Investment In Islamic Capital Market According To Islamic Principles

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Abstract: *Capital Market does not distinguish between the conventional capital market with the Islamic capital market. This raises some questions about the concepts and principles of Islamic capital markets, as well as the trading mechanism in the Islamic capital market. To answer these questions, this study aims to determine the difference between the conventional capital market based on the principles of Islamic capital markets and capital market concepts, application of capital market trading mechanisms in conventional versus Islamic capital market, and the meaning of investment according to Islamic Shari'a. To explain the purpose of this research, engineering studies and documents through a literature study will describe the rules concerning the capital market both conventional and Islamic. Based on the research results can be explained that the conventional capital market concepts and principles are not much different from the Islamic capital market. The only difference is the emphasis on the type of issuer and the securities to be traded in accordance with Islamic principles. The difference lies only in contracts used in the transaction. Meanwhile, the investment can't be separated from the Islamic Shari'a because investment is allowed in Islam, however, in contrast to speculative investments.*

Keywords*: : Islamic Capital Market, Trading Mechanism, Investment, Speculation*

Introduction

At present in Indonesia having the awareness to invest has begun to become a culture for most of our society. This investment is important because it is part of financial planning for the future. Especially for those of you who are Muslims, there are guidelines for preparing future needs with the preparation of funds from now on. One of them is by making investments that can be selected, but one thing that must be considered is that the investment must be in accordance with Islamic guidance.

Whether we realize it or not, every financial transaction, for example an investment, often contains things that are contrary to the basic principles of Islamic sharia. This is why many banks have also recently issued sharia-based investment products as an alternative to products from conventional banking institutions. Sharia-based bank products are actually not in conflict with conventional products, but rather as an effort to create alternative services for the banking world, especially for people who want to make transactions according to Islamic sharia principles. Then what about investment? Many investment products are also based on sharia.

We know that there is a Financial Market that has an important role in the economy of a country, because it can bring together those who have excess funds with those who need funds. Financial Market can be divided into two, namely the money market (Money Market) and the capital market (Capital Market). The money market is a meeting between the demand and supply of short-term funds. Whereas the capital market trades securities (securities/securities) such as stocks, bonds, derivatives and mutual funds (Mutual Funds) (Sri Hermuningsih. 2012: 5-6). The capital market according to the Capital Market Law

(UUPM) No. 8 of 1995 states that the capital market is an activity concerned with public offering and trading of securities, public companies related to the issuance of securities, and institutions and professions related to securities. In the Capital Market Law the Islamic capital market is not separated from the conventional capital market. The capital market has an important role as a long-term investment vehicle in the economy. However, the conventional economy sees that the capital market is also a speculative, short-term investment vehicle for quick and large profits.

The most popular financial market instrument in the capital market is stock. Issuing shares is one of the choices of the company when deciding to fund the company. On the other hand, stocks are an investment instrument that many investors choose because the stock is able to provide an attractive level of profit. There are two benefits gained by investors by buying or owning shares, namely dividends and capital gains. Dividends are profit sharing provided by the company and derived from profits generated by the company. Dividends are given after obtaining approval from the shareholders at the General Meeting of Shareholders (GMS). While Capital Gain is the difference between the purchase price and the selling price. Capital Gain is formed by the existence of stock trading activities in the secondary market. The investor is free to choose whether to hold the shares he bought as a form of long-term investment and then release them on the secondary market when he sees the movement of stock prices shows the existence of margin. This is a common action that is continuously happening in the capital market, namely the desire to achieve capital gains in large numbers and in a short time. This continuous action is called speculative activity.

An investor's profit in playing shares does not have to be obtained through capital gains by selling shares when the selling price is higher than the price previously purchased. It is possible for investors through brokers to control the shares of certain companies that are bought at cheap prices far from the normal price through issues that have a negative impact on certain companies so that the stock price falls. When the stock price falls, then there are worries of other investors, so they release the shares they hold to the market so that greater losses can be avoided. Samuelson and Nordhaus (1997: 220) revealed that speculative activities in the capital market arose because expectations were fulfilled by themselves. That is, if someone buys a particular stock in the hope that the value of the stock will rise, then this action will encourage an increase in the price of the stock in question.

