

The Development Of Islamic Capital Markets In Indonesia

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ABSTRACT

This paper is an attempt to analytically describe the stocks and capital markets in Islamic perspective. In so doing, this paper tries to elaborate Reviews their implementation in the financial sectors in Indonesia. One of the instruments of Islamic finance is islamic stocks. The Jakarta Islamic Index (JIT) has been used in the Jakarta Stock Exchange since 2000, Although Indonesia Islamic Capital Market Officially Launched on march, 14, 2003. The performance of Islamic capital market products in general show a good enough growth. From the legal aspect, the Islamic capital market in Indonesia still need regulation. The mechanism of capital markets have to completed to Prevent the entrance of usury maysir, and ghorar practices. Capital market players are 1. Issuers, 2 Investors, 3. Fund Management Companies (Investment Company), 4. Mutual Funds, 5. Capital Market Support Institutions and Products in the Islamic Capital Market; 1. Stocks Islamic, Islamic Bonds 2., 3. Islamic Mutual Funds.

Keyword: *Islamic capital markets, Islamic Stocks, Mechanism*

Introduction

Capital markets (capital market) is a market for a wide range of long term financial instruments that can be traded, either in the form of debt (bonds) as well as well as own capital (shares). Indonesian capital market activities stipulated in Law No. 8, 1995 (Act Capital Market / Capital Market Law), the Capital Market Law does not distinguish whether the capital market activities carried out by Islamic principles or not. Thus, based on the Capital Market Law, the Indonesian capital market activities to do with Islamic principles and can also be done not in accordance with Islamic principles (conventional).

Viewed from the side of shari'a, the capital market is part of muamalah activity. Transactions in capital market transactions are allowed provided they do not conflict with the terms outlined by the sharia. Syed Othman Alhabshi in his article titled Development of capital markets under Islamic principles provide an analytical description of the existence of sharia-compliant capital market and can optimally contribute to the growth and economic expansion. His analysis using the approach of applying the principles of sharia in transaction activity in the capital market with goal-oriented application of the principles of the sharia itself. According to him, the objectives of sharia in the economic life as the realization of the distribution of income and wealth, the creation of new economic fairness and balance will be realized in the application of Islamic principles in various economic activities and Islamic finance, especially the capital market as financial institutions (financial institustion). Among these principles is the prohibition of riba (prohibition of interest) as stated in Surah Al-Baqarah / 2: 275-276 and paragraph 278-290.

The principle of the Islamic capital market is certainly different from the conventional capital market. A number of Islamic instruments in the capital markets has been introduced to the public, for example shares of sharia, Islamic bonds and Islamic mutual funds. Islamic capital market was already launched on March 14, 2003. Many people doubt the benefits of

this launch the Islamic capital market. Some are worried there will be a dichotomy with the existing capital market. But the Capital Market Supervisory Agency (Bapepam) ensures there will be no overlapping policies governing, even with the launch of this Islamic capital market, will open a new niche on the trading floor.

According to Budi Setiawan Aziz explained that the ideal form of the Islamic capital market can be achieved with the Islamization of the four pillars of the capital market, namely; (A) the issuer (company) and the issuance of securities that are encouraged to meet the rules of sharia, justice, prudence and transparency; (B) market participants (investors) should have a good understanding of the provisions muamalah, the benefits and risks of transactions in the capital markets; (C) exchanges of information infrastructure honest, transparent and timely public evenly supported by a reasonable market mechanism; (D) monitoring and enforcement by the authorities of the capital market can be held in a fair, efficient, effective and economical.

Besides the principles of sharia will also give emphasis on: (a) the halal products / services from business activities, since according to Islamic principles of man can only gain or additions treasure of things lawful and good; (b) their specific business activities with clear benefits, so there is no doubt the result of business will be the object in the calculation of profits; (c) the existence of a mechanism for a fair outcome, either in profit or loss, according to the participation of each party; and (d) an emphasis on market mechanisms were reasonable and the precautionary principle both the issuers and investors. The existence of the Islamic capital market shares and the current becomes so absolute as has the role and function of the economic and strategic finance. As quoted by Agustianto explain the strategic goals of the Islamic capital market, namely: First, it allows for the people participating in the business activities by acquiring part of the profits and risks. Second, memung kinkan shareholders to sell their shares in order to obtain liquidity. Third, it allows the company to raise capital from outside to build and develop its production lines. Fourth, the operation to separate business activities of short-term fluctuations in the share price which was a common feature on conventional capital markets, and Fifth, allow investment in the economy ditentuka by the performance of business activities, as reflected in the share price allowing for communities participating in business activities by acquiring part of the profits and risks. Second, memung kinkan shareholders to sell their shares in order to obtain liquidity. Third, it allows the company to raise capital from outside to build and develop its production lines. Fourth, the operation to separate business activities of short-term fluctuations in the share price which was a common feature on conventional capital markets, and Fifth, allow investment in the economy ditentuka by the performance of business activities, as reflected in the share price allowing for communities participating in business activities by acquiring part of the profits and risks. Second, memung kinkan shareholders to sell their shares in order to obtain liquidity. Third, it allows the company to raise capital from outside to build and develop its production lines. Fourth, the operation to separate business activities of short-term fluctuations in the share price which was a common feature on conventional capital markets, and Fifth, allow investment in the economy ditentuka by the performance of business activities, as reflected in the share price

