



Analysis of Investment Decisions at BMT Latansa Gontor Ponorogo

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ARTICLE INFO	ABSTRACT
<p><i>Article History:</i> Received 15 November 2021 1st Received in revised form 15 December 2021 Available online 30 December 2020</p> <p><i>Keywords:</i> Investment Decision, Baitul Maal Wat Tamwil, Theory of Reasoned Action.</p>	<p>This study aims to examine customer decisions in investing in BMT. The theory used to predict customer decisions in investing is the theory of reasoned action. The research method used is quantitative research with data analysis techniques Structural Equation Modeling (SEM). The results showed that the sharia system, product knowledge, religiosity, attitudes, risk perception, image, and investment intentions affected investment decisions.</p>

1. Introduction

BMT (Baitul Maal Wat Tamwil) is one of the sharia microfinance institutions that have a role in collecting and distributing funds to the community by adhering to sharia principles. The source of BMT's capital comes from loan capital collected from its members. The product for raising funds at BMT can be in the form of savings or time deposits. The amount of savings in sharia microfinance institutions in April 2021 was 71.80 billion, a decrease from the previous year, which was 72.88 billion. This decrease indicates limited activities during the pandemic, affecting customers' savings interest. In addition, time deposits in Islamic microfinance institutions in April 2021 amounted to 235.93 billion, an increase from the previous year of 218.74 billion (OJK, 2021). The high interest of customers to invest in sharia microfinance institutions is one of the factors for further research related to investment decisions in BMT.



Source: OJK, 2021

The Financial Services Authority (OJK) recorded around 81 BMTs operating in Indonesia, with total assets reaching 499.70 billion. Based on the graph above, the number of BMTs operating in East Java reaches 18 BMTs, which is still low compared to Central Java, which is around 21 BMTs. East Java itself is often referred to as the city of santri, which has many Islamic boarding schools and has the largest market share to get a large enough number of customers. However, this is inversely proportional to the number of BMTs, which are relatively small compared to the Central Java region. This data indicates that further analysis is needed regarding investment decisions of BMT customers in the East Java region to attract public interest in saving.

BMT Latansa Gontor is a sharia microfinance institution located in the Ponorogo area, East Java, and is directly supervised by Pondok Modern Darussalam Gontor (PMDG). The BMT has a significant role in improving the community's welfare through its collection and financing products, especially for its members. Customers in making investment decisions have different views and mindsets on the concept of sharia microfinance institutions. The low level of financial literacy will affect the choice of customers to invest in BMT (Effendi, et., al., 2020). One of the theories that can explain customers' investment decisions in using BMT services is the theory of reasoned action proposed by Ajzen and Fishbein (1975).

The issues raised in this study are related to investment decisions in BMT Latansa Gontor Ponorogo. According to Effendi et al. (2020), the factors that influence investment decisions are the sharia system, product knowledge, promotions, services, attitudes, subjective norms, and the intention to use the services of Sharia BPR. His research shows that the shari'ah system, promotions, services, attitudes, subjective norms, and intentions significantly affect the use of Sharia BPR services. In contrast, product knowledge has no significant effect on

attitudes. Heart et al. (2020) showed different results from previous researchers, namely, product knowledge did not directly affect customer intentions to invest in Islamic banks. However, when mediated by perceived quality and risk, it significantly affects customer intentions to invest in Islamic banks. Based on the above background, the problem in this research is what factors influence investment decisions in BMT Latansa Gontor Ponorogo?

2. Literature Review

An explanation of customer investment decisions in BMT can be explained through the theory of reasoned action proposed by Ajzen and Fishbein (1975). The theory consists of two factors related to personal and social influence. Personal factors refer to attitudes that can evaluate positive or negative factors in behavior, while social refers to a person's norms or perceptions of social pressure in acting. According to Ajzen (1991), the stronger a person's intention to perform a specific behavior, the greater the behavior. The theory is used to examine the relationship between attitudes, beliefs, behavior, and intentions (Janah et al., 2020). Nature et al. (2012) also developed a theory of reasoned action to determine a person's level of religiosity to use Islamic finance in the Klang Valley, Malaysia.

Research shows that many factors influence investment decisions in Islamic banks, including the sharia system, product knowledge, promotions, services, attitudes, subjective norms, intentions, perceived quality, perceived risk, perceived value, community influence, religiosity, image, and trust. (Effendi et. al., 2020; Hati et. al., 2020; Janah et. al., 2020; Hassan and Abbas, 2020). The religiosity factor is one of the essential factors for making investment decisions. Islamic principles prohibit usury (interest), maisir (gambling), and gharar (speculative) in the concept of transactions in Islamic banks (Effendi et al., 2020).