The Sharia capital market in Indonesia began with the issuance of Sharia Mutual Funds by PT. Danareksa Investment Management in 1997. Furthermore, IDX in collaboration with PT. Danareksa Investment Management launched the Jakarta Islamic Index (JII) in 2000 which aims to guide investors who want to invest their funds in a sharia manner. With the presence of the index, investors have been provided with shares which can be used as a means of investing in accordance with sharia principles. In order for shares included in JII to be shares in accordance with sharia principles, clear institutions and regulations are needed to ensure that the shares are in accordance with sharia principles. Therefore, in 2003 an MOU was signed between Bapepam and the National Sharia Council of the Indonesian Ulema Council (DSNMUI) as an institution involved in sharia capital market regulation to develop sharia-based capital markets in Indonesia (Adrian Sutedi, 2011: 4).

Although the growth of the Islamic capital market is quite encouraging, the exposure of the Islamic capital market is still minimal. The lack of public understanding of the Islamic capital market is a doubt for investors to invest their capital in the capital market. This is due to the existence of practical activities in the capital market that contain elements of speculation. Therefore, knowledge of the Islamic capital market is needed, both from the concepts and principles, as well as the trading mechanism. Thus, based on investors' activities in the capital market and the phenomena that occur, this study will further examine how the

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concepts and principles of Islamic capital markets versus conventional capital markets, trading mechanisms in Islamic and conventional capital markets, and differences in investment and speculation according to Islamic views.

Results And Discussion

The capital market structure does not distinguish between conventional capital markets and Islamic capital markets. To oversee issuers and sharia securities in the Islamic capital market, the Indonesian Ulema Council (MUI) formed the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) which has the duty and authority to issue fatwas on types of financial activities, products, and financial services. In the context of developing sharia-based capital markets in Indonesia, to date DSN-MUI has issued fatwas related to sharia-based capital markets. In addition to the fatwa issued by DSN-MUI, other related regulations relating to the Islamic capital market such as rule Number II.K.1 concerning Criteria and Issuance of Sharia Securities List, Rule Number IX.A.13 concerning Issuance of Sharia Securities, and regulation Number IX .A.14 concerning Contracts used in the Issuance of Sharia Securities.

To support performance in the Islamic capital market, supervision is needed from an institution to carry out guidelines issued by DSN-MUI and Bapepam-LK. Therefore, the National Sharia Board (DSN) forms a Sharia Supervisory Board (DPS) to oversee capital market business activities to always be in line with sharia principles. In the DSN-MUI decision No. 03 of 2000, DPS has duties and functions. Its main task is to oversee the business activities of Islamic financial institutions so that they are in accordance with the provisions and principles of sharia that have been registered by DSN. While its main function is as an advisor and adviser to directors, leaders for sharia businesses and leaders of sharia branch offices on matters related to sharia aspects. In addition, DPS also functions as a mediator between Islamic financial institutions and DSN in communicating proposals and suggestions for product and service development from Islamic financial institutions that require studies and fatwas from DSN (Adrian Sutedi, 2011: 245).

Conventional Capital Market Concepts and Principles versus Sharia Capital Markets

The Indonesian capital market has been regulated in the Capital Market Law (UUPM) No. 8 of 1995. The UUPM does not distinguish between conventional capital markets and Islamic capital markets. Therefore, the Islamic capital market is not a separate system from the capital market system as a whole. In general, Sharia Capital Market activities do not differ from conventional capital markets, but there are some special characteristics of the Sharia Capital Market, namely that products and transaction mechanisms do not conflict with Islamic principles. The application of sharia principles in the capital market certainly comes from the Qur'an as the highest legal source and the Hadith of the Prophet Muhammad. Furthermore, from these two sources of law the scholars interpreted what came to be called the science of jurisprudence. One of the discussions in the science of jurisprudence is a discussion about muamalah, namely the relationship between human beings related to commerce. Based on that Islamic capital market activities are developed on the basis of muamalah fiqh. There is a muamalah fiqh principle which states that "basically, all forms of muamalah are permissible unless there is an argument forbidding it." This concept is the principle of the Islamic capital market in Indonesia (IDX. Islamic Capital Market School. Workshop).

