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### Do the Risk Variable Moderate Investment Decisions in the Economic Behavior of Young Moslem Entrepreneurs? A Conceptual from the Islamic Economics Perspective

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#### ABSTRACT

This conceptual study has the purpose to find out about the factors that influence investment decisions of young Muslim entrepreneurs from the perspective of economic behavior formed on the basis of their religious knowledge. From several studies that have been done before, the author will build a conceptual study for further research. The study examines the pattern of relationship between the dimensions of the behavior of a Muslim entrepreneurs and the investment decision dimension through risk factors in accordance with the provisions in Islam as a moderating variable that strengthens a Muslim entrepreneurs in making decisions. Therefore, the authors will explore the previous research related to investment decisions and economic behavior of Muslim entrepreneurs as the basis of studies for future research development. This conceptual study will provide a conceptual definition of the influence of young Muslim entrepreneurs' behavior on investment decisions based on an Islamic economy.

**Keywords:** Young Muslim entrepreneurs, Investment Decisions, Islamic economics

#### 1. INTRODUCTION

The world of entrepreneurship is not a new thing in Islam respectively. The prophet Muhammad SAW has exemplified in his daily life as an entrepreneur (Haekal 2014). The growing number of Muslims who become successful entrepreneurs in the world also reinforces this and Islam always encourages all Muslims to become innovative and active entrepreneurs. However, because basically all things done by a Muslim is based on the religious rules that already exist in the holy book that is the Qur'an and

hadith, the world of entrepreneurship and behavior as a businessman should still refer to the existing provisions.

The growing phenomenon of young people who are interested to become entrepreneurs is an interesting thing to explore. The role of young entrepreneurs in the economic upheaval has been increasing in the last few decades. Entrepreneurs can be created through education (Ajzen1991) increasingly adding to the long list of new young entrepreneurs. This of course cannot be separated from the characteristics of young people who are passionate, risk-taking, innovative and creative. But these characteristics are often inconsistent with the influence of religious and cultural factors. From the previous empirical research it was found that the influence of religious factors did not provide a significant relationship to economic behavior in society (Januari 2013). This is probably caused by other factors that influence more dominant to the formation of individual behavior itself. A cultural factor for example, in some areas of individual behavior is strongly influenced by the culture prevailing in the environment.

The increasingly successful Muslim entrepreneurs in the world are one of the indicators of the growing world of entrepreneurship among young Muslim entrepreneurs (Smale, 2014). This increase is interesting to examine in relation to the prevailing religious understanding of Islam. This success will affect the level of financial ability for the entrepreneur itself. In conjunction with this financial capability comes investment decision thinking for them in an effort to increase income in the future based on the experience of financial investment that has been done such as buying shares or other investment products (Lizard and Tulane, 2008).

The investment itself is a financial allocation or the resources it has to gain a profit in the future. Investment can be realized in various forms (Warsono, 2003). It can be in the form of securities, assets and even in the form of knowledge that we often call human capital investment. Generally an investment hopes to get the most profit from the financial allocation or the resources it releases by minimizing the level of risk that exists. For example on securities, investments expect to benefit from interest, capital gains/losses and other benefits.

The increasingly diverse types of investments offered today offer many options for investors to allocate funds. Including several types of sharia investment, instruments as part of an alternative form of investment that considers aspects of religious rules in this case Islam.

The decision of an investment is always based on interests by considering where, when, how and how much profit can be made from an investment. Some people will need other people to put in a decision called an investment advisor and some decide without consulting. Decisions that do not use consultants are usually based on experience and strategy in investment placement. These experiences and strategies depend on many things including the conditions in each individual, the allocation of available resources, opportunities available, macro and micro economic, and socio-cultural conditions.

The decision to invest is also strongly influenced by several factors. People's habits in behaving economically are one of the important influences in a making of decision (Mask, 2010). Educational backgrounds also often influence how individuals make decisions. Research that has been done the level of education does not necessarily provide investment knowledge that result in adequate experience of the investment itself (Kansal and Singh, 2015). Demographic factors in this age (Singh 2010) and politics as well as economies in a country participate in influencing investment decisions (Le2004).

From the research that has been done, there is one interesting thing that needs to be studied more about the influence of economic behavior of young Muslim entrepreneurs to investment decision, especially investment that is sharia by considering the risk factor. The economic behavior of a young Muslim entrepreneur is interesting to be studied because psychologically, they have a positive, creative, innovative, communicative and highly motivated mental attitude but with reference to the Qur'an and Hadith in making investment decisions from the prescriptions of religious rules that they believe. There are several things that are factors driving the economic behavior of Muslim entrepreneurs based on their religious knowledge in making investment decisions. In this article, we will examine what factors are driving the economic behavior of young Muslim entrepreneurs in investment decisions.

