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**DO RELIGION AFFILIATIONS CONTRIBUTE TO  
INVESTOR INVESTING DECISION? A STUDY OF  
INTERPRETIVE PARADIGMS AND ETHNOGRAPHIC  
METHODS**

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**Abstract:** This paper investigated the contribution of religion to an investor investment decision in financial market. A survey involving 150 employees was conducted. The result indicated differences in investment choice decisions between Muslim and non Muslim respondents. There was large number of Muslims who choice stock market to place their fund based on the fatwa that issued by Majelis Ulama Indonesia (Indonesia Muslim council). In contrast, a majority of non Muslims do not have any objection to placed their funding in religion affiliated investment. Religiosity was viewed from a Interpretive paradigms and Ethnographic Methods and accordingly four sets of instruments were used : Descriptive questions, Ethnographic Analytic Interview, Structural questions and Contrast questions. Descriptive questions delivered to find out respondent response to varied questions, Ethnographic questions delivered to find out respondent uniqueness background characteristics and how is it influencing their preferences of investment. The structural questions delivered to find out respondent responses to specific questions on investment. While contrast questions was delivered to find out final decision a contrary choice in investment. The result showed that there is significant contribution from religious affiliation toward investment decision with limited implementation of code of standard and principle of the rules.

**Keywords:** Religion, Investment choice, Investment decision, Indonesia

## Introduction

Indonesia with a Muslim majority population and based in religiosity country has been implementing religion principle and standard in the financial market. The implementation of a dual financial system based on conventional and *Shariah* was a standard over the last ten years both in banking and stock market. Based on the data from BPS (Indonesia Statistical institution), 87.18% of Indonesian population are Muslim, 6.96% Christian, 2.9% Catholic, 1.69% Hinduism, 0.72% Buddhism and 0.133% are Confucianism (BPS, 2019). The data showed that Indonesian population have a strong believe in religion and it encompasses their daily lives including inferred their economic activities.

Delener (1994) stated that religion effect mostly on values, habits and attitudes of an individual where believers of religions will implement principle and creed of their religion in live including in choosing beneficial and ethical investment portfolio according to their religion. In Islamic context, investment activities considering *Maslaha* (benefit and blessing) instead of looking for a utility. Investment based on religion rules creates Muslim society that choosing to invest on a product based on *Maslaha* (Lehrer, 2004)

In Islam, investment are inseparable from role of faith. The Role of faith becoming standard of measurement since it delivers principle and standard of regulation that influencing human personality in term of behavior, life style, taste, attitude, resources and ecology. Faith initiate nature, quantity and quality of investment. Faith also delivers moral filter and motivating the benefit of income for effective objectives in investment (Mokhlis, 2009)

Based on above reason, this study is necessitated by the uniqueness of Indonesia religion industry. Religion in Indonesia is a strong determinant of one's behavior to the huge influence on investment outcomes. Religion in Indonesia commands huge economic force and shape economic consideration. This present study seeks to find the extent and contribution of religion toward investment decision of investor. In particular. The study seeks to find whether religious person will consider their religious code, norm, standard and creed when making decision on investment.

## Literature Review

Religion derives from the Latin word *Religare*, which mean binding. In an Arabic word called *Tadayyun* which mean *nara'un*, *Taqwa* which means "being prudent, obey" (Uwaidah, 2010). Until now, the interpretation of religion came in many derivations and no consensus on the precise meaning. However, we all agree that religion is considered an important variable influencing people's decision. A study from Guiso *et al* (2006) showed that the measurement of economic performances must consider factors beyond scientific and statistical measurement including religion variables.

Holton (2004) finds that religion affect economic ethics based on the adaptation of its believer toward religion on daily lives. While, in a large context a study from Guiso *et al* (2006) examine the impact of religiosity on macroeconomic aggregates through the increase of income and income growth. The increase of income and income growth due to religiosity factor were also explained by Tahir and Brimble (2011) with findings that suggesting faith toward religion will affect one's obedience on an Islamic product where it is leading to variety and power in choosing.