The principles of sharia in the capital market are the principles of Islamic law in the activities of the capital market based on the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSNMUI) as long as the fatwa referred does not conflict with

Bapepam LK regulations based on the DSNMUI fatwa. Sharia principles in the capital market sector stated in DSNMUI Fatwa No. 40 concerning the capital market and general guidelines on the application of sharia principles in the capital market sector, are :

a. The capital market and all its mechanisms of activity, especially regarding issuers, types of Securities traded and trading mechanisms are deemed to be in accordance with Sharia if they have fulfilled sharia principles.
b. An effect is deemed to have fulfilled sharia principles if it has obtained a statement of sharia compliance issued by DSN-MUI to a Sharia Securities that the Securities are in accordance with sharia principles (DSN MUI Fatwa No. 40 Concerning the Capital Market and General Guidelines for the Application of Sharia Principles in the Capital Market).

Issuers or public companies that fulfill sharia principles must state in their business activities that they are not in conflict with sharia principles. Meanwhile, issuers and public companies that do not declare that their business activities are not in conflict with the principles of sharia, but meet the criteria for sharia products, are also included in the sharia stock class. The criteria for issuers and public companies are not doing business activities such as gambling and games classified as gambling, trading that is not accompanied by the delivery of goods / services, trading with fake offers / requests, interest-based banks, interest-based finance companies, buying and selling risks which contains elements of uncertainty (gharar) and / or gambling (maisir) such as conventional insurance. Issuers and public companies whose business activities produce, distribute, trade and/or provide goods or services that are forbidden (illicit li-dzatihi), illicit goods or services not because of the substance (haram li-ghairihi) stipulated by DSN-MUI; and / or, goods or services that are morally damaging and damaging in nature, and carry out transactions containing elements of bribery (risywah).

In addition, issuers or public companies that intend to issue Sharia Securities must sign and fulfill the terms of the contract in accordance with sharia for Sharia Securities issued, and must guarantee that their business activities comply with Sharia principles and have a Shariah Compliance Officer. Shariah Compliance Officer (SCO) is a party or official of a company or institution that has received certification from DSN-MUI in understanding the principles of Sharia in the capital market. Fundamentally, issuers and public companies included in business activities in accordance with sharia principles are listed companies and public companies that have a ratio of total interest-based debt to total equity of no more than 82%, and the ratio of total interest income and total other non-halal income compared to total operating income and other total revenues of no more than 10 %.

In addition to issuers' business types, the types of securities traded according to sharia principles are Sharia Shares, Sukuk, Sharia Mutual Funds, Sharia Asset Backed Securities (KIK EBA) Collective Investment Contracts, and other securities that are in accordance with Sharia principles. Shares are securities of evidence of equity participation in the company, and with such proof of ownership shareholders are entitled to get a share of the proceeds from the company's business. The concept of equity participation with the right to share of the results of these operations is a concept that does not conflict with Islamic principles. The sharia principle recognizes this concept as a musharaka or syirkah activity. Based on the analogy, the concept of shares is an effect that does not conflict with Islamic principles. However, not all shares issued by issuers and public companies can be referred to as Islamic shares. A share can be categorized as sharia stock if the shares are issued by the issuer and public company which clearly states in its articles of association that the business activities of the issuer and public company are not contrary to Islamic principles.

Besides stocks, another sharia product is sukuk. Based on Bapepam and LK regulations Number IX.A.13 states that sukuk is a sharia effect in the form of a certificate or proof of ownership of equal value and represents an indefinite portion (inseparable or undivided share) on: a) tangible assets certain (ayyan maujudat), b) the value of the benefits of certain tangible assets (manafiul ayyan), both existing and future, c) services (alkhadamat) that already exist or will exist, d) certain project assets (maujudat masyru 'muayyan), e) predetermined investment activities (nasyath ististmarin khashah). Sukuk is different from bonds. Sukuk are not debt securities, but proof of joint ownership of an asset / project. Each sukuk issued must have an asset on which to issue an underlying asset. Claims of ownership of sukuk are based on specific assets / projects. The use of sukuk funds must be used for halal business activities. Benefits for sukuk holders can be in the form of rewards, profit sharing or margins, according to the type of contract used in the issuance of sukuk. Based on AAOIFI Sharia Standard No.17 on Sukuk Investment, sukuk consists of: a) Certificate of ownership in leased assets, b) Certificate of ownership of benefits, which are divided into 4 (four) types: Certificate of ownership of the benefits of existing assets, Certificate ownership of future asset benefits, certificate of ownership of certain party services and certificate of ownership of future services, c) salam certificate, d) istishna certificate, e) murabaha certificate, f) musyarakah certificate, g) muzara'a certificate, h) Musaqa certificate, i) mugharasa certificate.