## **2. THEORETICAL AND CONCEPTUAL FRAMEWORK**

The study of how an individual in making economic decisions by economic theory is called economic behavior. In the study of economic behavior of science provides empirical evidence from research on how the society has different behavior in different situations.

Entrepreneurs who are often called small entrepreneurs are new business players designing, launching a new business that is early and still small who offer products or services. (Vargas-Hernandez et. al, 2010) An Entrepreneur is a person who engages in entrepreneurial activity characterized by clever or talented to recognize new products, determines new ways of production, organizes operations management for new product procurement, markets, As well as managing its operating capital Because their new business usually builds systems, organizations and management with various risks to generate profits. Risks faced by entrepreneurs are limited funds, missteps or the impact of the economic crisis, and distribution channels. Entrepreneurs usually take advantage of the opportunity without identifying the benefits to be gained. They do not consider much business, financial or other social factors (Wahyudi, 2013).

In terms of employed employees, entrepreneurship is usually still very little while in terms of products produced by a small entrepreneur is usually a pioneer of a new product or service. Although not always, an entrepreneur has a positive perception of the newly launched business and is willing to take risks of the opportunities and opportunities it does.

According to Swiss-German studies in 2013, the character difference between workers and employers is if the worker is a specialist but an entrepreneur is someone who has dabbled in various skills and gained expertise by focusing on one. Entrepreneurs are different from employees because they have to be quite conversant with the set of entrepreneurial skills. While employees are specialists who worked for others and the incorporation of talents of those specialists is done by entrepreneurs (Baer 2015).

According to Baer, individuals with balanced skills are more likely than others to become entrepreneurs. Research from Stanford alumni data found that work variations and educational backgrounds are far more likely to start their own business than those who have focused on a single role at work or are concentrated in one subject at school.

An important key of an entrepreneur is the growth and expansion of the organization through innovation and creativity. Characteristics of Entrepreneurs According to McClelland in Wahyudi(2013) are: (1) The desire for achievement (2) The desire to be responsible (3) Preference to middle risks (4) Perception to the possibility of success (5) Stimulation by feedback (6) Energetic activity (7) Orientation to Future (8) Skills in organizing (9) Attitudes toward money.

In Islam other than regulated about the life of religion also the fulfillment of the need for the economy is also important so that one way such as earning a living productively is through engaging in economic activities that provide the real economic needs of society. Thus, by engaging in entrepreneurial activity, Muslims can fulfill their religious duties to please God (Hassan and Hippler, 2014).

As a Muslim entrepreneur according to Faizal et. al., (2013) and Foziaa et. al., (2016) have dimensions among others are Taqwa as framework, Halal as the main priority, not to waste Time, Worship to God is the Priority, Having High Moral Values, Trustworthiness, Concern for Welfare and knowledge. This dimension as a measure of a Muslim entrepreneur in economic behavior is included in the decision making of an investment as part of economic behavior.

In a making of decision where elections between alternatives should be considered (1) There is an option on the basis of logic or consideration; (2) There are several alternatives that must be and choose one of the best; and (3) There is a goal to be achieved, and this decision gets closer to that goal. Similarly, the risk factor in an investment decision must also be based on the above three things.

For small investors, they will exert any ability, knowledge and experience in managing finances to get the best investment. Decisions are influenced by the cognitive and psychological based economic behavior. Studies on the psychological influence on individual investor behavior are driven by some psychological factors such as conservatism, beliefs, opportunities, representations and information. The results of the research (Abhijeet 2010) helped in understanding aspects of individual investor behavior.

Chavali (2016) concluded that acceptable demographic and risk factors (Risk Tolerance) affect the investment decision of an individual investing. The demographic factors investigated were gender, occupation and age. Of the three variables, only gender has a big influence on the choice of investment type. Kendall test mentions family and friends factors have a big impact on investment decisions compared to news in newspapers, televisions, agents and the Internet.

The level of risk that the investor is willing to bear with other investors is not alike even if his personality is the same (Kristina 2011). Still in Kristina, Malinda's study (2005) mentioned that high self-efficacy has a significant effect on investment decisions. The type of work determines the level of preference to the acceptable risk. (Kurniati, et al in Triono2010) also concludes the same thing about self-confidence having a significant relationship with someone in the risk of an investment. Research from Gilliam and Grable (2010) stated that women predict under estimation for risk factors while men are otherwise against acceptable financial risk. Similarly with other studies, there is evidence that women are more likely to take the risk than men in general in investing in less risky assets in their investment plans (Julie R. Agnew, well, 2003 at Dash (2010).