Effendi et al. (2020) examine the factors that influence investment decisions, namely the sharia system, product knowledge, promotions, services, attitudes, subjective norms, and the intention to use the services of Sharia BPR. His research shows that Sharia compliance, promotion, service, attitudes, subjective norms, and intentions significantly affect the use of Sharia BPR services. In contrast, product knowledge has no significant effect on attitudes.

Liver et al. (2020) showed different results from previous researchers. Namely, product knowledge did not directly affect customer intentions to invest in sharia bank deposits. However, when mediated by perceived quality and risk, it significantly affects customer intentions to invest in Islamic bank deposits. Suhartanto (2019) examines religiosity, trust, and image across customers and non-customers on Islamic banks' behavioral intentions. The results show that religiosity is an important determinant of trust, image, and loyalty from a sample of Islamic bank customers.

Meanwhile, from a sample of non-customers, this study shows that religiosity is also an essential factor for trust, image, and behavioral intentions towards Islamic banks. Religiosity significantly affects behavioral intention compared to belief and image effect. The influence of religiosity on behavioral intention is the weakest. In addition, the mediation test shows that in addition to the direct effect, the influence of religiosity on behavioral intentions is through image and belief mediation. Thus, the proposed hypothesis is as follows:

- H1: The Shari'ah system affects attitudes
- H2: Product knowledge affects risk
- H3: Religiosity affects image
- H4: Attitude affects intentions
- H5: Perception of risk affects intention
- H6: Image affects intentions
- H7: Investment intentions affect investment decisions

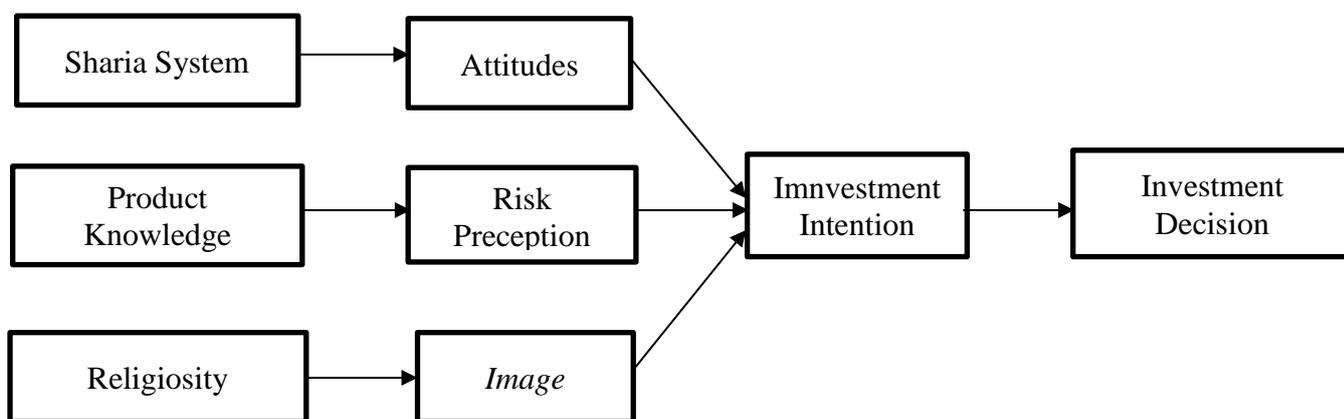


Figure 1. Factors Affecting Investment Decisions in BMT

3. Research Method

The research method used is quantitative research. Data were collected through questionnaires distributed to respondents who invested their funds in Barokah, Mabruur, and Mahir products. The variables to be tested are the sharia system, product knowledge, attitudes, risk perception, religiosity, image, intentions, and customer decisions in investing in BMT. The items comprising the underlying subscales were adjusted and modified according to the needs of the study taken from Effendi et al. (2020), Hati et al. (2020), and Suhartanto (2019). Respondents were selected using a non-probability sampling technique with a purposive sampling approach. The data analysis technique used is Structural Equation Modeling (SEM).

4. Result

4.1 PLS Analysis

Hypothesis testing in this study was carried out using the Partial Least Square (PLS) analysis technique with the help of the Smart pls program. The PLS model specifications that will be estimated in this study are as follows:

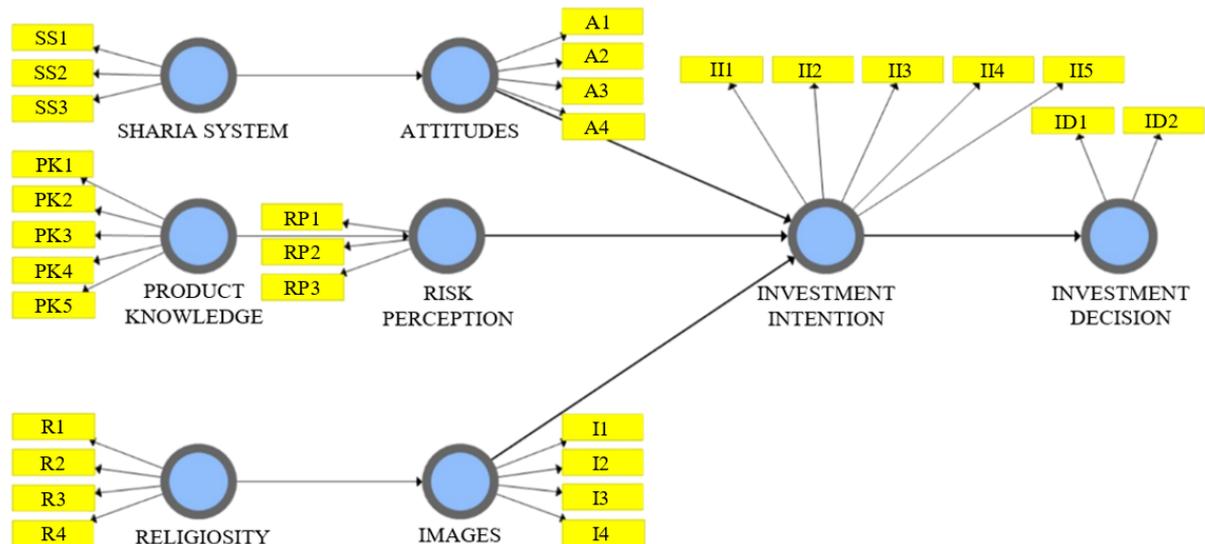


Figure 2. PLS Model Specification

The stages in this PLS analysis include the outer model testing phase and the inner model testing phase. The outer model testing phase is used to test the validity and reliability of all indicators in measuring their constructs. In contrast, inner model testing is used to test research hypotheses.

Table 1 shows that all PLS model indicators have a loading factor value > 0.7 , and all constructs have an AVE > 0.5 so that it can be stated that the PLS model has met the required convergent validity criteria. The results of the composite reliability test in Table 1 show that all constructs have met the required composite reliability criteria as indicated by the Cronbachs alpha value > 0.7 and composite reliability > 0.7 .

Table 2 shows the required discriminant validity criteria, such as the square root value of the AVE of all constructs having exceeded the correlation between the constructs and other constructs. HTMT value of the constructs, which did not exceed 0.9, means that each construct's discriminant validity has been met.

Table 1. Convergent Validity and Reliability

Variable	Indikator	Loading Factor	AVE	Validity Konvergen	Cronbach's Alpha	Composite Reliability	Reliability
Image	I1	0.897	0.836	valid	0.935	0.953	reliabel
	I2	0.913		valid			reliable
	I3	0.905		valid			reliable
	I4	0.941		valid			reliable
Keputusan Investasi	KI1	0.959	0.909	valid	0.900	0.952	reliabel
	KI2	0.948		valid			reliable
Niat Investasi	NI1	0.959	0.912	valid	0.976	0.981	reliabel
	NI2	0.932		valid			reliable
	NI3	0.958		valid			reliable
	NI4	0.961		valid			reliable
	NI5	0.965		valid			reliable
Pengetahuan Produk	PP1	0.910	0.836	valid	0.951	0.962	reliabel
	PP2	0.907		valid			reliable
	PP3	0.928		valid			reliable
	PP4	0.942		valid			reliable
	PP5	0.885		valid			reliable
Persepsi Resiko	PR1	0.894	0.839	valid	0.905	0.940	reliabel
	PR2	0.928		valid			reliable
	PR3	0.927		valid			reliable
Religiusitas	R1	0.933	0.894	valid	0.960	0.971	reliabel
	R2	0.950		valid			reliable
	R3	0.943		valid			reliable
	R4	0.956		valid			reliable
Sikap	S1	0.891	0.881	valid	0.955	0.967	reliabel
	S2	0.974		valid			reliable
	S3	0.931		valid			reliable
	S4	0.957		valid			reliable
Sistem Syariah	SS1	0.951	0.885	valid	0.935	0.958	reliabel
	SS2	0.917		valid			reliable
	SS3	0.953		valid			reliable

Table 2. Discriminant Validity

Variable	IM	KI	NI	PP	PR	REL	SI	SS
IM	0,914							
KI	0,763	0,954						
NI	0,825	0,925	0,955					
PP	0,766	0,845	0,848	0,914				
PR	0,663	0,779	0,797	0,916	0,916			
REL	0,888	0,825	0,834	0,824	0,790	0,946		
SI	0,797	0,804	0,862	0,839	0,752	0,824	0,939	
SS	0,710	0,685	0,728	0,779	0,624	0,690	0,865	0,940

The inner model test includes an assessment of the Goodness of fit structural model, an assessment of the path coefficient, a test of the significance of the partial effect of exogenous variables on endogenous variables, and the calculation of the coefficient of determination. The test results at this stage can be used to test the research hypothesis.

The PLS model's Goodness of fit can be assessed from the R Square value, the Q Square value, and the SRMR value. The value of R square is categorized into three categories, namely sound, moderate and weak. According to Chin (1998), the R square value of 0.67 indicates that the PLS model is robust, 0.33 indicates the PLS model is in the moderate category, and 0.19 indicates that the PLS model is in the weak category. The value of Q square is categorized into three categories: small, medium, and large, the value of Q square of 0.02 is declared minor, the value of Q square of 0.15 is declared moderate, and the value of Q square of 0.35 is declared significant. The SRMR value is categorized into two categories: the perfect fit model if the $SRMR < 0.08$; the model is fit if the SRMR is between 0.08 – 0.10, and the model is not fit if the SRMR is > 0.10 . The Goodness of fit model test results in Table 3 shows the model has good criteria because it has an endogenous R Square in the solid and moderate categories and has a large Q Square and an SRMR between 0.08 - 0.10 that the model is stated in the fit category.

Table 3. Goodness of fit Model PLS

<i>Endogen Variable</i>	<i>The Goodness of fit Model Parameter</i>		
	R Square	Q Square	SRMR
IM	0,789	0,631	0.066
KI	0,855	0,772	
NI	0,832		
PR	0,839	0,693	
SI	0,747	0,639	

R Square : 0.67 strong; 0.33 moderate; 0.19 weak. Q Square : 0.02 small; 0.15 medium; 0.35 big. SRMR : <0.10 fit

The evaluation results of the path coefficients in Table 4 show that the path coefficients of attitudes towards investment intentions are the largest compared to the path coefficients on the relationship between risk perception and image on investment intentions. This data shows that attitude is the most influential factor on customer intention to invest.

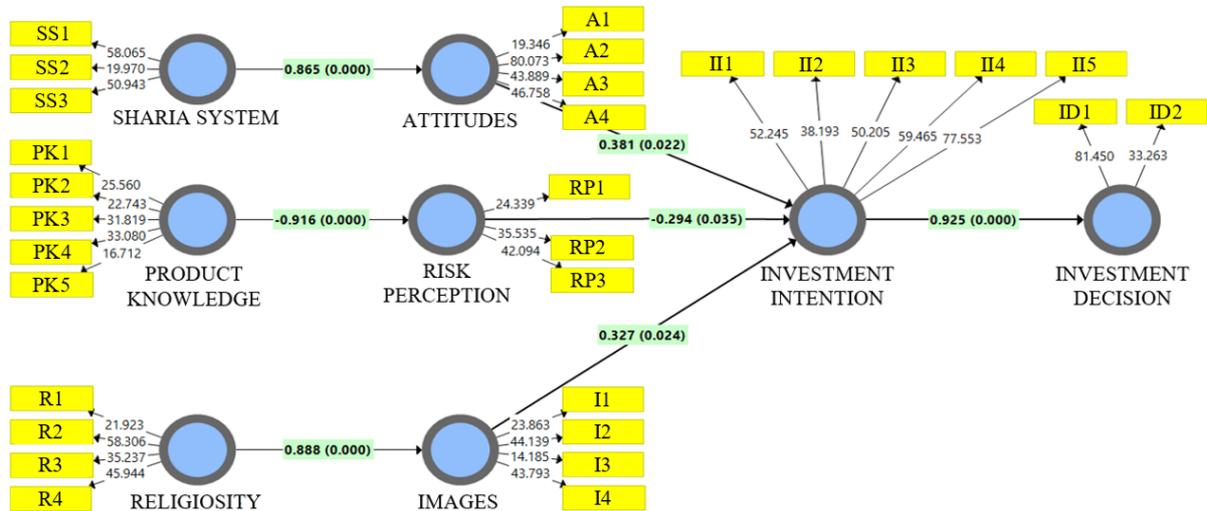


Figure 3.
PLS Model Estimation Results – Bootstrapping

Table 4. Dirrect Effect

Dirrect Path	Path Coefficient	T Statistics	P Values
• IM → NI	0.327	2.263	0.024
• NI → KI	0.925	37.078	0.000
• PP → PR	-0.916	24.991	0.000
• PR → NI	-0.294	2.109	0.035
• REL → IM	0.888	18.358	0.000
• SI → NI	0.381	2.296	0.022
• SS → SI	0.865	14.225	0.000

Significant level 5%; koefisien jalur signifikan jika p value < 0,05 dan T statistik > 1,96

Table 5. Indirrect Effect

Indirrect Path	Path Coefficient	T Statistics	P Values
• IM → NI → KI	0.302	2.241	0.025
• SS → SI → NI	0.329	2.240	0.026
• PR → NI → KI	-0.272	2.113	0.035
• REL → IM → NI → KI	0.269	2.162	0.031
• SS → SI → NI → KI	0.304	2.233	0.026
• SI → NI → KI	0.352	2.302	0.022
• PP → PR → NI	0.269	2.075	0.039
• REL → IM → NI	0.291	2.190	0.029
• PP → PR → NI → KI	0.249	2.074	0.039

Significant level 5%; koefisien jalur signifikan jika p value < 0,05 dan T statistik > 1,96

Based on the test results, the following results were obtained: In the path that shows the influence of the sharia system on attitudes (SS S), the p-value obtained is 0.000 with a T statistic of 14.225 and a positive path coefficient of 0.865. Because the path p-value < 0.05, T

statistic > 1.96 , and the path coefficient is positive, it can be concluded that the sharia system has a positive effect on customer attitudes. This finding means that the better the sharia system, the better customer attitudes. This data supports hypothesis 1 in this study so that hypothesis 1 is proven (accepted).

In the path that shows the effect of product knowledge on risk perception (PP PR), the p-value obtained is 0.000 with a T statistic of 24.991 and a negative path coefficient of -0.916. Because the path p-value < 0.05 , T statistic > 1.96 , and the path coefficient is negative, it can be concluded that product knowledge has a negative and significant effect on customer risk perceptions. The higher the customer's knowledge of the product to be invested in, the lower the customer's risk perception. This finding supports hypothesis 2 in this study so that hypothesis 2 is proven (accepted).

In the path that shows the effect of religiosity on the image (REL IM), the p-value obtained is 0.000 with a T statistic of 18.358, and the path coefficient is positive at 0.888. Because the path p-value < 0.05 , T statistic > 1.96 , and the path coefficient is positive, it can be concluded that religiosity has a positive and significant effect on the image. The higher the religiosity, the better the image. This data supports hypothesis 3 in this study so that hypothesis 3 is proven (accepted). In the path that shows the effect of attitude on investment intention (S NI), the p-value obtained is 0.022 with a T statistic of 2.296 and a positive path coefficient of 0.381. Because the path p-value < 0.05 , T statistic > 1.96 , and the path coefficient is positive, it can be concluded that attitude has a positive effect on investment intention. This finding means that the higher the altitude, the higher the investment intention. This data supports hypothesis 4 in this study so that hypothesis 4 is proven (accepted)

In the path that shows the effect of risk perception on investment intention (PR NI), the p-value obtained is 0.035 with a T statistic of 2.109 and a negative path coefficient of -0.294. Because the path p-value < 0.05 , T statistic > 1.96 , and the path coefficient is negative, it can be concluded that risk perception has a negative effect on investment intention. This finding means that the lower the risk perception, the higher the investment intention. This finding supports hypothesis 5 in this study so that hypothesis 5 is proven (accepted). In the path that shows the effect of image on investment intention (IM NI), the p-value obtained is 0.024 with a T statistic of 2.263 and a positive path coefficient of 0.327. Because the path p-value < 0.05 , T statistic > 1.96 , and the path coefficient is positive, it can be concluded that image has a positive effect on investment intention. This finding means that the higher the image, the higher the investment intention. This finding supports hypothesis 6 in this study so that hypothesis 6 is proven (accepted). In the path that shows the effect of investment intention on investment decisions (NI KI), the p-value obtained is 0.022 with a T statistic of 37.078, and the path

coefficient is positive at 0.925. Because the path p -value < 0.05 , T statistic > 1.96 , and the path coefficient is positive, it can be concluded that investment intention has a positive effect on investment decisions. This data means that the higher the investment intention, the higher the investment decision. This finding supports hypothesis 7 in this study so that hypothesis 7 is proven (accepted).

5. Discussion

This study examines investment decisions at BMT Latansa Gontor Ponorogo. This study indicates that the sharia system affects customer attitudes to BMT investment. Several previous studies have stated that sharia compliance is the most critical factor in influencing customer attitudes toward Islamic banking services (Kaakeh et al., 2019). Sharia compliance in Islamic banks is the highest factor in determining customer perceptions of Islamic banking (Big et al., 2009; Muhamad, 2015). In addition, Dusuki and Abdullah (2007) state that bank compliance with sharia principles is an essential factor for Islamic bank customers.

Meanwhile, the effect of product knowledge on risk perception is significant. Companies that provide essential information about their products and services can help customers develop product knowledge to reduce consumer uncertainty about certain products (Eisingerich and Bell, 2008). It is different if there is no product knowledge about the characteristics of term deposits in Islamic banks. Customers will perceive that the risk of investing in Islamic banks is higher than the risk of investing in conventional banks (Hati et al., 2020).

The image of a bank is a consequence of the relationship between beliefs, experiences, feelings, impressions, and knowledge that a person has about banking (Muslim et al., 2013). The results of this study indicate that religiosity has a significant effect on the image. These results follow Suhartanto's (2019) research, which shows that religiosity determines the image. When customers are more committed to their religion, they tend to have a positive image of Islamic banking. This finding also strengthens previous research on the positive relationship between religiosity and image (Muslim et al., 2013).

Jannah (2020), Effendi (2020), and Ganesan (2020) state that there is a significant relationship between customer attitudes and intentions to use Islamic banking services. Abbass and Tanveer (2019) and Ali et al. (2019) also states that attitude plays a vital role in determining choices in the use of Islamic banking services, so that the stronger a person's attitude is, the greater their intention to use these services (Jaffar and Musa, 2016). This study follows previous studies that showed that attitudes affect a person's intention to invest in BMT Latansa Gontor. The results of this study indicate that the perception of risk has a

significant effect on one's investment intentions. Intention to invest is a type of financial behavior. Customers are expected to get positive consequences from the products offered by Islamic banking. However, when customers face the potential negative consequences of using a product (perceived risk), it can reduce their intention to invest in the Islamic banking product (Stone and Gronhaug, 1993). Research by Croy et al. (2010) and Hati (2020) show that risk perception significantly affects investment intentions.

In addition, the results of this study indicate that image has a significant effect on one's investment intentions in BMT Latansa Gontor. Research by Hoq et al., 2010; Muslim et al., 2013; Saleh et al., 2017 showed a positive influence between the image on customer behavioral intentions towards Islamic banking. The results of this study are also supported by Suhartanto's research (2019) which shows that image has a significant effect on one's investment intentions. Perilaku seseorang merupakan fungsi dari niat yang kompatibel (Ajzen, 1991). The intention is a critical behavior that helps managers align their strategies and decisions in the market (Tsiotsou, 2006). Bianchi et al. (2019) state that intention is crucial for any behavior. The results of this study indicate that investment intention has a significant effect on a person's decision. This study is in line with research conducted by Effendi (2020), which states that investment intention has a significant effect on a person's decision to use Islamic banking services.

6. Conclusion

This study indicates that the sharia system, product knowledge, religiosity, attitude, risk perception, image, and investment intention significantly affect investment decisions at BMT Latansa Gontor. Product knowledge provides essential information on customer perceptions of product and service quality to mitigate existing risks. Good product knowledge will be in line with image enhancement which can increase the level of trust from customers. However, BMT Latansa Gontor needs to improve the view of customers' different mindsets and perceptions to keep their intentions straight towards their investment decisions.

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