Sharia mutual funds, based on Bapepam and LK regulations Number IX.A.13, Sharia Mutual Funds are mutual funds as referred to in the Capital Market Law and its implementing regulations whose management does not conflict with Sharia principles in the capital market. Sharia Mutual Funds like mutual funds in general are an alternative investment for the community of investors, especially small investors and investors who do not have much time and expertise to calculate the risk of their investment. Mutual Funds are designed as a means to raise funds from people who have capital, have the desire to invest, but only have limited time and knowledge. Sharia Mutual Funds are Mutual Funds operating according to Islamic Sharia principles and principles, both in the form of contracts between investors as owners of assets (shahib al-mal / rabb al-mal) and investment managers, as well as investment fund management as shahib al-mal representatives , as well as between investment managers as shahib al-mal representatives and investment users. Sharia Mutual Funds were first recognized in Indonesia in 1997, marked by the issuance of Danareksa Syariah Mutual Funds in July 1997. As an investment instrument, Sharia Mutual Funds have different criteria than conventional mutual funds in general. This difference lies in the selection of investment instruments and investment mechanisms that must not conflict with Islamic principles. Another difference is the overall process of portfolio management, screening, and cleansing. As with other investment vehicles, in addition to bringing various profit opportunities, Mutual Funds also contain various risk opportunities.

First, the risk of a decrease in the value of investment units. This risk is influenced by falling prices of securities (stocks, sukuk and other sharia securities) included in the Investment Fund portfolio. This relates to the ability of mutual fund investment managers to manage their funds. Second, liquidity risk. This risk concerns the difficulties faced by investment managers if most of the unit holders redeem their investment units to investment managers simultaneously, this can make it difficult for company management to provide cash. This risk only occurs in open-end fund companies. This risk is also known as the redemption effect. Third, the risk of default. This risk is the worst risk, which is generally the wealth of mutual funds insured to insurance companies. This risk can arise when an insurance company that insures the Investment Fund's assets does not immediately pay compensation or pay less than the insurance value when things happen that are not desirable. In addition, defaults are possible due to parties related to Mutual Funds, brokers, custodian banks, payment agents, or natural disasters, which can cause a decrease in Investment Fund Net

Asset Value (NAV). Fourth, political and economic risks. This risk comes from changes in economic and political policies that affect the performance of exchanges and companies at the same time, so that ultimately it has an effect on the portfolio owned by a mutual fund.

Speculation and Investment According to Islamic Sharia

Some experts express different opinions about investment. Nevertheless, there are some similarities in understanding. Alexander and Shape argued that investment is a sacrifice of a particular value that is currently in force to obtain a value in the future that has yet to be determined. Meanwhile, Yogianto stated that investment is a delay of current consumption to be used in efficient production for a certain period. Tendelin defines investment as a commitment to a number of funds or other resources made at this time with the aim of obtaining future profits. Based on the various definitions above, the authors conclude that investment is an expenditure or sacrifice of resources at this time to obtain a return in the future whose size is uncertain.

In the conventional economic system, a person makes investments with different motives, including to meet liquidity needs, saving with the aim of getting greater returns, planning for retirement, to speculate, and so forth. Likewise in Islamic economics, investment is a muamalah activity that is highly recommended, because by investing owned assets become productive and also bring benefits to others. The Qur'an strictly forbids the activity of hoarding (ikhtinaz) on possessions. Islam has an economic system that is organized in order to realize the welfare of human life, both material and non-material. Sharia investment is an investment based on sharia principles, both investment in the real sector and financial sector. So that investment cannot be separated from sharia principles.