Shoon and Nuri (2012) in their study claim that religion has interferences many aspects of life including the design of financial regulation, standard and instrument with the ability to change investor perceptions on certain products. On the contrary, several researchers found that religion has a weak correlation with one's investment decision. A study from Malik (2004), found a weak correlation toward investor decision. The study was conducted toward the member of religion association. However, Migheli found that trust and relation among religion associate believer are the one that influencing investment decision.

Benjamin *et al* (2010) reveals that among religious believer, there are tendency to give support to each other and this will contribute to sense of belonging and trust between each other where they seldom asked for

opinion and vice versa. Benjamin also stated that among religion believer, Christianity and Jewish are having the strongest sense of belonging to a community since they have pre-activities after religious activities.

A study from Arrunada (2010) by using Prisoner's Dilemma game shows that every religion attribute to different influences, the strongest one would be in Christianity with strong involvement in professional work and the weakest is Hinduism since the religion teaches to be more focused on achieving peace and remove wealth detachment.

There is no doubt that religion contribute to one's person live. However, further research needed to prove whether religion contributes and affect one's decision, particularly with Indonesia characteristics and uniqueness.

## Methods

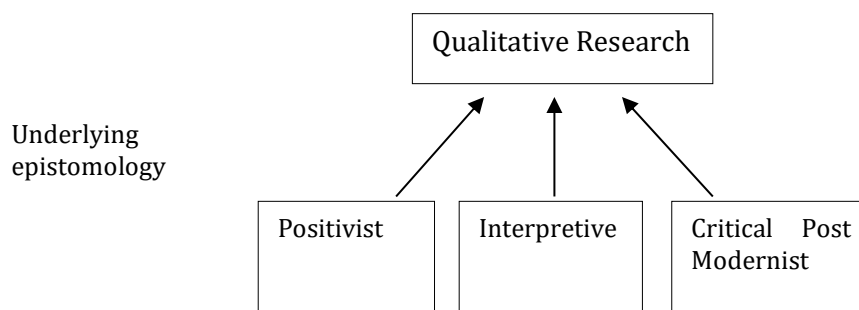
The purpose of this study is to examine the role of religion on the individual investment choice decision. In particular, the study sought to identify whether religious affiliation and religiosity affect individual decision to choose to invest in financial markets.

### Research Method

The type of research to be carried out is causal research. Causal research is research that aims to measure the relationship between variables or to analyze how the influence of a variable on other variables (Tahir and Brimble, 2011). While the data collection method is used Interpretive Paradigms and Ethnographics Methods.

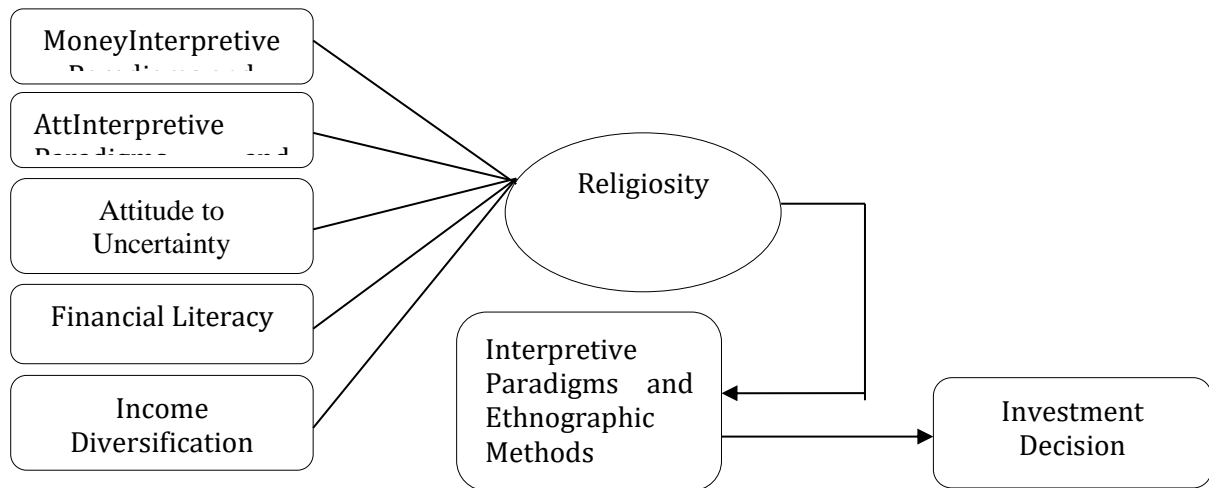
The research design for this study is a descriptive and interpretive case study that is analyzed through qualitative methods. Direct Interview were used to evaluate respondent responses toward delivering the questions. A descriptive statistical method was used to analyze the respondent answers, consist of ; participant observation, face-to-face interviews, focus-group interviews. Furthermore, the justification for each of the data collection methods used in the study was discussed. Respondents in this study were 150 employees in West Kalimantan, Indonesia with respondent requirements as follows (age between 25 - 55, work experience of 3 years and earn a monthly income of 3 million Rupiah per month)