Risk perceptions, knowledge and skills to deal with and manage past risks and experiences of investors together have an impact on investment decisions from employees and yet demographic variables have no significant effect on investment decisions other than investor age (Singh 2010) and (Thanki 2015). This research is not in line with other research where the influential demographic factor is only on location; income level and knowledge while for marital status, sex, age, education level and position have no effect on investment decision (Jain andMandot, 2012)

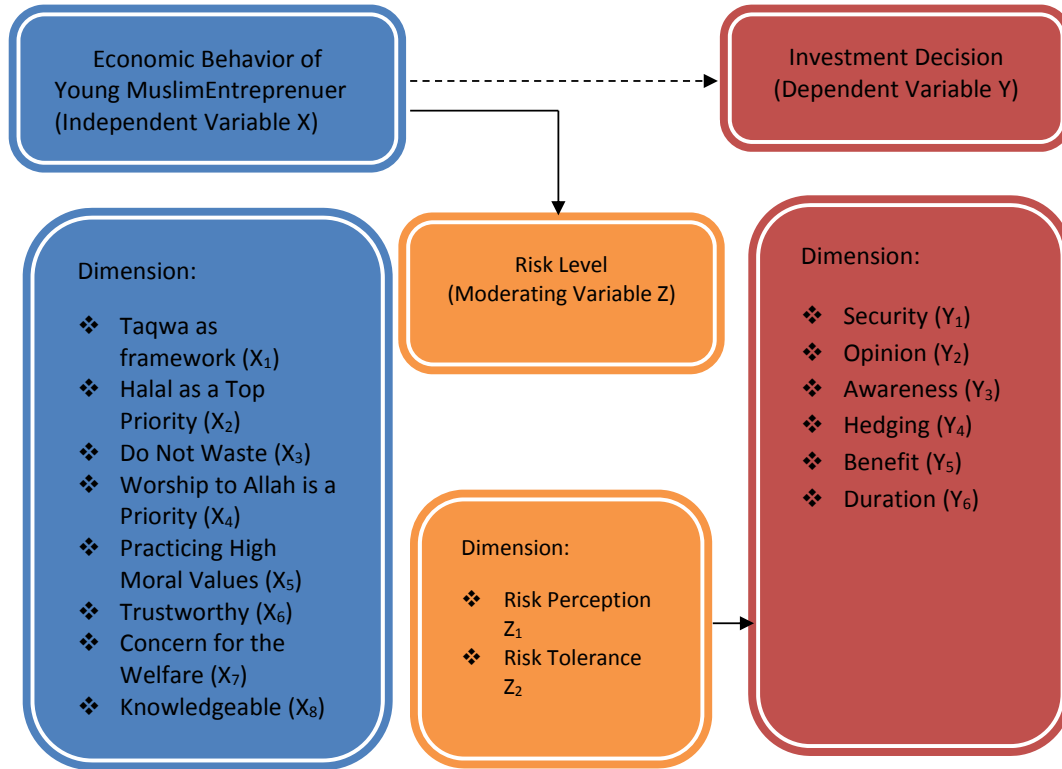
Thaler (in Puspitaningtyas 2012) argued that investor behavior is not only related to the foundation of financial theory and existing economic law but is likely to be influenced and or based on psychological

factors. Subash's (2012) research on behavioral role in investment decision (Role of Behavioral Finance in Portfolio Investment Decisions) shows that investors are significantly influenced by biased behavior in making investment decisions. Behavioral bias occurs in many younger age groups. This suggests that younger-age investors tend to set the numerical standard of an investment based on the corporate image they have known. Triono (2010) conducted a study on the Influence of Psychological Factors on Investor's Behavior and Type of Investment that provides the result of conclusion of the proximity factor (considering the past and familiarity) affecting the probability of investors to prefer investment in stocks rather than bonds. An investment decision is also influenced by the moral that determines the choice between good and bad.

There are several theories about the model of application of moral behavior in decision-making that has been studied are: (a) multiple attribute utility theory (MAUT), (b) behavioral theory of planner (Ajzen, 1985 at Hofman 2008), and (c) issue-contingent model of ethical decision Making in organizations (Jones, 1991 at Hofman 2008). Research produces, considering these three models of investment behavior not only influenced by rational thinking about profit-centered economy but also morally influenced (Hofmann 2008). Financial flexibility is one of the factors that influence investment decision making compared to profitability and risk. Financial flexibility even determining an investment decision is one of the studies that reveal the drivers of investment decisions (Anastassiadis et al 2015). An investment decision is taken not only because of the awareness it derives from information but also the unconscious factors that are also considered important in the decision-making role. These factors are psychology, sociology, economics (Shiller 2005). Empirically Kansal (2015) proves that the individual investors in this instance studied are engineers, often behaving inappropriately with the standard principles of financial and behavioral theory Economy. They often make less than optimal investment decisions. This means that education can be a factor driving investment decisions but not necessarily generate the maximum investment because of the lack of investment knowledge. Warren et al. (1990) and (Rajarajan 2000) predict the selection of individual investments (e.g. stocks, bonds, real estate) based on lifestyle and demographic attributes. Investors view appreciation as dependent on their own behavior (Rajarajan 2000). In general, some studies have concluded that the dimensions of investment decisions are Security, Opinion, Awareness, Hedging, Benefit and Duration. (Kara et al. 2010). From the above dimensions, the existence of several values believed in the religion of Islam in theory will give influence in making of decision. Especially from what kind of investment that is in line with the norms and rules applicable in al-Quran and hadith as the principle of sharia investment is the division of risk, money is the capital and not the product of trade and the prohibition of speculative behavior and a clear contract. While there are two principles of sharia products, namely the so-called participation, contract called partnership contracts are: Mucharaka active partnership contract and Partnership contract passive Mudaraba. While the financial products included in this instrument are Murabaha, Ijara, Salam, Istisnaa and Quard hasan - 'Murabaha' contract (Sale with Deferred settlement) (Aida and Imen 2014) From several studies that have been done above the conceptual framework of study The influence of economic behavior of Muslim entrepreneurs on investment decisions seen from the Islamic economic perspective according to his beliefs are as follow:

### **3. RESEARCH METHOD**

Research method used is to collect references from previous research that have been done related to the study of economic behavior based on the characteristics of Muslim entrepreneurs, about the risk level of an investment and the investment decision itself.



By using statistics for quantitative test with moderating factor as strengthening between variables conceptual framework built for testing through research in the future to know the relationship between economic behaviors of Muslim entrepreneurs in making investment decisions through the risk factors as reinforcing variables.

The test is done through the analysis of the path that is to analyze the causal relationships that occur in multiple regressions if the independent variable in this case the economic behavior of Muslim entrepreneurs directly influence the dependent variable of investment decisions and or indirectly through moderate variable risk factors.

From the analysis of this path will be known how significant the relationship of economic behavior of young entrepreneurs in making investment decisions with variable strengthening of risk factors as one of the considerations. The results of this analysis are important to know because in relation to the principle of investment in Islam where speculation is strictly prohibited. As well as to prove from the results of past research, that often the influence of religion does not show a significant relationship to an economic behavior, especially in determining investment decisions.

#### 4. CONCLUSIONS, IMPLICATION, SUGGESTION AND LIMITATION

An entrepreneur who has the desire to grow and expand organization through innovation and creativity with the characteristics of one of them is the energetic activity and have the risk preference based on the economic behavior that is influenced by psychology, emotion, social and cognitive will produce an investment decision through the consideration of microeconomics, family environment and friends, education, allocation of resources that he has, the prevailing market prices and profit oriented to be received in the future.

From previous researches based on existing theory, it can generally be concluded that the economic behavior possessed by an entrepreneur contributes to a making of decision in determining the investment and acceptable level of risk. Investment decisions reviewed are influenced by external and internal factors. In some studies an investment decision is influenced by external factors such as social, political and economic of a state.

In some research findings, the level of education cannot guarantee that an investor can determine the optimal investment so that the necessary experience to be able to make a profitable investment in the future by minimizing the risk that can be accepted. This internal factor also includes demographic factors such as age, gender, culture, position and religion. The studies that have been conducted are often incompatible with existing theory and previous research. This is natural due to the location and development of environmental conditions and conditions that are closely related to economic behavior and investment decision themselves and include demographic factors.

Likewise, in relation to a young Muslim entrepreneur in his economic behavior where there are limits characteristic that refers to the rules of religion, especially in terms of investing with products that are legitimized according to the principles of the Qur'an and Hadith. It is conjectured that the economic behavior of young Muslim entrepreneurs has an influence on risk perception and acceptable risk tolerance of an investment decision in sharia. This influence is significant because in Islamic transactions there are principles and norms that must be followed by a Muslim entrepreneur such as not allowing speculating, so the risk perception and risk tolerance factors are taken into account.

In addition, the behavior not to squander and concern for the welfare that became the economic behavior of a young Muslim entrepreneur is a matter of support in consideration of the risk factor itself.

The principle of lawfulness and *tawakal* in making investment decisions is an absolute part in the selection of investment products where the sharia products are relatively have a small risk level but provide benefits that are not too large.

And the most important thing is the knowledge of the rules and rules about the religion of Islam, taqwa as a framework and work for the sake of worship will give a significant effect on risk considerations when young Muslim entrepreneurs make investment decisions

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