In investing in the capital market, there are several terms that are often equated to mean even though they have different meanings. The term is gambling (gambling) and speculation. There is a fundamental difference between the two that lies in the mastery of a person's techniques and knowledge related to an action. Gambling actions tend to be done without analysis, because they do not have adequate techniques and knowledge. On the contrary, speculation still involves analysts, sometimes even involving complete information and accurate data. However, both practices are equally aimed at seeking profits in the short term without regard to the interests of others. In addition, speculation is often done using methods that violate the applicable rule of the game.

Meanwhile, if it is associated with investment, of course the problem will be different. Seen from investors in the capital market world, there are generally two kinds, namely investors who dare to take risks (risk takers) and investors who do not dare to take risks (non-risk takers). The difference between the two can be seen from how they obtain, use, and behave towards information. Speculators think that the person who has the most information will get the highest profit. They are only concerned with their own interests and do not care about the interests and economic conditions and other market participants. For speculators, the property obtained is the result of his own efforts. Such actions are prohibited in the Qur'an (Diana Wiyanti, 2013).

Sutedi explained the characteristics of investment and speculation as follows :

a. Investors in the capital market are those who use the capital market as a means to invest in Tbk companies which are believed to be good and profitable, not for the purpose of seeking capital gains through short selling. While speculators aim to get the gain that is usually done by frying the stock
b. Investors buy securities with the aim of participating directly in businesses that are usually long term. While speculators buy securities to make a profit by reselling them on a short term basis.

c. Speculation is a game of chance, while business is a game of skill. A person is considered to carry out speculative activities if he is suspected of having the motive of utilizing this uncertainty for short-term gain. So investors who plunge in the primary market with the motivation to get capital gains solely when shares are released in the secondary market are classified as speculators.
d. Speculation has increased unearned income for a group of people in society, without them making any positive or productive contributions. In fact, they have taken advantage of the costs of society, which in any case is very difficult to be justified economically, socially, and morally.
e. Speculation is the source of the cause of the financial crisis. The facts show that the activities of these speculators caused a crisis on Wall Street in 1929 which caused a tremendous depression for the world economy in the 1930s. Likewise with the devaluation of the pound in 1967, and the franc currency crisis in 1969.
f. Speculation is the outcome of the mental attitude "want to get rich quick" If someone has been stuck with this mental attitude, then he will try to justify all kinds of ways without regard to the signs of religion and ethics.

In the Qur'an there are verses that indirectly have instructed Muslims to better prepare for tomorrow. Thus, the authors state that the concept of investment cannot be separated from Islamic law, where in the letter anNisa verse 9, which means :‘And be afraid of Allah those who if they leave behind their weak children, whom they are worried about (their welfare). Therefore, they should fear Allah and let them speak the right words.'

The above verse instructs us not to leave dzurriat dhi’afa (weak descendants), both moral and material. As if to give advice to always pay attention to good welfare (in this case economically) and not to leave economic hardship, it seems that the Koran has long been inviting people to always pay attention to welfare, one way is to invest.

Conclusion

Based on the discussion that has been described, it can be concluded that the Capital Market Law (UUPM) No. 8 of 1995 governing the Capital Market does not distinguish between conventional capital markets with Islamic capital markets. So basically the concept of the Islamic capital market is a concept of a conventional capital market as stipulated in the Capital Market Law. It's just that, in the Islamic capital market there are several things that are emphasized, namely regarding the business activities of the issuer, securities issued by the issuer, and the trading mechanism carried out by investors must be in accordance with sharia principles. Sharia principles are principles that are based on Islamic teachings, the stipulations of which are carried out by DSN-MUI through the edict issued.

The concept of investment according to the Islamic view is different from non-Muslim economic investment, this difference occurs mainly because Islamic entrepreneurs do not use the interest rate in calculating investment. Where property or money is valued by God as Qiyaman, the basic means of life. Investment which means delaying the use of the assets we have at the moment, or means storing, managing and recommended in the Qur'an as explained in the surah Yusuf verses 46-49. While speculation is an act that is prohibited by Islam. This speculation activity is prohibited because there are elements that are not in accordance with Islamic Sharia, including speculators who are more concerned with self-interest and do not care about the interests and economic conditions and other market participants. For speculators, the property obtained is the result of his own efforts. Such actions are prohibited in the Qur'an.

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