**Figure 3.1 Underlying philosophical assumptions**



Source : Gephart, (1999)

Gephart (1999) classified research paradigms into three philosophically distinct categories as positivism, interpretivism and critical postmodernism. This threefold classification is considered ideal for this research, particularly on the intepretive section because these three categories can be used to conveniently place the more specific psychological and sociological theories used in the field of social sciences research.

**Figure 3.1 Conceptual Framework**

## Data Analysis Method

### 1. Interpretive Paradigms and Ethnographic Methods

The interpretive paradigm is used because this paradigm views reality as something that is subjective, created, discovered and interpreted. This paradigm understands the nature of humans as creators of their world, and creators of meaning, so that knowledge built with this paradigm is common sense, inductive, ideographic that emphasizes meaning and is not free of values. The purpose of the interpretive paradigm is to interpret and to understand social phenomena (Sarantakos, 1993), so that it is relevant to be used in this study aimed at interpreting the contribution of religion affiliation toward investment decisions in Indonesia.

To reach this goal, researchers used the ethnographic method as a research method. According to Haris (Crouhy *et al*, 2007), ethnography is a qualitative design in which a researcher describes and interprets the patterns of values, behavior, beliefs and language that are learned and adhered to by a cultural group. Ethnography is also known as part of the history of science that studies society, ethnic groups and other ethnic formations, ethnogenesis, composition, displacement of residence, social welfare characteristics, as well as their material and spiritual culture. Ethnography is often applied to collect empirical data about society and human culture. Data collection is usually done through participant observation, interviews and questionnaires. This scientific aims to explain the state of the society being studied (for example to explain someone, an ethnos) through writing.

Associated with the nature of reality, interpretive paradigms perceive reality is plural and holistic. Researchers interact directly with the subject in the field in a mutually binding relationship (value bound), the research process takes place in a cycle (not linear), aims to develop theories, and the final results or findings are open ended, meaning that the research findings are still open to criticism, revision, even to blame (being falsified).

**Figure 3.1**  
**Focus on Ethnographic Research**

No	Steps of Ethnographic Interview
1.	Determining Respondent
2.	Having an Interview with respondent
3.	Making Ethnographic note
4.	Delivering Descriptive Questions
5.	Delivering Ethnographic analytic Interview

6.	Making domain analysis
7.	Delivering structural questions
8.	Making Taksonomic Analysis
9.	Delivering contrast questions
10.	Making component analysis
11.	Finding culture themes
12.	Ethnographic writing

Source : Spradley (1997 : 181)

**Table 3.1**

**Description on Ethnographic Question**

<b>Descriptive Questions</b>	<b>Ethnographic Questions</b>	<b>Structural questions</b>	<b>Contrast questions</b>
Questions given to the events, situations and actions that they are involved with; and of the accounts they give of their lives and experiences;	Questions given to understand the particular context within which the participants act, and the influence this context has on their actions;	Questions given to Identified unanticipated phenomena and influences, and generating new, grounded theories about them;	Questions given to avoid bias in assuming and delivering a contra situation with a reality question that previously give to respondent

