

FACTORS INFLUENCING INVESTORS TO ADOPT THE SHARIA ONLINE TRADING SYSTEM : AN EMPIRICAL EVIDENCE IN THE ISLAMIC INDONESIAN STOCK EXCHANGE

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Abstract

The study aims to identify the factors influencing the intention to adopt Sharia Online Trading System (SOTS) by stock investors in Indonesia. It uses structured questionnaires for data collection. Moreover, the data is obtained from the sharia stock investors using SOTS for stock trading. Out of 385 questionnaires completed by the respondents, only 336 were usable. The data was then processed using SEM Amos. The results of the study show that perceived usefulness, social norm and relative advantage have a positive and significant effect on the adoption of SOTS by stock investors. However, perceived ease of use and perceived riskiness do not have a significant effect on the adoption of SOTS by stock investors. For more diverse results, future researchers can expand the scope of respondents. Another factor, i.e., religiosity, can be used as a moderation in future research; it also needs to be explored by adding other variables such as trust, perceived cost, etc. This study provides some information about the factors influencing the intention to adopt SOTS by stock investors. In addition, the results of this study can be a reference for stock brokers in developing SOTS to attract more stock investors to adopt SOTS. Furthermore, for stock market regulators, they can make policies and regulations to encourage the increased use of SOTS. According to the literatures read by the author, there is no previous research discussing the factors that influence the adoption of SOTS in the sharia stock market.

Keywords: *Adoption, Perceived Ease of Use, Perceived Usefulness, Perceived Riskiness, Islamic Stock Exchange*

INTRODUCTION

Indonesia is one of the countries having the largest Muslim population in the world with approximately 231 million people or 90% of the total population with the largest Gross Domestic Product (GDP) in ASEAN and ranked 6th in Asian countries (Indonesia Stock Exchange, 2022). In addition, most of its population is in a productive age which is the strength for the Indonesian economy other than the investment grade country embedded by international rating agencies at the investment grade country level. The development of the Indonesian stock market from year to year is increasingly positive and promising. According to the data of December 2022, the number of stock investors in Indonesia has reached 10.5 million investors. As a country with the largest Muslim population in the world, Indonesia is concerned about the development of the sharia stock market. The sharia stock market has been established in Indonesia since 1997, marked by the launch of the first sharia mutual fund in Indonesia by PT. Danareksa Investment Management. The National Sharia Council of the Indonesian Ulema Council (DSN-MUI) has issued various fatwas on the Sharia stock market to support the development of the Sharia stock market in Indonesia. The year 2011 was the beginning of the great history of the Sharia stock market in Indonesia with the issuance of MUI Fatwa No. 80 on stock trading. In the same year, the Indonesian Sharia Stock Index (ISSI) was launched by IDX as a reference for stock investors in Indonesia to select sharia stocks. The IDX has won several international awards in term of sharia stock market development from the Global Islamic Finance Award (GIFA) from 2016 to 2022 (Indonesia Stock Exchange, 2022). Sharia capital markets are governed by the principles and guidelines of Sharia (Islamic law). The primary sources of Sharia are the Qur'an, Sunnah, Ijma' (popular consensus) and Qiyas (analogy). According to Sharia principles, all types of transactions must be free of usury, gharar (excessive uncertainty or ambiguity created by lack of information or control in the contract), and

maysir (chancy prospect or speculation). Hearn et al. (2010) identified that due to the limited focus on Islamic finance, there is a paucity of literature on the role and principles of sharia stock markets. Sharia stock trading does not allow the use of margin funds and is reviewed every 6 months by the authority and DSN MUI to determine which stocks is sharia compliant. An online trading system is urgently needed in stock trading so that investors can freely conduct stock transactions wherever they are and have quick access to information (Murhadi et al. 2021).

