook* (3rd ed.). Thousand Oaks, CA: Sage Publications.

Nguyen, T. M., Gallery, G., & Newton, C. (2017). The joint influence of financial risk perception and financial literacy on individual investment decision-making. *Accounting & Finance*, 59(1), 747–771. <Https://Doi.Org/10.1111/Acfi.12200>.

Patton, M. Q. (2015). *Qualitative research & evaluation methods* (4th ed.). Thousand Oaks, CA: Sage Publications.

Wahyuni, D. (2025). Cross-Sector Collaboration and Technology: Key to Optimizing Regional Finance for Equitable Development in Indonesia. *Dharma Ekonomi*, 32(1), 49–61.

Wibowo, A., & P. (2019). Pengaruh pengetahuan investasi, manfaat investasi, motivasi investasi, dan modal minimal investasi terhadap minat investasi di pasar modal. *Jurnal Ilmu Manajemen*, 7, 192–201.

Copyright Holder:
© Ovi Ariyanti, Dwi Kuswianto (2025).

First Publication Right:
© Journal of Digital Islamic Economic Development

This article is under:

