

# HOW ISLAMIC CAPITAL MARKET LITERACY, KNOWLEDGE OF SOTS, AND RELIGIOSITY INFLUENCE PERCEIVED RISK: THE MEDIATING ROLE OF PERCEIVED SHARIA COMPLIANCE

Dini Queentasari<sup>\*1</sup>, Megawati Simanjuntak<sup>\*\*</sup>, Nur Hasanah<sup>\*</sup>

<sup>\*</sup>School of Business IPB University  
Jl. Padjajaran, Bogor 16151, Indonesia

<sup>\*\*</sup>Department of Family and Consumer Sciences, Faculty of Human Ecology, IPB University  
Jl. Kamper Kampus IPB Dramaga, Bogor, West Java, 16680, Indonesia

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## Abstract:

**Background:** The Islamic capital market is essential in Indonesia's financial system, driven by a growing demand for Sharia-compliant financing and related financial products. Despite investor participation is currently below its potential, the market holds promising future growth.

**Purpose:** This study investigates the effects of Islamic capital market literacy, knowledge of the Sharia online trading system (SOTS), and religiosity on perceived risk, emphasizing the mediating role of perceived Sharia compliance in lowering the perceived risk in investing in the Islamic capital market.

**Design/methodology/approach:** Data from 294 Indonesian Muslims aged 18-49 without prior experience using Sharia online trading system (SOTS) were analyzed using multiple linear and hierarchical regression analyses.

**Findings/Result:** Regression analysis results indicate that Islamic capital market literacy significantly lowers perceived risk, while knowledge of SOTS and religiosity do not have a significant individual effect. Interestingly, when combined, Islamic capital market literacy, knowledge of SOTS, and religiosity collectively lower perceived risk. The regression model explains 16.8 percent of the variance in perceived risk. Furthermore, perceived Sharia compliance is a mediating factor that strengthens the collective effect of these three factors on perceived risk. This interaction explains 25.4 percent of the variance in perceived risk, emphasizing the importance of enhancing perceived Sharia compliance to strengthen the collective effect of Islamic capital market literacy, knowledge of SOTS, and religiosity on the perceived risk of Sharia-compliant investments within the Islamic capital market.

**Conclusion:** most respondents have a positive perceived Sharia compliance, with the highest positive response related to the periodic evaluation and delisting non-compliant stocks. In contrast, the lowest positive response was related to the effectiveness of the Sharia Online Trading System (SOTS) in preventing violations of Sharia principles and the criteria used to establish Sharia compliance.

**Originality/value (State of the art):** Unlike prior studies that examine literacy, religiosity, or SOTS knowledge separately, this study demonstrates that perceived Sharia compliance is the key mechanism that enables these factors to jointly reduce perceived risk. This finding reframes perceived risk in the Islamic capital market as a collective and compliance-driven construct rather than the outcome of isolated individual factors.

**Keywords:** islamic capital market literacy, knowledge of SOTS, perceived risk, perceived sharia compliance, religiosity

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<sup>1</sup> Corresponding author:

Email: [diniqueentasari@gmail.com](mailto:diniqueentasari@gmail.com)

## INTRODUCTION

Economic growth, a key indicator of a country's development, is a beacon of hope. High economic growth is linked to strengthening resources that can be utilized for infrastructure, education, and healthcare services, all of which can potentially enhance the quality of life and community welfare. Recognizing this, the Indonesian government has implemented various policies to boost economic growth, including the strengthening of the capital market (OJK, 2019). The capital market plays a pivotal role in this endeavor, simultaneously serving two primary functions that drive economic and financial growth.

Firstly, the economic function of the capital market involves providing long-term financing for companies. This financing enables businesses to expand operations, increase production capacities, and create new employment opportunities. The capital market directly contributes to the country's economic growth by facilitating business development and job creation. Secondly, the financial function of the capital market allows the public to earn additional income through dividends and capital gains. This function supports individual financial growth and encourages broader participation in the financial markets. By investing in the capital market, individuals can benefit from the returns on their investments, which in turn boosts their financial stability and contributes to the overall financial health of the economy (Arifardhani, 2020).

The Islamic capital market is crucial in promoting the growth of Indonesia's capital market by providing Sharia-compliant business financing and investment opportunities. This journey started on July 3, 1997, with PT Danareksa Investment Management issuing Sharia Mutual Funds and has significantly progressed with the introduction of the Indonesian Sharia Stock Index (ISSI) and SOTS in 2011 (KSPM IAIN Kudus, 2021). The investor base in the Islamic capital market has been consistently growing, reaching 138.418 by the end of 2023, marking a 17.4 percent rise from 117,942 investors recorded at the end of 2022 (Hema, 2024). Despite this growth, the number of investors remains significantly lower than the productive-age Muslim population, which was 166 million in 2022 (Rizaty, 2022; Kusnandar, 2023). This gap can be attributed to the fact that the Islamic capital market is not yet considered an attractive investment option among the general public (Utami, 2021). According to the

Consumer Survey, 46 percent of respondents preferred to save their discretionary income through savings or deposits, while just 3 percent invested in stocks or mutual funds (BI, 2021).

Encouraging people to invest their discretionary income in the Islamic capital market is critical to expanding the base of Sharia investors in Indonesia. Numerous studies have aimed to identify the factors that affect investment intention. Among these factors, perceived risk has been identified as a significant deterrent for potential investors (Kurniawan, 2021; Shehata et al. 2021). Trust is also a crucial factor, as highlighted by Zandi et al. (2021). Financial literacy and Islamic financial literacy are equally important, equipping potential investors with the knowledge needed to make informed decisions (Setyowati et al. 2018; Poeteri et al. 2021). Awareness and understanding of the capital market and its products are essential for fostering investment intentions. Studies by Hati and Harefa (2019) and Ayedh et al. (2020) emphasize the need for better knowledge dissemination about the capital market and Sharia-compliant investment products.

Previous research suggests that individuals with higher financial literacy and extensive investment experience tend to perceive financial risks as lower and show a stronger intention to invest in online financial markets (Wei et al. 2018). Having a solid understanding and skillset in finance allows individuals to evaluate risks more accurately, reducing the fear and uncertainty that often hinder investment decision-making. Shadnan (2016) and Waheed et al. (2020) also emphasize the importance of perceived risk as a mediating factor between financial literacy and investment decisions in the capital market. This suggests that higher financial literacy leads to lower perceived risk, increasing investment intention and confidence.

Kemu(2016)highlightsseveralcommonmisconceptions discouraging people from putting their discretionary income into the capital market. These misconceptions include the belief that significant capital is necessary to prepare before becoming an investor, the perception of complicated requirements and procedures, concerns about *riba*, and fears of falling victim to fraud and Ponzi schemes. These misconceptions create barriers that prevent potential investors from participating in the capital market, limiting Sharia-compliant investment products' growth. However, Exchange Members (brokerage firms) have developed the SOTS

to facilitate convenient transactions for investors interested in Sharia-compliant stock. SOTS provides unique features, including blocking non-Sharia-compliant stocks, facilitating transactions that are based on cash, and protecting investors against margin trading and short selling. Additionally, SOTS separates Sharia-compliant stock portfolios from customer fund accounts to ensure that the funds are not used in transactions involving *riba* (OJK, 2019).

Previous studies have shown a strong relationship between knowledge and various aspects of consumer behavior. Munnukka et al. (2017) found that investors with a deep understanding of investment products tend to have perceived lower risk. Further supporting this idea, Hati et al. (2020) showed that perceived risk significantly mediates the relationship between product knowledge and the intention to invest in time deposits in Islamic banks.

Fajar (2019) has identified two significant challenges in developing the Islamic capital market. Firstly, there is a low level of public literacy regarding the Islamic capital market, which has led to a lack of understanding and trust in Islamic investment instruments. Secondly, there is insufficient promotion of the SOTS, resulting in limited public knowledge and participation in using this platform for Islamic investments. It is crucial to increase public knowledge about the features of the SOTS to address these challenges. Understanding the specific features and mechanisms embedded in the SOTS can significantly enhance the perceived Sharia compliance among potential investors.

Sharia compliance is another significant factor influencing investment decisions, as Amelia and Wibowo (2020) found. Efforts to socialize the Islamic capital market and provide adequate training can also enhance investment intentions. Zulchayra et al. (2020) and Wibowo and Purwohandoko (2019) show the importance of socialization programs and training in increasing investor awareness. Additionally, as Nabilah and Hartutik (2020) note that religiosity shapes investment intentions.

Muslim investors who adhere more strictly to Islamic teachings tend to invest their funds in Sharia-compliant stocks and show higher tolerance for the potential negative returns associated with the performance of these stocks. According to Mahastanti et al. (2021), highly religious Muslim investors emphasize the

metaphysical returns of their investments rather than focusing solely on material gains. This means these investors consider financial profits and seek blessings in every investment by ensuring their funds comply with Sharia principles.

This research aims to assess perceived Sharia compliance and its role in mediating the influence of Islamic capital market literacy, knowledge of SOTS, and religiosity on the perceived risk of Sharia-compliant investments in the Islamic capital market. Understanding perceived risk is crucial, as it directly impacts investors' willingness to engage in the capital market. High perceived risk can discourage potential investors, even if the risk is low or manageable. By identifying the factors that influence perceived risk, this research is expected to assist stakeholders in developing targeted strategies to engage more investors and maximize the growth opportunities of Indonesia's Islamic capital market.

## METHODS

This research utilizes a quantitative methodology, using a cross-sectional survey to capture an actual portrait of the attitudes, behaviors, and characteristics of a population at a specific point in time (UN Women, 2020). This research draws on both primary and secondary data sources. Researchers gathered primary data through questionnaires and sourced secondary data from reports by the Indonesia Stock Exchange (IDX), the Financial Services Authority (OJK), academic journals, and relevant literature to support the research hypotheses. A non-probability sampling technique was used to choose respondents based on specific criteria and their willingness to participate. The criteria included being an Indonesian citizen aged 18–49 without prior experience using SOTS for investment. Ultimately, 294 respondents fulfilled the criteria and independently participated in the survey.

The research uses five variables: Islamic capital market literacy, knowledge of SOTS, and religiosity as independent variables; perceived Sharia compliance as a mediating variable; and perceived risk as a dependent variable. The analysis of these variables uses a five-point Likert scale, with responses ranging from “strongly disagree” to “strongly agree”. The indicators for the research variables are adapted from existing studies, then tailored to the specific research context,

and have been validated and proven reliable. Detailed explanations of the indicators for each variable are presented in Table 1.

The research examines the perceived Sharia compliance in the Islamic capital market and SOTS using the top/bottom two-box scoring method. This method involves grouping strongly disagree and disagree responses as “disagree” and grouping agree and strongly agree responses as “agree” (Sagepub, 2016). Afterward, the research hypotheses are assessed using multiple linear and hierarchical regression analysis.

Islamic capital market literacy is integral to Sharia financial literacy, focusing specifically on knowledge about the Islamic capital market. Previous studies have reported perceived financial risk between two distinct groups of individuals. Individuals with limited financial literacy and experience generally perceive higher financial risk than those with high financial literacy and are actively engaged in the capital market (Wei

et al. 2018). Moreover, perceived risk significantly influences the relationship between financial literacy and investment decisions (Waheed et al. 2020). In a different research, Arifin and Rizaldy (2022) stated that Islamic financial literacy directly impacts participation in the Islamic capital market. Thus, the following hypothesis is suggested:

H1: A significant relationship exists between Islamic capital market literacy and perceived risk.

Knowledge not only plays a significant role in shaping an individual’s perceived risk but also forms the primary foundation for developing attitudes, making decisions, and accepting a product or service (McNeal and McDaniel, 1981; Achadi and Winarto, 2020). Munnukka et al. (2017) revealed that investors with higher knowledge about investment products tend to have lower perceived risk. Thus, the following hypothesis is suggested:

H2: A significant relationship exists between knowledge of SOTS and perceived risk.

Table 1. Research variables and indicators

Variable	Dimension	Indicator	Literature
Islamic Capital Market Literacy (LIT)	Sharia investment concepts	General concepts	OJK et al. (2019)
		Procedure to register as an in-vestor	
	Initial capital to start investing		
	Investment functions		
Knowledge of SOTS (KNL)	Sharia investment products	General concepts	OJK et al. (2019)
		Types of products	
		Application of Sharia principles	
Perceived Sharia Compliance (PSC)		General concepts	OJK et al. (2019)
		Key features	
		Implementation of Sharia principles in the Islamic capital market	
		Implementation of Sharia principles in SOTS	
Religiosity (RLG)	Ihsan	Feelings about the presence of God	Nashori and Mucharam (2022) in Alwi (2014)
	Deed	Avoiding bad assumptions	
	Worship	Practicing sunnah worship	
Perceived Risk (PRI)	Sharia risk	Returns not meeting Sharia principles	Mohd Noor et al. (2018); Sudarsono et al. (2021)
	Performance risk	Profits not meeting expectations	
	Financial risk	Causing financial losses	

Religiosity significantly influences consumer attitudes, behaviors, and decisions (Delener, 1990). The correlation between religiosity and perceived risk is complicated and influenced by numerous factors. Highly religious consumers tend to hold favorable perceptions toward products that resonate with their religious values. Previous research has shown a direct correlation between religiosity and perceived risk. Consumers with high religious beliefs often perceive a higher level of risk when making purchasing decisions (Agarwala et al. 2019). Thus, the following hypothesis is suggested:

H3: A significant relationship exists between religiosity and perceived risk.

It is a common misconception that Islamic capital market investment is prohibited because of the presence of *usury (riba)* and susceptibility to fraud (Kemu, 2016). However, the Islamic capital market and SOTS have procedures to ensure that stocks and all transactions in the Islamic capital market comply with Sharia principles. Prior studies have found that a positive perception of implementing Sharia compliance in financial technology applications significantly affects an individual's intention to invest in Sharia-compliant investment products (Amelia and Wibowo, 2020). Furthermore, it was stated that knowing investments significantly influences one's investment interest when accompanied by motivation and mediated by a positive perceived Sharia compliance. The observed positive correlation between the perceived Sharia compliance and the intention to invest in Sharia-compliant investment products develops the basis for the following hypothesis:

H4: The collective effect of Islamic capital market literacy, knowledge of SOTS, and religiosity affects perceived risk.

H5: Perceived Sharia compliance strengthens the collective effect of Islamic capital market literacy, knowledge of SOTS, and religiosity on perceived risk.

## RESULTS

### Respondent's Perceived Sharia Compliance

The overall perceived Sharia compliance among respondents is generally consistent. At least three out of five respondents positively perceive the implementation of Sharia compliance in the Islamic capital market and SOTS. The data in Table 2 indicates

that the indicator with the highest positive response is PSC4, with 72.8 percent of respondents expressing strong confidence in the periodic evaluation and delisting process of non-compliant stocks by OJK. In contrast, the indicators PSC5 and PSC1 received the lowest positive responses. The percentage of positive responses for these indicators is below the average of 70.3 percent, indicating some uncertainty regarding the effectiveness of SOTS in preventing violations of Sharia principles and the criteria used to establish Sharia compliance. This indicates that the SOTS mechanism to prevent investors from engaging in activities that violate Sharia principles and the processes and criteria for maintaining Sharia compliance in issuing stocks are two key focus areas that stakeholders must enhance and communicate to potential investors. This approach can improve the positive perception towards Sharia compliance in the Islamic capital market and SOTS.

### Classical Assumption Test

The classical assumption tests in this research consist of the Kolmogorov-Smirnov normality test, multicollinearity test, and Park's heteroscedasticity test. The detailed output of these tests can be found in Table 3. The normality test generated a significance level of 0.066, indicating that the residuals in the regression model exhibit normal distribution since the value exceeds the 0.05 threshold. The multicollinearity test results show that all independent and mediating variables have tolerance values greater than 0.1 and variance inflation factor (VIF) values less than 10. This leads to the conclusion that there is no substantial correlation among the independent and mediating variables.

Furthermore, the significance values for all variables in the Park test are below 0.05. This suggests that the variance of the residuals in the regression model remains consistent across all independent and mediating variables. The outcomes of these three classical assumption tests confirm that the model follows the classical assumptions required to generate valid and reliable analysis results.

### Hypothesis Testing

This research utilizes two hypothesis testing methods: multiple linear and hierarchical regression analysis. Multiple linear regression analysis assesses independent variables' partial and collective effects on the dependent variable. On the other hand, hierarchical regression analysis examines how the mediating variable interacts

with the dependent variable, influencing the relationship between the independent and dependent variables. This approach allows for a more comprehensive investigation of the relationships and interactions within the dataset.

**The Relationship between Islamic Capital Market Literacy and Perceived Risk**

According to Table 4, the significance value (Sig.) for the variable LIT is below 0.05 and has a negative regression coefficient. The results support hypothesis H1, showing that a significant relationship exists between Islamic capital market literacy and perceived risk. This means that higher Islamic capital market literacy is associated with lower perceived investment risk when investing in the Islamic capital market using

SOTS. This finding aligns with prior research by Wei et al. (2018), which also observed that increased financial literacy tends to lower perceived risk.

The negative relationship between Islamic capital market literacy and perceived risk indicates that as investors gain more knowledge about Sharia-compliant investment principles and mechanisms, they feel more confident and perceive fewer risks in their investment decisions. This is consistent with previous research indicating that perceived risk significantly mediates the relationship between financial literacy and investment decisions (Waheed et al. 2020). Therefore, improving people’s literacy about the Islamic capital market can be a strategic approach to lowering perceived risk and encouraging more potential investors.

Table 2. Distribution of responses on perceived Sharia compliance indicators

Symbol	Question	Response (%)		
		Disagree	Neutral	Agree
PSC1	Stocks on the Sharia Securities List meet the criteria set by the ijthad of Indonesian scholars specializing in fiqh muamalah	4.8	26.9	68.4
PSC2	In the Islamic capital market, stock trading follows a sale and purchase agreement that complies with Sha-ria principles	4.1	25.5	70.4
PSC3	Sharia-compliant stocks are issued by companies that avoid prohibited businesses such as gambling, usuri-ous financial services, and the sale/distribution of pro-hibited products	5.1	22.4	72.4
PSC4	Stocks that no longer meet Sharia criteria based on OJK's periodic evaluations will be unlisted from the Sharia Securities List	4.4	22.8	72.8
PSC5	SOTS helps the Stock Exchange stop investors from violating Sharia principles	4.1	28.6	67.3
	Average	4.5	25.2	70.3

Table 3. Classical assumption test output

Description	Normality Test	Multicollinearity Test		Heteroscedasticity Test (Sig.)
		Tolerance	VIF	
Asymp. Sig. (2-tailed)	0.066	-	-	-
Variable LIT	-	0.571	1.752	0.269
Variable KNL	-	0.534	1.871	0.972
Variable RLG	-	0.977	1.024	0.394
Variable PSC	-	0.418	2.391	0.528

Table 4. Multiple linear regression analysis output for testing partial effects

Model	Unstandardized Coefficients		Std. Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	11.867	0.799	-	14.849	0.000
LIT	-0.146	0.026	-0.347	-5.580	0.000
KNL	-0.058	0.034	-0.108	-1.734	0.084
RLG	0.084	0.047	0.097	1.783	0.076

a. Dependent Variable: PRI

### **The Relationship between Knowledge of SOTS and Perceived Risk**

The significance value for the variable KNL in Table 4 is above 0.05 with a negative regression coefficient. According to the results, hypothesis H2 is rejected, indicating insufficient evidence to support the assumption of a significant effect between knowledge of SOTS and perceived risk. This finding differs from the research by Achadi and Winarto (2020), which suggested that the higher a consumer's knowledge about a platform's features, the lower their perceived risk associated with using that platform.

It is important to note that simply knowing SOTS may not be enough to lower the perceived risk for investors in the Islamic capital market, as suggested by the rejection of H2. While awareness and understanding of SOTS are advantageous, they alone do not sufficiently ease investors' concerns. Factors such as the perceived reputation and assurance of the investment platform play a significant role in shaping investors' perceived risk. If the platform is perceived as reliable and trustworthy, it can significantly lower the perceived risk of investing (Poeteri et al. 2021).

Moreover, individual trust in technology is a critical factor. Investors who have confidence in the platform's technological infrastructure and security measures are likely to perceive lower risks (Kesharwani and Singh Bisht, 2012). When investors believe that the technology behind the trading system is secure and reliable, their perceived risk decreases, making them more likely to invest. This finding aligns with the research conducted by Murni et al. (2024) which revealed that knowledge of SOTS is just one of many indicators of technological advancement, a factor that significantly influences investment interest. This suggests that while familiarity with SOTS is essential, it must be supported by the perceived reliability and trustworthiness of the platform.

### **The Relationship between Religiosity and Perceived Risk**

Table 4 shows the significance value for the variable RLG above 0.05 with a positive regression coefficient. The results suggest that hypothesis H3 is rejected, indicating insufficient evidence to support the assumption of a significant effect between religiosity

and perceived risk. This finding differs from previous research conducted by Agarwala et al. (2019), which suggested that consumers with high levels of religiosity tend to be cautious in evaluating a product they intend to purchase. However, it is consistent with other research that did not find a significant relationship between religiosity and financial risk-taking attitudes (Nugraha and Eduardus, 2020).

The rejection of H3 highlights that religiosity, despite its potential effects on various aspects of personal and financial behavior, does not significantly affect perceived risk within the Islamic capital market investment context. This result indicates that other factors may be more dominant in shaping perceived risk among investors in Sharia-compliant financial products. Future research could explore the specific factors that overshadow the effect of religiosity on perceived risk in Islamic capital market investment. A deeper understanding may help tailor more effective education programs and marketing strategies that align with potential investors' primary concerns and motivations.

### **The Collective Effect of Islamic Capital Market Literacy, Knowledge of SOTS, and Religiosity on Perceived Risk**

Table 5 shows that the significance value obtained from the F-test is less than 0.05, which indicates that the overall regression model is statistically significant. In other words, hypothesis H4 is supported, meaning substantial evidence suggests that combining Islamic capital market literacy, knowledge of SOTS, and religiosity significantly affects perceived risk.

The finding suggests that improving an individual's understanding of the Islamic capital market, familiarity with SOTS, and religiosity can collectively contribute to a decrease in perceived risk. This highlights the importance of stakeholders incorporating all three factors into developing comprehensive education and awareness programs. By enhancing Islamic capital market literacy and promoting familiarity with SOTS, potential investors can better understand the principles and applications of Sharia-compliant investments. Furthermore, by recognizing the role of religiosity, stakeholders can establish a stronger connection with potential investors, reducing perceived risk further.

According to Table 6, the regression model's coefficient of determination (R square) is 0.168. This indicates that the regression model explains approximately 16.8 percent of the variance in perceived risk. The remaining 83.2 percent of the variation is attributed to other factors not addressed in this research. The significant unexplained variance highlights the need for further research to identify these factors influencing perceived risk. In the future, research could take a more inclusive approach by considering a more comprehensive array of factors to develop a more complete model of perceived risk in the Islamic capital market.

### The Role of Perceived Sharia Compliance as a Mediating Factor

The coefficient of determination (R Square) after including the interacting variables (model 3 in Table 7) is 0.254, with a significance value (Sig. F Change) less than 0.05. The coefficient of determination has increased by 0.086 from its previous value before including the interacting variables. This increase in the

coefficient of determination indicates that perceived Sharia compliance, as a mediating variable, strengthens the collective effect of Islamic capital market literacy, knowledge of SOTS, and religiosity on perceived risk. Based on these results, hypothesis H5 is supported. The interaction between perceived Sharia compliance and the three other variables explains 25.4 percent of the factors influencing perceived risk. This implies that a quarter of the variance in perceived risk can be attributed to these interactions, highlighting the significance of these combined factors on perceived risk.

This finding emphasizes the significant effect of perceived Sharia compliance on shaping investors' perceived risk. It enhances the model's explanatory power as a mediating variable, showing that investors' perceived Sharia compliance is essential to assessing risk in the Islamic capital market by strengthening the collective effect of Islamic capital market literacy, knowledge of SOTS, and religiosity on perceived risk.

Table 5. F-test output for the testing collective effect

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	301.228	3	100.409	19.478	0.000b
Residual	1494.925	290	5.155		
Total	1796.153	293			

a. Dependent Variable: PRI; b. Predictors: (Constant), RLG, LIT, KNL

Table 6. Determination coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.410 <sup>a</sup>	0.168	0.159	2.270

a. Dependent Variable: PRI

Table 7. Hierarchical regression analysis output

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.410 <sup>a</sup>	0.168	0.159	2.270	0.168	19.478	3	290	0.000
2	0.429 <sup>b</sup>	0.184	0.173	2.252	0.016	5.765	1	289	0.017
3	0.504 <sup>c</sup>	0.254	0.236	2.164	0.070	8.966	3	286	0.000

a. Predictors: (Constant), RLG, LIT, KNL

b. Predictors: (Constant), RLG, LIT, KNL, PSC

c. Predictors: (Constant), RLG, LIT, KNL, PSC, RLGxPSC, KNLxPSC, LITxPSC

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

According to this research, most respondents have a positive perceived Sharia compliance, with the highest positive response related to the periodic evaluation and delisting non-compliant stocks. In contrast, the lowest positive response was related to the effectiveness of the Sharia Online Trading System (SOTS) in preventing violations of Sharia principles and the criteria used to establish Sharia compliance. Regression analysis results indicate that Islamic capital market literacy significantly lowers perceived risk, while knowledge of SOTS and religiosity do not have a significant individual effect. Interestingly, when combined, Islamic capital market literacy, knowledge of SOTS, and religiosity collectively lower perceived risk. The regression model explains 16.8 percent of the variance in perceived risk. Furthermore, perceived Sharia compliance is a mediating factor that strengthens the collective effect of these three factors on perceived risk. This interaction explains 25.4 percent of the variance in perceived risk, emphasizing the importance of enhancing perceived Sharia compliance to strengthen the collective effect of Islamic capital market literacy, knowledge of SOTS, and religiosity on the perceived risk of Sharia-compliant investments within the Islamic capital market.

### Recommendations

Based on the findings of this research, it is recommended that stakeholders policymakers, regulators, and exchange members collaborate to develop comprehensive strategies to enhance public awareness and perceived Sharia compliance in the Islamic capital market and SOTS. This can be achieved by improving the transparency and communication of the periodic evaluation and delisting process for non-compliant stocks and the effectiveness of SOTS in preventing violations of Sharia principles. Additionally, initiatives to enhance Islamic capital market literacy should be prioritized, as it significantly lowers perceived risk. Although knowledge of SOTS and religiosity alone do not significantly impact perceived risk, their collective effect, when combined with Islamic capital market literacy, has a significant influence. Therefore, comprehensive educational and awareness programs that integrate these factors can help mitigate perceived risks, engage more people to

become Sharia investors, and maximize the growth opportunities of Indonesia's Islamic capital market. For future research, it is recommended to conduct a deeper exploration of various indicators and other factors influencing the perceived risk of being an investor in the Islamic capital market. This approach will provide more comprehensive insights and serve as a basis for developing more effective strategies for expanding the base of Sharia investors in Indonesia.

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