The number of sharia investors in the stock market amounted to 117,942 as of December 2022. This number is indeed very low compared to the total number of capital market investors that is 10 million investors. Based on this data, we can conclude that there is a huge gap between the number of regular investors and the number of sharia investors, i.e., the number of sharia stock investors is only 1% of the total number of stock investors in Indonesia. This is certainly an interesting matter to investigate why the adoption of SOTS is still low.

Service adoption in financial services refers to the process by which customers or organizations accept and begin to use the service. It includes the decision making and implementation stages that lead to the acceptance and use of services by customers. This research refers to the Technology Acceptance Model (TAM), Theory of Planned Behavior (TPB), and Diffusion of Innovations (DoI) theories. Research on service adoption has been widely conducted by previous researchers (Hanafizadeh et al., 2014; Yu, 2012; Saeed, 2011; Lin, 2011; Tan et al., 2010; Luarn and Lin, 2005), especially with regard to online transactional services. However, to the best of the researchers' knowledge, there are no studies related to online Sharia stock trading system (SOTS) because it has only been introduced in the last decade. Service adoption is an important factor for the success and sustainability of service-based businesses (Murhadi et al. 2023). With the increasing use of mobile devices, the adoption of online services is closely related to the ease of accessibility. Stock investors prefer services that provide a good experience across devices and platforms. Optimizing online services on mobile devices and providing mobile-specific features can increase service adoption rates (Ceci, 2023).

Previous research has shown that online services perceived as easy to navigate, understand, and use, tend to have higher adoption rates. Furthermore, their user-friendly interfaces, intuitive designs and simple processes contribute to a positive user experience and encourage customer adoption (Davis, 1989). Venkatesh et al. (2012) in their research identified that ease of use, perceived usefulness, social norm, perceived riskiness, relative advantage, security and trust are factors that influence the adoption of online services by customers. Moreover, Brown and Venkatesh (2005) confirmed that social norm, perceived riskiness and ease of use are factors that influence the adoption of online services by customers. Furthermore, perceived riskiness and relative advantage are very important factors in influencing customer adoption of online services (Zhou et al. 2007). Based on previous research and literature, the researcher tries to elaborate them on the sharia stock market that is now beginning to develop, so that it can be clearly seen the factors that will affect the intention to adopt Sharia online trading system services by stock investors.

LITERATURE REVIEW

The adoption of online trading systems and financial technology has received significant attention in various literatures; in this study researchers investigated various factors that influence investors to adopt SOTS. While studies specifically focusing on Sharia-compliant online trading systems in Indonesia are limited, this literature review provides a comprehensive overview of relevant studies investigating factors influencing the adoption of online trading platforms and financial technology that can be applied to the context of SOTS. Sharia Online Trading Systems (SOTS) refer to online trading platforms that adhere to the principles of Islamic law in their operations. This unique form of online trading has received attention from researchers in recent years as it meets the needs of Muslim investors seeking Sharia-compliant investment opportunities and facilitates the trading of sharia stocks.

Adoption of Sharia Online Trading Systems (SOTS)

The adoption of online trading systems has become an important issue in recent years as technology continues to be implemented in financial markets and investment practices. Understanding the factors that influence the adoption of online trading systems by investors is critical for brokers, regulators, and researchers. The following literature review provides an overview of studies that have examined various factors that influence the adoption of online trading systems. User-friendly online financial platforms, reliable security, and educational resources will increase adoption by stock investors (Chen et al. 2018). This comprehensive study examines various factors that influence the adoption of online trading systems by individual investors, such as perceived ease of use, perceived usefulness, perceived riskiness, trust, social influence, and self-efficacy as important determinants of adoption behaviour. Understanding investor perceptions and motivations is critical to developing effective marketing

strategies for online trading platforms. Based on the marketing perspective (Dufrene and Yambao, 2015), their study identified factors such as perceived benefits, perceived ease of use, perceived riskiness, compatibility, and social influence as key determinants of service adoption by customers. Other researchers who have examined the factors influencing the adoption of online services by customers include Kim et al. (2008), Huang & Rust, 2018, and Venkatesh et al. (2003).

Perceived Ease of Use

Perceived Ease of Use is one of the significant factors influencing the adoption and use of various technologies, including online trading systems. It refers to an individual's subjective assessment of the extent to which using a system or technology is easy and uncomplicated. Research conducted by (Davis, 1989) introduced the Technology acceptance model (TAM), which includes perceived ease of use as a key determinant of technology acceptance. The study highlights the importance of individuals' perceptions of the ease of using technology in shaping their intention to adopt it. It suggests that technologies perceived as easy to use are more likely to be adopted. Furthermore, Venkatesh and Davis (2000) developed the Technology acceptance model (TAM) and proposed the TAM-2 framework. It emphasizes the role of perceived ease of use as a significant determinant of customer attitudes and intentions towards technology adoption. This research highlights the direct and indirect effects of perceived ease of use on user acceptance and usage behaviour. Research on the effect of perceived ease of use on customer adoption intention of online services has been widely conducted by researchers. Legris et al. 2003; Tarhini et al. 2014 stated that there is a positive relationship between perceived ease of use and intention to adopt online transaction services. Based on the literature above, the researcher formulates the following hypothesis:

H1 : Perceived Ease of Use significantly influences the adoption of sharia online trading system.

Perceived Usefulness

The use of technology will have an impact on the acceptance of new innovations. Usability in the sharia online trading system means that the use of SOTS is useful for making investment-related transactions via mobile devices. This factor is also one of the significant factors in TAM-based technology adoption and is positively related to the adoption of online financial services. Mathieson (1991) compared the Technology Acceptance Model (TAM) with the Theory of Planned Behaviour (TPB) to predict users' intention to adopt technology. The study emphasized the role of perceived usefulness as a key determinant in both models. It confirmed that individuals' perceptions of technology usefulness significantly influence their intention to adopt and use the technology. Numerous studies have been conducted by experts to see the relationship between perceived usefulness and the adoption of online transaction services (Davis, 1989; Bhatti, 2007; Kim et al., 2007; Pavlou, 2003; Venkatesh, 2000; Venkatesh and Davis, 1996; Venkatesh et al., 2003). These studies explained that there is a positive relationship between perceived usefulness and intention to adopt online transaction services. Chau and Lai (2003) investigated the factors influencing customer adoption of online transactions. The study focused on perceived usefulness as a significant factor that encourages positive customer attitudes in adopting online transaction services. Based on the above literature, this study proposes the following hypothesis:

H2: Perceived Usefulness significantly influences adoption of sharia online trading system.

Social Norm

Social norms are formed by the influence of environmental social factors, i.e., the opinions, behaviours, and expectations of others, on individual decision making and behaviour. To understand the role of social norms in technology adoption, especially in the context of online stock trading systems, it is also necessary to understand the social dynamics of the environment affecting stock investors' adoption decisions. Venkatesh et al. (2003) introduced the Unified Theory of Acceptance and Use of Technology (UTAUT) including social influence as one of the main determinants of technology acceptance. UTAUT highlights the role of social norms in shaping individual beliefs and attitudes towards technology adoption by users. The study emphasizes that individual customers are more likely to adopt technology if they believe that important people around them (friends, colleagues, experts, or celebrities) have used the technology. Research on the effect of social norm on the adoption of online transaction services has been examined by many researchers (Hsu & Lin, 2008; Gupta & Harris, 2010; Kar, 2021; Puschel & Mazzon, 2010; Schepers & Wetzels, 2007), these studies identified that social norm significantly influences the adoption of online transaction services. Based on the above literature, this study formulates the following hypothesis:

H3: Social norm significantly influences the adoption of sharia online trading system

Perceived riskiness

Riskiness is one of the key factors affecting the implementation of sharia online trading systems. Since sharia online trading systems services by their nature use mobile devices and internet connections i.e. certain types of online applications or internet browsers, as well as secure internet networks, it is preferred by most risk-averse customers. Perceived riskiness refers to an individual's subjective assessment of the potential negative consequences or uncertainties associated with adopting or using a particular technology or system. Understanding the role of perceived riskiness in term of online commerce systems is critical as it influences customers' decision-making and adoption behaviour. Furthermore, the possibility of losing a smartphone may also discourage customers from adopting and using online transaction services. Pavlou (2003) in his research integrated the Technology Acceptance Model (TAM) with trust and risk, and found that risk is a significant factor affecting individual intentions and attitudes in adopting technology. This means that electronic transaction systems in the financial sector require electronic transaction mechanisms with a high level of security to allow customers to accept them and feel confident in using them.

Willingness to adopt online financial transactions is very high, especially when the level of risk is very low (Lovelock et al., 2001). This is because risk is essentially a consumer perception, not a characteristic of a product (Fain and Roberts, 1997). Furthermore, Laforet and Li (2005) identified that risk with security factors play a significant role in adopting online financial services. Financial services companies need to be able to overcome and reduce perceived riskiness in order to increase technology adoption by their customers (Featherman & Pavlou, 2003). Research on effects of perceived riskiness on the adoption of online transaction services has been widely conducted by previous researchers including Dai et al., 2014; Teo & Liu, 2007; Loiacono et al., 2007, they identified that risk factors play an important role in influencing customers to adopt online transaction services. Based on the above literature, this study proposes the following hypothesis:

H4: Perceived riskiness significantly influences the adoption of sharia online trading system.

Relative Advantage

Relative advantage is the extent to which a new technology or system is considered better than alternative or traditional methods. Adopting online transactions is much more efficient compared to the traditional stock transaction system using brokerage services or computers for transactions. According to Rogers (2003) and Karayanni (2003), relative advantage is known as the extent to which an innovation is considered better than the original idea. For example, mobile phones are now replacing traditional stock transactions through personal computers which are limited in accessibility, expensive and difficult to use out of network.

Rogers (2003) introduced the Diffusion of Innovations theory including relative advantage as one of the main attributes that influence adoption rates. This research emphasizes that individuals are more likely to adopt an innovation if they perceive it to offer significant advantages over existing alternatives. Research related to online transactions has been conducted by many world researchers (Vankatesh & Bala, 2008; Moore & Benbasat, 1991; Igbaria & Parasuraman, 1989; Park et al, 2012) identifying that relative advantage is one of the factors that influence customers' intention to adopt online transaction services. Therefore, this implies that the more relative advantage investors receive, the higher the likelihood that stock investors will adopt SOTS. Based on the above literature, this study formulates the following hypothesis:

H5: Relative advantage significantly influences the adoption of sharia online trading system.

METHODOLOGY

In this study, the questionnaire was designed and developed by reviewing and adapting questions from previous research studies (viz., Davis, 1989; Riquelme and Rios, 2010; Agarwal and Prasad, 1999; Kim et al., 2007; Gu et al., 2009). The questionnaire in this study was created using Google Form. It is used as a data collection tool and then distributed through social media (WhatsApp group, Telegram group, etc.). Before answering the questionnaire, all participants were asked to pass a screening question to ensure that the respondents meet the criteria set for this study, including: having a securities account at a sharia stockbroker, being a sharia stock investor, having made at least 2 stock transactions. There were 336 respondents who completed the questionnaire with the age above 17 years old living in Indonesia. The data were tested with reliability analysis and convergent and discriminant validity to ensure that the data are suitable for further analysis. This research uses quantitative analysis techniques using CFA (Confirmatory Factor Analysis) and SEM (Structural Equation Model) methods with AMOS to test the hypotheses.

RESULTS AND DISCUSSION

Research Result

The respondents are 58.9% male and 41.1% female. The largest number of respondents is in the age of 21-30 years (39.3%), followed by 31-40 years (33.6%), 41-50 years (22.9%), and 50 years and older (4.2%). Of the respondents, 53.3% have a bachelor's degree, 35.8% have a master's degree or higher, while 6.8% have completed high school. A total of 39.9% of respondents have been sharia stock investors for more than 3 years, and all respondents have installed the SOTS application on their mobile phones. The study used the convergent and discriminant validity tests to confirm the validity of the data, which resulted in an AVE value > 0.5 , which means that it meets the criteria for convergent validity. Moreover, for all constructs, the square root of the AVE is higher than the squared correlation, as shown in Table 1 which means it achieves discriminant validity (Fornell & Larcker, 1981). The results of the measurement model showed the following index of fit: IFI = 0.953, NFI = 0.933, RMSEA = 0.079, Chi-squared/df = 2.862; thus indicating the fit of the proposed model in this study. Hair et al (2006) stated that it is important to measure the validity before testing the structural model. Anderson and Gerbing (1988) suggested that convergent validity is acceptable when the standardized factor loading value is greater than 0.60. In addition, the Cronbach alpha reliability analysis showed that the constructs in this study were > 0.7 , indicating acceptable reliability (Cronbach, 1951; Tavakol & Dennick, 2011).

Table 1. Validity and Reliability

				Loading Factor	AVE	CR	Cronbach's Alpha
PERCEIVED EASE OF USE					.696	.901	.949
X3	<---	P_EASEOFUSE		.849			
X4	<---	P_EASEOFUSE		.883			
X5	<---	P_EASEOFUSE		.794			
X6	<---	P_EASEOFUSE		.808			
PERCEIVED USEFULNESS					.793	.920	.894
X10	<---	P_USEFULNESS		.907			
X11	<---	P_USEFULNESS		.805			
X12	<---	P_USEFULNESS		.953			
SOCIAL NORM					.726	.888	.852
X13	<---	SOCIAL_NORM		.849			
X14	<---	SOCIAL_NORM		.868			
X15	<---	SOCIAL_NORM		.839			
PERCEIVED RISKINESS					.718	.910	.939
X16	<---	P_RISKINESS		.809			
X17	<---	P_RISKINESS		.741			
X18	<---	P_RISKINESS		.916			
X19	<---	P_RISKINESS		.911			
RELATIVE ADVANTAGE					.679	.893	.883
X20	<---	R_ADVANTAGE		.682			
X21	<---	R_ADVANTAGE		.887			
X22	<---	R_ADVANTAGE		.885			

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		Loading Factor	AVE	CR	Cronbach's Alpha
X23	E R_ADVANTAG E	.825			
ADOPTION			.710	.880	.854
X24	<--- ADOPTION	.839			
X25	<--- ADOPTION	.818			
X26	<--- ADOPTION	.939			

(Source: Data Processed, 2023)

To meet the criteria for index of fit, the CFI, NFI, TLI, and IFI values should be greater than 0.9, while the RMSEA value should be less than 0.08 (Hair et al., 2006). In addition, since the AVE should be greater than 0.5 and the standardized factor loadings greater than 0.6, the AVE presented in Table 1 ranges from 0.679 to 0.793, thus indicating acceptable convergent validity (Hair et al., 2006). Goodness of fit model proposed is shown in Table 2. Chi-squared/DF, NFI, CFI, and RMSEA all meet the expected criteria for goodness of fit model. As shown in Figure 1, the relationship between the coefficients in the proposed model indicates that perceived usefulness has the greatest influence on intention to adopt SOTS, followed by relative advantage and social norm.

Table 2. Goodness of Fit

The Goodness of Fit Index	Cut Off Value	Model Test Result	Information
Chi-Square/DF	<3,00	2,862	Acceptable
NFI	≥0,90	0,933	Acceptable
CFI	≥0,90	0,953	Acceptable
IFI	≥0,90	0,953	Acceptable
TLI	≥0,90	0,934	Acceptable
RMSEA	0,05-0,08	0,079	Acceptable

(Source: Data Processed, 2023)

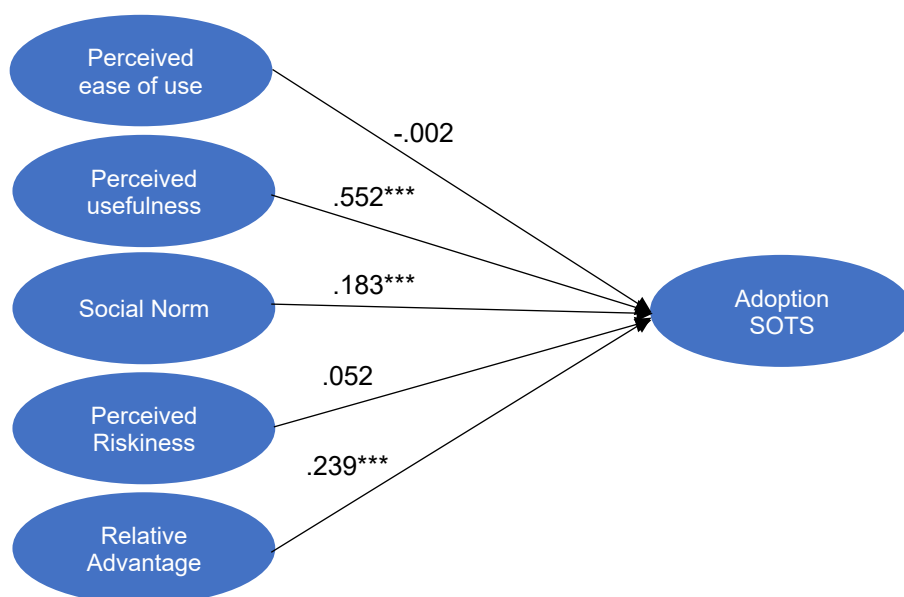


Figure 1. Structural Model and Relationships Between Variables

Table 3. Summary of Hypothesis Tests

	Hypotheses	Findings
<i>H1</i>	Perceived Ease of Use significantly influences the adoption of SOTS.	Not Supported
<i>H2</i>	Perceived Usefulness significantly influences the adoption of SOTS.	Supported
<i>H3</i>	Social norm significantly influences the adoption of SOTS.	Supported
<i>H4</i>	Perceived riskiness significantly influences the adoption of SOTS.	Not Supported
<i>H5</i>	Relative advantage significantly influences the adoption of SOTS.	Supported

Table 3 provides summary of overall hypothesis tests indicating that 3 hypotheses proposed are supported by findings and other two hypotheses are not.

Discussion

One of the contributions of this research is to highlight and emphasize the importance of perceived usefulness, social norm, and relative advantage, as these three factors have a significant effect on stock market investors' intention to adopt SOTS, while perceived ease of use and perceived riskiness do not. The previous studies mostly examined the factors of mobile banking adoption, while there is no research on Sharia Online Trading System (SOTS) in the stock market.

The results of this study indicate that there is no significant relationship between perceived ease of use and the intention to adopt SOTS by stock investors. SOTS applications, that are easy to use, easy to understand, and flexible do not influence stock investors to use them. This study refutes previous findings identifying that perceived ease of use has a positive and significant effect on online service adoption (Legris et al. 2003; Tarhini et al. 2014). On the contrary, this study found that perceived ease of use has no effect on SOTS adoption; this finding supports the findings of research by Gefen & Straub, (2000) and Pavlou (2003).

According to the research results, perceived usefulness has a positive effect on the intention to adopt SOTS by stock investors. This factor implies that if SOTS provides more effectiveness in transactions, simplifies transactions, and is useful in stock transactions, the higher the intention to adopt SOTS by stock investors happens. Research conducted by (Chan and Gupta, 2007; Kim et al., 2007; Venkatesh and Morris, 2000; Chau and Lai, 2003; Murhadi et al., 2021) supports this research and confirms the significant impact of perceived usefulness on SOTS adoption.

Then, through the results of this study, it can be seen that social norm has a positive effect on the intention to adopt SOTS by stock investors. This factor reflects that if using SOTS will make stock investors look different, more prestigious and trendy from others than others who do not use SOTS; thus, the higher the intention to adopt SOTS by stock investors. This study supports previous research conducted by (Hsu & Lin, 2008; Gupta & Harris, 2010; Kar, 2021; Puschel & Mazzon, 2010; Schepers & Wetzel, 2007) that social norm has a positive effect on the adoption of online transaction services.

In this study, perceived riskiness does not have a significant effect on the adoption of SOTS services by stock investors. This is different from previous research conducted by (Dai et al., 2014; Teo & Liu, 2007; Loiacono et al., 2007) which justified that perceived riskiness has a significant effect on intention to adopt online transactions application. Understanding the risks, doubts in transactions and doubts in data security make stock investors not adopt SOTS for stock transactions. This study supports previous studies conducted by (Xie et al., 2021; Lee, 2009; Sharma et al., 2020; Chopdar et al., 2018; Chiu et al., 2014; Nawayseh, 2020; Liu et al., 2019).

Last but not least, it confirms the previous research by (Vankatesh & Bala, 2008; Moore & Benbasat, 1991; Igbaria & Parasuraman, 1989; Park et al. 2012) confirming that relative advantage is one of the significant factors influencing customer adoption of online transaction applications. In this study, investors' enjoyment of interacting with SOTS, i.e., SOTS provides convenience and transactions using SOTS can increase the intention to adopt SOTS faster.

CONCLUSIONS

Based on this study, it can be concluded that the factors influencing the adoption of Sharia Online Trading System (SOTS) by stock investors in Indonesia are perceived usefulness, social norm, and relative advantage. These three factors have a positive effect on the adoption of SOTS by stock investors. Perceived usefulness has the greatest effect on the intention to adopt SOTS by stock investors, followed by 2 other factors i.e. relative advantage and social norm. This study provides several practical recommendations for practitioners and stakeholders in the Sharia stock market, especially stock brokers with SOTS applications. First, perceived usefulness plays a significant role in increasing the adoption of SOTS by Sharia stock investors in the Indonesian stock market. Therefore, stock brokerage companies should always pay attention to and improve the usability of the SOTS platform so that investors really feel its usefulness and convenience. Second, stock brokerage companies must

always innovate to bring a different taste to stock investors when using the SOTS platform, there can be a sense of pride aroused when using SOTS, because humans are social creatures who always need recognition from others and always want to look different from others. Finally, the benefits derived by stock investors when they use SOTS are also one of the supporting factors, thus, stock brokerage companies must be able to present appealing benefits for SOTS users such as discounts at certain merchants, reward points, etc., in order to increase the adoption of SOTS by stock investors. Moreover, the research can be used as input by stock brokerage companies to increase the adoption of SOTS by stock investors. Furthermore, it can also be an input for stock market regulators to make regulations that encourage the growth of the sharia stock market ecosystem, especially those related to the promotion and added value of SOTS to make it attractive to investors, so that it will ultimately increase the adoption of SOTS by stock investors.

Apart from validating previous research, the research has a weakness i.e. it is not inherently generalizable to other products or services due to the very different and unique characteristics of the stock market. Therefore, it is recommended to replicate the study by incorporating other types or characteristics of financial services companies that are different from this analysis, such as insurance, multi-finance, or fintech. In addition, this study has limitations of respondents which consist only of Sharia stock investors in Indonesia, so further research is recommended to adjust the research involving foreign sharia stock investors i.e. other countries with a majority Muslim population.

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