Source : Spradley (1997 : 181)

**Table 3.2****Listed Interview questions for the Ethnographic Methods**

<b>Variables</b>	<b>Descriptive Questions</b>	<b>Ethnographic Questions</b>	<b>Structural Questions</b>	<b>Contrast questions</b>
a. Money Habit	1. What is your view about money ? Is it as tools to achieve objectives ? Or as tools to maximize wealth	When you receive a lot of money, do you correlates your feelings with a religious believe that stating : materialism is not important ?	Have you ever experienced lost in investing and how many times; 1 x ? more than 1x	Which financial product below that you prefer ? Conventional bank or <i>Shariah</i> bank ? why ?
	2. From your experience with money, is money bring harm or goods in life ?	When you receive money, do you find it as monetary blessings ? With reason that you would be able to use the money for charitable purposes.		
	3. How many percentage of your assets are in the form of money ?	When you received money, do you feel satisfied and it gave a sense of purpose in your life ?		
b. Attitude to Risk	1. Are you afraid to lose your money	You strongly believe that God will provide you a secure life as long as you work hard.	When you experienced lost, how are you feeling about it ? Dissapointed, sad or angry ?	According to you, why is stock market differ from gambling ?
		You have a positive outlook on your future and what it holds for you		
	2. Do you trust third party or financial institutions to manage your money ?	Do you agree that risk occurrence is a part of financial struggle or sacrifice that you have to make ?		
	3. How do you put yourself, your family and friends while facing with risk ?		From where did you knew about types of investment product in	

			financial market ? television, internet or social media ?	Compared to the conventional investment ? what is the predominance of religious principle invested ? For example, <i>Shariah</i> investment ?
Attitude to uncertainty	1. How do you explain stability and steadiness in your life ?	How do you view this statement “higher investment risk are activities that is similar with gamblings”		
		Uncertainties in your religion are something that preventable. Has this statement been relatable with your current investing situation?	Do you know the differences between risk and uncertainties ?	
	2. Do you like a surprise ?	Probability is always occurring in investment. The chance always 50;50. 50% for a good luck and 50% for a bad luck. Are you personally believing in luck ?		Compare and choose between this two option : a. a sure gain of Rp. 1.000.000,- b. 25% chance to gain Rp.1000.000 and 75% chance to gain nothing
	3. Islam prohibits the act of taking abnormal return toward misfortune and volatilities. Are this statement relates with current situation?			
Financial Literacy	1. Are you familiar with financial product ?	When you are seeking knowledge/information about a financial product, you are also tends to also combines it with your religious view on that matter	How many times in a day, have you thinking about your investment ? None, one time, more than once	

	2. What are financial product that you currently use ?	You are certain about the available information on your investment and you don't have to ask for an approval from a trusted source of your religion		Which one you choose : a. an integrated conventional and religious system b. Separated conventional and religious system
	3. Did you know that several financial product are not protected by government ?	You are actively seeking information and knowledge from trusted sources of your religious affiliation, either from friends, religious leaders or religious holy books		
	4. Did you know that in several financial product you would be able to experience severe financial loss ?			
Income Diversification	1. Did you believe with "the higher the higher the return"?	Do you believed that to be living is to be focus on long term including in form of investing		
	2. How many investment portfolio are you currently have ?	Do you believe in life after death ?		
	3. What is your investment currently with high investment risk ?	If you are believed in life after death, do you also believed that it is not significant to bring your wealth to life after death ?		
	4. Do you invest your money in portfolio for short term or long term period ?	When you are investing on financial product, you are also considering the flexibility to withdraw your monet in a more trusted portfolio of investment based on religious principle		

## Data Presentation

Table 3.3 Respondent Profile (N=500)

Valid Percent (%)			Valid Percent (%)		
Gender	Male	63,64%	Professional Experience	Less than 5 years	78.2
	Female	36,36%		5-10 years	13.4
Age	30 and below	2,10%		11-20 years	7.7
	31-35	8,39%		More than 20 years	0.7
	36-40	30,07%	Monthly Income	Less than or equal to Rp. 3.000.000	12.3
	41-45	34,97%		Between Rp. 3.000.000 until Rp. 5.000.000	22.3
	46-50	16,78%		Between Rp. 5.000.000 until Rp. 7.000.000	53.2
	51 and above	7,69%		Between Rp. 7.000.000-Rp. 9.000.000,-	10.7
Ethnicity	Melayunese	26,12%		Between Rp. 9.000.000-Rp 11.000.000	0.7
	Chinese	24,43%		Above Rp. 11.000.000	0.9
	Dayaknese	22,14%			
	Maduranese	17,56%			
	Other Ethnics	9,16%			
Religion Affiliation	Islam	46,15%	Highest Education	Junior High School	14,69%
				Senior High School	53,85%
	Protestant Christianity	16,15%		Diploma	7,69%
	Catholic Christianity	15,38%		First Degree	13,99%
	Hinduism	11,54%		Masters	14,69%
	Confucianism	10,77%		Phd	9,09%

Table I presents respondent profile, where from 150 respondents , 63,64% are male and 36,36% are female. The median age of respondents was 35 while the youngest one is 27. The range of age of respondent affecting the maturity of decision where the older the person the more mature they are to decide something

based on experience and knowledge. A study from Norenzayan and Shariff (2008) proved that people with mature age decide wisely compare to the people who are younger since they are equipped with more better knowledge and experience.

From an ethnic composition, the majority of respondents are Indonesian malays followed with Indonesian chinese, maduranese and the last one is dayaknese. This fact also stated the obvious that two largest ethnics in West Kalimantan are placing the largest workforce including in government and business sector.

Ethnicity profile also explaining about religion affiliation where Melayunese are mostly affiliated with Islam, Tionghoa with Christianity and Confucianism, where five religions that acknowledge by state were also affiliated with rest of the populations in West Kalimantan.

The profile also describes the level of education among respondent and 13,99% of respondent are well educated and have already completed Bachelor degree. The higher education level of respondents also describing capabilities of investment decision based on the knowledge that involve in processing and analytical thinking. Respondent also has experience professional life form more than five years with (13,4%), this percentage showed that the respondent not only have income source but also stability in a secure job.

Level of income among respondent are varied with average of Rp. 5.000.000 – Rp. 7.000.000 (53,2%) this profile showed that respondent are having the ability of spending and invest their income on investment portfolio.

### **Component Analaysis**

From the ethnographic interview that we conducted with 150 respondents, there are a strong contribution between religious affiliation toward respondents investment decision particularly in respondents attitude toward one portfolio's.

#### **1. Religious Affiliation Toward Money Habit**

This questions intrigues the deep sense of money; for some respondents (72%) of them stated that money are just tools to achieve their objectives. They are well aware that money will eventually less important that the objective itself. Most of the respondents who answered this question are married and having children which makes their money habit are moving as a tool to make their family happy and fulfill. While, 38% of respondent stated that money is the tools to accumulate wealth and making sure that in the future, their lives are still fulfilled. This percentage of respondents are mostly below the ages of 31 and some are still not married yet, which explain their money habit are revolve around money stock pilling and overcome future uncertainties.

The second part of the ethnographic interview was delivered to find out how is money associated with respondent religion. In summarization the question consist and build based on the nuance or feelings when respondent receive money where 80% of the respondent assure that they money they receive were part of blessings and its is an obligation of individual to distribute the blessing to other parts of community in form of charity as part of their responsibility to the community.

The rest of respondents where 20 percent of them stated that they dont affiliates their money with religious affiliation. Thus, making the also answering the last questions where they have chosen the conventional product of investment since according to respondents perception, there are no differences between the conventional and *Shariah* portfolio.

According to Hassan (2009), Religion has established a strong position determining people's attitude toward money. Financial system entirely built on faith where the money has value because we agree it has value where it described a faith-based economic system. Respondent habit toward money describing that almost 80 percent of them agreed that money are just tools and financial product should able to deliver products that fulfilling the nuance of their religious affiliation.

## 2. Religious Affiliation toward Attitude to Risk

One of the respondent in his transcript interview respon to the questions with “I am a risk averse person”. I tend to avoid any risk that associated with my investment”. While, another respondent responds to the questions with “I am afraid to lose my money, since I am the bread winner of my family and according to our religion it is the obligation for a man to provide for his family”.

Religion taught that “we can’t live without another person in our lives” which can be translated as on person sometimes becoming the caregiver for the whole family, while another could be a leader to their community. The question revolves around the capabilities of respondent to cope with risk, such as lost and loosing money in investment which address the nature of human (Arrunada, 2010).

However, every religion also taught about assurance and believe in God. Islam provides detail instruction on how to manage various types risks, including risk that occur in investment and business risk. Chapra (2008), defining risk in *Shari’ah* as “promotion of the well-being of the people, which lies in safeguarding their faith (*din*), their self (*nafs*), their intellect (*‘aql*), their lineage (*nasl*) and their wealth (*mal*)”.

The tolerable risk in investment describe on the importance of overcoming and managing risk efficiently. However, there are certain risk parameters for investor when they are dealing with risk that associated with the investment. The parameters would be; the risks can be minimized, but they cannot be totally eliminated. Total avoidance of essential risk is prohibited because it means the risk is shifted to the other contracting counterparty.

The listed question on the ethnographic interview describing the parameters and seeks to find out whether respondent familiar with the associated risk. 70% of respondent showed as a strong connection with their religion, particularly with the sense of security that creates by having a strong faith. This sense of security and stability occur due to a journey of obedience that resulting into a strong assurance within the scope of faith the lost will be replace with something better and provide them in the near future.

Respondent also believed that the chance to have risky investment is minimum if they are investing in a religious based portfolio, for example, Bank *Shariah*. The reason is that Bank *Shariah* delivered a banking product that adjusted according to the *Shariah* principle where one of the principle is *Maqasid al-Shariah*, which means there are no certain party having excessive lost due to certain circumstances (Damodaran (2007).

On the last part of the interview, which is contrast questions, 70% percent of respondent give a clear statement that they would choose a religious affiliated investment decision in financial markets. This statement also acknowledged with different religious beliefs where they have no hesitation in choosing another religion based principle investment portfolio.

## 3. Religious Affiliation toward Attitude to Uncertainties

Uncertainties is a condition where future events are largely unknown. Since, the events are unknown, the outcome is also unknown (Crouhy, Mark, & Galai, 2001). Respondent affiliation toward uncertainties showed that they are unaware with the uncertainties relates to their investment. However, since we began the structural questions with whether respondent knew the differences between risk and uncertainties, we are able to provide a follow up questions which are a contrast questions where we ask respondents to choose and compare between two options consist of risk and uncertainties.

In a response to the questions on uncertainties, a religious person considers it as a barrier in investment which they cannot overcome since it is uncontrollable and it is best for them to turn over the process God. The ability of someone to surrender toward the result were related with how human perceived their past, current and future situation (Crouhy, Mark, & Galai, 2001). Past situation relates to how respondent state it with current and how their currents reflects their future. In Investment decision, respondent past

background relates to risk and uncertainties and how they projected toward their current investment of choice. Between structural and contrast question, respondent were directly herded to choose between the conventional or religious based system in which this case *Shariah* principle.

The result showed that 60% of Muslim respondent will choose *Shariah* investment since they are aware of the religious benefit and the rest Muslim respondent choosing conventional investment based on the reason of flexibility and familiarness. On the contrary, 80 percent of non Muslim respondent do not have any problems choosing investment relates to other religions affiliation. In this case is, half of non muslim respondent choosing *Shariah* principle investment on the reason of ability to reach out since the number is growing in Indonesia.

#### 4. Religious Affiliation toward Financial Literacy

From descriptive until contrast questions that we deliver to respondent we able to conclude that respondent aware of conventional financial product while on the contrary, they are not aware with the *Shariah* financial product since it is related with term in Arabic and the product is not user friendly. Interesting statement came from 30% of the respondent as a response to a structural question on whether they are actively seeking information about *Shariah* investment product or any other religious affiliated product, where 30% of them explaining that they are not actively seeking for information however they have the utmost trust since *Shariah* investment product is approve by Indonesia Financial Authority and has been vouched by official Indonesia Islam Council (MUI).

According to OJK, there are approximately around 38% of non Muslim of *Shariah* banking consumer in Indonesia with reason of choosing are performances, rating, efficiency and cost effectiveness, institutional transparency and the implementation of prudential standard (OJK, 2019). MUI (Indonesia Muslim Council) release investment product that classified according to *Shariah*, which is : *Shariah* bank, *Shariah* stock market, Reksadana *Shariah*, *Shariah* bond, *Shariah* Insurance and *Shariah* financing where all of this *Shariah* portfolio and being review once in 6 month were they have to comply to the rules of *Shariah* principle, where the screening process are conducted to grade companies through the fitness of fulfillment of *Shari'ah* rules. The screening process is different from one country to another, but still the main requirement to justify one company fitted the *Shari'ah* principle is that the company does not implemented *riba* or interest (MUI, 2019).

#### 5. Religious Affiliation toward Income Diversification

Income diversification in general reducing the risk portfolio failure. This strategy leads to greater diversification of income sources, which might help individuals to reduce risks and stabilize profits (Markowitz, 1952). However, a respondent who invests the money might earn loss by expanding to non-interest investment. Several non-interest investment are associated with much higher risk than other investment and, therefore, they could contribute to a destabilization to the whole individual incomes.

Questions on the income diversification were designated to find out the ability of respondent to diversify their money through different sources of income and the flexibility to move their funding to a variety of investments. Questions in the interview started with questions on whether respondent believe on the term “the higher the risk, the higher the return” where 90% of respondent answered were believe on the statement agreed with the underlying risk along with the preferred investment. Despite, the belief on higher risk comes higher return, 78% respondent choose to invest their money in savings and did not have any objection to invest in religion affiliated investment which means in *Shariah* bank.

As respondent aware that savings gives lower returns, they also aware of the sense of certainty and assurance in given by portfolio such as saving. In psychology, this action known will contribute to the the highest utility expected, which is known as rationality (Puspitaningtyas, 2012). Rationality is an important part in the process of decision-making which has a high degree of uncertainty. In the theory of rationality, investors will calculated related factors around their lives, including : future stability, family and assurance (Nofsinger, 2010).

Respondent responses toward the given contrast questions describe that they are not giving specific attention on whether government providing conventional and religious affiliated investment as long as both platforms provide the ability for investors to diversified their income.

## CONCLUSION

The constructivism of religion is to provide their believer with a based off a moral code associated with religion, as some cultures identify themselves by their religion. In this case people behavior results into social norm and expectations associated with that particular religion. Religious follows decisions are influenced by the moral code of their chosen religion.

In Indonesia, Muslim is regarded as the majority religious group while Christianity, Buddhism and Hinduism as the minority religious group. The study, interpretive paradigms and ethnographic methods find that respondent has perspective based on their religion belief where; Muslim investor are affiliated with Islam follow Islamic religious principles and avoiding investment that associated with alcohol, pornography or gambling. The extension to the implementation is that they are avoiding interest fee based system, thus explaining the dual banking system in Indonesia. Christians are investor who is affiliated with Christian follow a range of belief from liberal to conservatism where in the implementation they are certain that by working hard (conservatism) lead to wealth (liberalism).

The ethnographic interview also reveals that despite the development of religious affiliation investment in Indonesia, the investor still considering familiarity and flexibility to gather information. In the case of *Shariah* investment in Indonesia, both Muslim and non Muslim are having difficulties in digggesting term in *Shariah* where most of the term are in Arabics and it is not users friendly.

These results suggest that religious affiliation contribute in investment decision within the scope of guidance and maintain rules of conduct. However, in the implementation religion code of moral and creed should be able to mingle with conventional investment since respondent is aware that this two are not separable in Indonesia financial systems.

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