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The Role Of Capital Markets In The Indonesian Economy

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Abstract. The role of the capital market as a source of corporate approval has implications for the state not only as an alternative but has become the main source. Funds are offered on the capital market through several corporate actions such as the initial listing of Shares (initial public offering), new rights listing (rights issue), Bond, Derivative, and Reksadana agreements that are accessible every day to increase permits needed by the company from bank loans. In particular, the growth trend is increasing which does not directly affect the interest rates of bank loans. The number of prime listed companies, rights issue, bond and also issued sources listed in the capital market collected. However, there are fluctuations, one of which is issued at home and abroad, in each year, but this does not sort the company to still get results. in the capital market.

Keywords: *Capital Markets, Stocks, Bonds, Derivatives, Reksadana*

INTRODUCTION

In the implementation of national economic development of a country, financing is needed from both the government and the public, the capital market is one of the alternative sources of funding for both the government and the private sector. Governments that need funds can issue bonds or debt securities and sell them to the public through the capital market. Likewise, the private sector, which in this case is a company that needs funds, can issue securities, both in the form of stocks and bonds and sell them to the public through the capital market.

LITERATURE REVIEW

Capital Market

According to Husnan (2005: 3) the capital market is defined as a market for various long-term financial instruments that can be traded, both those issued by the government and private companies. Haroen (1999: 39) explains that the capital market is in principle the same as a market in general where sellers and buyers transact with each other, the only difference is in terms of the object of the transaction, namely capital. The capital market according to Darmadji and Fakhruddin (2006: 1) is a market for various long-term financial instruments that can be traded, both in the form of debt, shares, and other instruments.

Furthermore, Tandelilin (2001: 26) explains, the capital market is a market that contains a number of long-term financial instruments that are traded in the form of debt and capital. In addition, the capital market is a means for parties who have excess funds to channel these funds to parties who need funds. The definition above explains that in the capital market on the one hand there are parties who lack capital and on the other hand there are parties with excess capital so that transactions occur.

Main Instruments Of The Capital Market

The objects traded in the capital article are securities, namely debt acknowledgment letters, commercial securities, shares, bonds, proof of debt, collective contract participation units, extension contracts for securities, and every derivative of securities (Article 1 point 5 of Law Number 8 of 1995). Even though securities consist of various kinds of securities, the 2 (two) main instruments in the capital market are shares and bonds. Each type of instrument in the capital market will be explained as follows:

1. Shares (Stocks)

   According to Puspitasari et al (2012:93) Shares are an investment that many investors choose, one indicator that shows share price movements is the Composite Stock Price Index (IHSG). IHSG is time series data so to analyze it you can use the classic time series method. However, with this method there are many assumptions that must be met, so alternative methods are needed, one of which is the non-parametric regression method because in the non-parametric regression model there are no special assumptions so this model is an alternative method that can be used in IHSG analysis.

2. Bonds

   According to Mahfudoh et al (2014:11) Bonds are one of the capital market products that are traded as an alternative source of funding for companies. Bonds are in great demand because they have their own advantages for both companies and investors. Bond securities are debt instruments for companies that wish to obtain capital. Bonds in short are debt but in the form of securities. The bond "issuer" is the borrower or debtor, while the bond "holder" is the lender or creditor and the bond "coupon" is the loan interest that must be paid by the debtor to the creditor. By issuing these bonds, it is possible for bond issuers to obtain long-term investment financing from sources of funds from outside the company (Tandelilin, 2001). As a security, bonds are tradable.

3. Derivatives

   According to Kurniawan et al (2018:2) Derivatives are contracts between buyers and sellers for a number of financial assets or commodities that are executed on a date or time that has been agreed upon by both parties, in the future at a price that has been agreed at this time. Derivatives are securities which are derivatives of shares and bonds (Tandelilin, 2001), there are several derivative financial instruments including.

4. Options

   An option is a derivative that contains a statement issued by a person or institution that gives the holder the right to buy or sell shares at a predetermined price.

5. Right

   Rights are the right to hold new shares that will be issued by the issuer, where the issuer must offer these rights to the owners of the old shares first. Shares purchased using rights are cheaper than shares purchased without using rights. If the person or entity that owns the right does not use that right, they can sell it to another party.

6. Warrant

   According to Zahroh et al (2015:60) Warrants are securities issued by companies which give their holders the right to buy company shares, with conditions relating to price, quantity and validity period. Warrants are sold with other securities, such as bonds and shares. The purpose of issuing warrants is to attract investors to buy shares or bonds issued by the issuer. By issuing a warrant, the issuer must provide shares or bonds in the desired amount. If the warrant owner does not use the warrant, then he can sell it to the capital market

7. Mutual Funds

Mutual funds are most suitable for beginner investors in the capital market, because they have minimal risk, do not require high skills and can be done with a small nominal amount. Mutual Funds are a forum used to collect funds from the investing public. This capital is invested in an investment manager's securities portfolio that has received permission from Bapepam (Capital Market Supervisory Agency). The investment portfolio consists of several securities instruments, such as: shares or bonds and market instruments or a combination of these instruments. Buying mutual funds is almost the same as saving, but mutual funds can be bought and sold, while savings cannot be bought and sold (Tandelilin, 2001).

