

## Syariah Provisions On Financial Markets

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**Abstract:** *This article discusses the understanding, history of Islamic financial markets, functions and characteristics of Islamic finance, financial market products and characteristics of Islamic and conventional financial markets. The development of the Islamic economy in Indonesia is currently very rapid. Muslim societies are familiar with the practices of economic life based on conventional economic concepts not understanding the difference between conventional and sharia financial operations. This lack of understanding results in many who assume that there is no difference between the two. Therefore this article was made to discuss, and explore the provisions of Islamic financial markets that many do not understand, especially among the public. So the money market is a place of short-term money trading with a time not to exceed 360 days. The language of easy money markets is a place for selling money (Money Market). actors in the money market are banks, foundations, pension funds, insurance companies, large companies, government institutions, other financial institutions, community individuals.*

**Keywords:** *Syariah Provisions, History of Islamic financial market, Islamic, Market*

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### Introduction

The capital market / financial market is one of the important things in today's economy. In general, Islamic capital markets and conventional capital markets are not much different, but Islamic capital markets are very concerned with sharia principles. Islamic capital markets are developed in order to accommodate the needs of Muslims who want to invest in capital market products or instruments in accordance with Islamic sharia. To develop the Islamic capital market, there must be developments in capital market instruments that are strengthened by the MUI fatwa and the development of institutions and capital market structures themselves.

Financial Market is a Market Mechanism that makes it possible for a person or an Operation to easily be able to carry out sales and purchase transactions in the form of financial securities such as (stocks and bonds), In Homoditas securities, it is possible to make purchases and initial sales of Natural source Products such as Products Agriculture and Mining and so on.

### The legal basis of Islamic capital markets

The legal basis of the Islamic capital market is of course all things that are used as guidelines by the Islamic religion , where the Islamic capital market is already explained in the Al-Quran and Al-Hadith. In addition, the fatwa foundation was also issued by MUI regarding capital markets and sharia transactions in Indonesia.

### Benefits of the Islamic capital market

- a. Provides a place for investors to invest
- b. The capital market can create jobs
- c. Provide the opportunity to have a healthy company and have very good prospects

### History of Sharia-Based Capital Markets

#### 1. History of Sharia-based Capital Markets in the world

At the outset, the sharia principle was applied to the banking industry , which was marked by the establishment of the First Islamic bank in Cairo in 1971 under the name Nasser Social Bank, whose operations were based on profit sharing (without usury).

The development of sharia-based banks, apparently helped encourage the development of the use of principles in the capital market sector. The countries that first implemented sharia principles in the Islamic capital market sector were Jordan and Pakistan, because the two countries had compiled the legal basis for the issuance of sharia bonds. The Jordanian Government through Act No. 13 of 1978 has permitted the Jordan Islamic Bank to issue *Muqaradah Bonds*.

## 2. History of Sharia Capital Markets in Indonesia

The first development of Islamic *context* and *aquity fund*, such as mutual funds is the United States, after *The Amana Fund*, launched by *the North American Islamic Trust* as the world's first *Equity fund* in 1986, three years later the *Dow Jones Index* launched the *Dow Jones Islamic Market Index (DJIMI)*.

Capital market activities in Indonesia are regulated in Law No. 8 of 1995 concerning capital markets (UUPM). Capital market law does not distinguish whether capital market activities are carried out with Islamic principles or not. Thus, based on the Capital Market Law capital market activities in Indonesia can be carried out in accordance with sharia principles and can also be done not in accordance with sharia principles.

## 3. Capital Market According to Sharia

### A. Stock Market

Sharia-based stock indexes have more potential to develop than conventional stock indexes. That is, Islamic-based instrument is very popular with investors as an alternative investment. Sharia-based products are quite developed and innovative, there are at least two conditions to state that a stock can be categorized as not violating Islamic regulations. The two conditions are as follows:

1. A company that is not in conflict with Islamic law is a company with business and management that is not in conflict with the Shari'a and has a halal product. Companies that produce liquor or conventional financial companies certainly do not fit into this category.
2. All shares issued have the same thing. Shares are proof of ownership of a company, so the role of each shareholder is determined by the number of shares owned. In fact there are companies that issue two types of shares, namely: ordinary shares and preferred shares that do not have voting rights, but have the right to get definite dividends.

### B. Trading Transactions

The process of carrying out trading on the exchange is carried out remotely by the stock exchange member responsible for adjusting the exchange transactions. Exchange transactions that occur include:

- a. Errors of supporting equipment and or applications of members of the stock exchange in the context of Remote Trading, except software errors provided by the exchange.
- b. Failure or error of PJPP in carrying out selling offer or buying request.
- c. IT negligence or error in the operation of supporting equipment and or application of members of the stock exchange.
- d. Unauthorized access is done through supporting equipment and or applications from members of the stock exchange.

In sharia bond trading, according to Muhammad Gunawan, a discount or premium price that is commonly used in conventional bonds should not be applied. The principle of *al-hawalah* or sharia bond transactions (transfer service or transfer of receivables with profit sharing). So that the sale and purchase of Islamic bonds may only be at the nominal price of the maturity of the bonds.

### C. Securities Exchange Mechanisms

One of the pillars of the ideal form is the existence of a transparent and timely stock exchange information infrastructure in the country supported by a fair market mechanism. The

fair stock exchange mechanism also involves the reasonableness of requests and offers and concerns the intention of the investor in conducting transactions. In general, a fair stock exchange mechanism includes aspects.

### **Investment capital market in Islamic perspective**

Islam highly upholds science that has gradations (tadrij), from the discourse stage (alyaqin science), implementation or (ain al-yaqin), and the nature of a science that there are three types of knowledge, namely instrumental knowledge, intellectual knowledge, and knowledge spiritual as poured by Rich in his book *The Knowledge Cycle*.

Investment is one of the teachings and concepts of Islam that meets the tadrij process and the trichotomy of knowledge. This can be proven that the concept of investment in addition to knowledge is also spiritual nuance because it uses Islamic norms, as well as using the essence of a science and charity, therefore investment is highly recommended by all Muslims.

The concept of investment in the teachings of Islam which is realized in the form of nonfinancial that has implications for a strong economic life is also contained in the Al-Qur'an surah An-Nisa Verse 9

*" And let fear the gods of those who if they leave behind weak children, whom they worry about (their welfare). Therefore they should fear Allah and let them speak the words that are honest "*

The verse advocates investing by preparing a strong generation, both intellectually, physically, as well as aspects of the faith, so that a complete personality is formed with the capacity:

1. Memiliki true faith
2. I'm bad in the right way
3. Memiliki noble character
4. Intelektualitas adequate
5. Mampu to work / independent
6. Be disciplined for the time
7. Be useful for others

With these seven provisions, it is hoped that a generation will be the result of long-term investment by parents who can lead a good, prosperous and peaceful life. As explained in QS Al-Muzzamil verse 20: "Indeed, your god knows that you stand ( prayer) less than two-thirds of the night or one-half of the night or a third and so does a group of people who are with you. And Allah determines the size of night and day. God knows that you absolutely cannot set time limits. So he gives you relief, so read what is easy for you from the Koran. He knows that there will be among you sick people and other people fighting in the way of Allah. Then read what is easy for you from the Koran and establish prayer, pay alms and give loans to good gods and whatever goodness that you do for yourself, surely you get a reward on the side of God as the best and most rewarding reward and ask forgiveness from Allah. surely Allah is merciful, merciful, merciful ".

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