Literature Review

There are two point will be discussed in literature review:

1. How Indonesian Islamic Capital Market Development?
2. How Indonesian Islamic Capital Market Performance?

Method

Data collection method used is the method of documentation, the method of data collection by collecting data directly from sources that have been published and official data from the Financial Services Authority.

Result

Islamic Capital Market

Sharia is any activity that is not contrary to the principles of Islam as did usury, gambling, conventional insurance. The development of Islamic financial assets experienced significant growth. This is evident from the amount of assets of \$ 2 trillion in 2015. The Islamic financial assets proved still progressing despite the weakened world economy caused by several factors such as the fall of commodity prices and weakening economic growth in developed countries be some.

Islamic capital market is part of the Islamic finance industry, where companies included in it does not perform forbidden activities such as gambling (maysir), uncertainty (gharar), the system of interest (riba) and injustice (Chen and Lim, 2015). According to Wee (2012) Islamic stocks tend to have a lower risk for using muamalah principle so that it can reduce the probability of debt default risk.

Islamic capital market in Indonesia is regulated by the National Sharia Board of the Indonesian Ulema Council (DSN-MUI) number 40 / DSN-MUI / X2003. Based on the fatwa DSN-MUI on the application prinsip Sharia in the capital market include several things, among others: First, the type of business, goods, services, and contract and how the management of the issuer company or a public company issuing Islamic securities must not be inconsistent with the principle of - islamic principles. Second, the implementation of the transaction must be in accordance with the principles of prudence and are not allowed to speculation and manipulation that it contains elements of dharar, gharar, usury, gambling, riswah, immoral and kezhaliman (Kurniawan and Asandimitra, 2014).

Islamic capital market in Indonesia continues to experience growth signifikan. The growth is marked by the increasing number of Islamic investors became 12 238 in 2016, an increase of 150 percent compared to Islamic investors in 2015 amounted to 4,908 investors. Currently there are two indexes in the Islamic capital market in Indonesia including Jakarta Islamic Index (JII) and the Indonesian Sharia Stock Index (ISSI). As of May 2017, there are 333 Islamic stocks with a market capitalization of Rp.3.385 trillion.

Indonesian Islamic Capital Market Performance

In looking at the Islamic capital market performance indicators that can be used among others to see the development of instruments (products) that exist in the Islamic capital market, such as (a) Islamic stocks; (B) of Islamic bonds; (C) sukuk instrument. But in the following explanation will explain the Islamic stocks as follows:

Stock Sharia

In concept, the shares are equity securities to the company's evidence and the evidence of the participation of shareholders entitled to receive part of the proceeds of the company's business. The concept of equity with the right part of this effort the result is a concept that is not contrary to Islamic principles. Islamic principles recognize this concept as Musharaka or shirkah activities. By analogy, then it is a stock concept effects contrary to Islamic principles. However, not all shares issued by the Issuer and Public Companies can be called Islamic stocks. A stock can be categorized as an Islamic stock if the shares issued by:

- a. Issuers and Public Companies which clearly states in its charter that the operations of the Issuer and Public Company does not conflict with the principles of Shariah.

- b. Issuers and Public Companies that are not stated in the articles of association that the operations of the Issuer and Public Company does not conflict with the principles of Shariah, but meet the following criteria:
- The business activities are not contrary to Islamic principles as set out in the regulations IX.A.13, that does not conduct business activities:
 - a. Gambling and games are classified as gambling;
 - b. Trading is not accompanied by the delivery of goods / services;
 - c. Trade with the supply / demand false;
 - d. Bank interest-based;
 - e. Interest-based finance company;
 - f. Sale and purchase risks contain elements of uncertainty (gharar) and / or gambling (gambling), among other conventional insurance;
 - g. Producing, distributing, trading and / or provide goods or services of substance forbidden (haram li-dzatihi), goods or services not because his substance forbidden (haram li-ghairihi) established by the DSN-MUI; and / or, good or service that damage morale and harmful;
 - h. Transactions that contain elements of bribery (risywah);
 - The ratio of total debt compared to total equity interest based on no more than 82%, and
 - The ratio of total interest income and total income is not more than the permitted total revenue and total other income is not more than 10%.

Contained in the Indonesia Stock Exchange Jakarta Islamic Index (JII), representing 30 stocks that meet the criteria stipulated sharia National Sharia Council (DSN). Here's a list of companies with stock Sharia in Jakarta Islamic Index (JII):

1	TLKM	Telekomunikasi Indonesia Tbk PT	16	KLBF	Kalbe Farma Tbk PT
2	BUMI	Bumi Resources Tbk PT	17	BTEL	Bakrie Telecom PT
3	INCO	International Nickel Indonesia Tbk PT	18	BNBR	Bakrie and Brothers Tbk PT
4	UNVR	Unilever Indonesia Tbk PT	19	PLIN	Plaza Indonesia Realty Tbk PT
5	AALI	Astra Agro Lestari Tbk PT	20	RALS	Ramayana Lestari Sentosa Tbk PT
6	ANTM	Aneka Tambang Tbk PT	21	CTRA	Ciputra Development Tbk PT
7	UNIR	United Tractors Tbk PT	22	AFEX	Apexindo Pratama Duta PT
8	SMGR	Semen Gresik Persero Tbk PT	23	FRON	Mobile-8 Telecom Tbk
9	SMAR	Sinar Mas Agro Resources and Technology	24	JKPT	Jaya Real Property Tbk PT
10	PTBA	Tambang Batubara Bukit Asam Tbk PT	25	CMNP	Citra Marga Nusaphala Persada Tbk PT
11	INTP	Indocement Tunggal Prakarsa Tbk PT	26	TSPC	Tempo Scan Pacific Tbk PT
12	TRUB	Truba Alam Manunggal Engineering PT	27	MPPA	Matahari Putra Prima Tbk PT
13	TINS	Timah Tbk PT	28	SMRA	Summarecon Agung Tbk PT
14	BMTR	Global Mediacom Tbk PT	29	KIJA	Kawasan Industri Jababeka Tbk PT
15	ELTY	Bakrieland Development Tbk PT	30	HITS	Humpuss Intermoda Transportasi Tbk PT

In order to get into the Jakarta Islamic reindex (JII) would have to first comply with screening standards known as Screening. Screening is basically done in two aspects, namely: Core Business and Financial Ratio Screening. The second aspect of this screening has been arranged by the MUI Fatwa DSN. Core Business Screening or filtration business activities stipulated in the DSN No. 20 / DSN-MUI / IV / 2001, Article 8 of the Guidelines for Mutual Fund Investing For Sharia and DSN MUI Fatwa No. 40 / DSN-MUI / X / 2003, Article 4 paragraph 3 of the Capital Market and General Guidelines for Application of Sharia in the Capital Market. In the second fatwa was explained that the core business or business activity conducted by corporate issuers must not conflict with Islamic principles as in antarnya; first, gambling and game businesses are classified as gambling or trading prohibited; second, the effort of conventional financial institutions (usury) including conventional banking and insurance; Third, businesses that produce, distribute and trade food and drink unclean; and fourth, the businesses that produce, distribute and / or provide goods or services that damage morale and harmful. While the screening or filtering Financial Ratio set in a DSN MUI Fatwa No. 20 / DSN-MUI / IV / 2001, Article 10 which states that an issuer is not eligible to be invested if; First, the structure of debt to equity is very dependent on the financing of debt financing are essentially contain elements of usury; second, an issuer has a debt to equity ratio of more than 82% (45% debt, 55% capital).

Conclusion

Islamic capital market is part of the Islamic finance industry in which the company including, but not perform forbidden activities such as gambling, the uncertainty, the system of interest and injustice. Islamic capital market in Indonesia is regulated by the National Sharia Board of the Indonesian Ulema Council (DSN-MUI) number 40 / DSN-MUI / X2003. Islamic capital market in Indonesia continues to experience significant growth. This is evident from the number of assets amounting to 2 trillion in 2015. In 2016 the growth was marked by the growing number of Islamic investors become 12 238 or an increase of 150% compared to Islamic investors in 2015 which amounted to only 4,908 investors. the performance of Shariah-based capital market products are quite encouraging.

Indeed, so far the new state in different Islamic index touched only on companies that also meets the criteria for screening, both operations as well as financial ratios. But at least it can be a stimulus for mengeliatnya efforts repairs and improvements, both with regard to the mechanism of transactions, derivative investment products are halal and economical as well as other things. This simple paper is expected to be one of the alternatives to be able to know more about the stock and the Islamic capital market with a variety of permasalahannya. At least it can be a stimulus for a more comprehensive analysis and exploratory.

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