Parties Involved In The Capital Market

In carrying out buying and selling transactions, both shares and bonds on the capital market, sellers and buyers are needed. Without buyers and sellers, transactions would not be possible. The main players in the capital market are the company that will make the sale or the issuer and the buyer or financier (investor) who will buy the instruments offered by the issuer. Then it is supported by capital market supporting institutions or supporting companies that support the smooth operation of the capital market. The main players involved in the capital market and supporting institutions directly involved in the transaction process between the main players are as follows:

1. Issuer

Companies that will sell securities or issue on the stock exchange (called issuers). In carrying out emissions, issuers have various objectives and these are usually stated in the general meeting of shareholders (GMS), including:

a. Business expansion, capital obtained from investors will be used to expand business fields, market expansion or production capacity.
b. Improving the capital structure, balancing own capital with foreign capital.
c. Carrying out a transfer of shareholders. Transfer from old shareholders to new shareholders.

2. Investors

According to Putralie (2011:12) investors are required to establish the principle of full and fair disclosure or transparency. Investors who will buy or invest their capital in companies that carry out emissions (called investors). Before buying the securities offered, investors usually carry out certain research and analysis. This research includes company bona fides, issuer business prospects and other analysis.

3. Supporting Institutions

The function of this supporting institution includes, among other things, participating in supporting the operation of the capital market, making it easier for both issuers and investors to carry out various activities related to the capital market. Supporting institutions play an important role in the capital market mechanism.

Development Of Emission Values In The Indonesian Capital Market

Since the government of the Republic of Indonesia reactivated the capital market on 10 August 1977, the role of the capital market for company funding and investment vehicles has continued to increase. The growth of the Indonesian capital market reached its peak through several incentives and regulations implemented by the government, especially since the era of privatization of the stock exchange on July 13 1992.

Based on IDX data, in the period 2012-July 2014, the total emission value of the three corporate actions amounted to IDR 268.04 trillion, with details: IPO and Relisting or Secondary Offering amounting to IDR 31.873 trillion, rights issue IDR 74.357 trillion and proceeds from issuance of bonds, sukuk and Asset Backed Securities (EBA) amounting to IDR 161.184 trillion. As of the end of July 2012, a total of 501 companies had their shares listed on the Indonesia Stock Exchange (BEI). So that investors' investment choices in the Indonesian capital market are increasingly diverse, the IDX authority together with other Self Regulatory Organizations (SRO), namely PT Kliring Penjaminan Efek Indonesia (KPEI) and PT Kustodian Sentral Efek Indonesia (KSEI) are committed to continuing to increase the number of listed companies without reducing the quality of each issuer. IDX also continues to strive to increase the liquidity of issuers' shares and increase the number of listed bonds.

One way to increase the interest of good quality companies to carry out corporate actions through the capital market is to disseminate information about the capital market to the public through collaboration with the mass media, both national and local. One of the means is to hold a journalist workshop. Through the workshop, it is hoped that local media can become media partners in disseminating information about the capital market, including introducing the functions and roles of capital market authority institutions as well as looking at funding opportunities for a company through the capital market.

Currently, the role of the capital market as a source of company funding is not just an alternative but has become the main source of funding. Funds offered on the capital market through several corporate actions by companies such as initial public offerings (IPO), listing of new shares (rights issue) and the issuance of bonds each year are considered much more efficient than funding obtained by companies from bank loans. Especially when the inflation trend is increasing which indirectly affects bank loan interest rates.

The number of companies that register IPOs, rights issues or bonds and the funds raised from these three corporate actions record quite significant results every year. Even though in comparison there are fluctuations, one of which is influenced by the economy at home and abroad, every year, this does not dampen companies' interest in continuing to obtain funding in the Capital Market.

METHODS

Research Design

This research uses a research design analyzing the indices that become benchmarks in the Indonesian capital market, namely three types of corporate axes; IPO, Right Issue, Bonds, Sukuk and EBA.

Type Of Research

This research uses a mixed research method, where the data used is quantitative data which is explained descriptively qualitative.

Research Hypothesis

The research hypothesis shows that there is an influence of the role of the capital market on the Indonesian economy.

RESULTS AND DISCUSSION

Development Of Issuance Value In The Capital Market

Since the government of the Republic of Indonesia reactivated the capital market on August 10, 1977, the role of the capital market for corporate funding and investment vehicles has continued to increase. The growth of the Indonesian capital market reached its peak through several incentives and regulations carried out by the government, especially since the era of privatization of the stock exchange on December 13, 1992.

Tabel 1 Corporation

Type of Corporate Action	2015	2016	2017
IPO	Rp 11,31 Triliun	Rp 12,07 Triliun	Rp 9,60 Triliun
Right Issue	Rp 42,25 Triliun	Rp 67,12 Triliun	Rp 88,20 Triliun
Sukuk and EBA Bonds	Rp 375,06 Triliun	Rp 528,42 Triliun	Rp 673,41 Triliun

Based on IDX data, in the period December 2015-December 2017, the total emission value of the three corporate actions amounted to IDR 428.62 trillion, with details: IPOs amounted to IDR 32.98 Trillion, Rights Issue IDR 197.57 Trillion and the proceeds from the issuance of Bonds, Sukuk and Asset-Backed (EBA) amounted to IDR 1,576.89 Trillion.

In Indonesia, the development of the capital market is fantastic or dynamic. The Capital Market is an activity related to the public offering and trading of securities, public companies related to the securities they issue, as well as institutions and professions related to securities. The Capital Market offers various investment options such as IPO, Rights Issue, Bonds, Sukuk and EBA. In 2015 - 2016 IPO increased by Rp 0.76 Trillion while in 2016 - 2017 IPO decreased by Rp 2.47 Trillion. Rights Issue continues to increase from 2015 - 2017 it can be seen that the increase is around 22.5 Trillion / year. Bonds, Sukuk and EBA also experienced the same increase as the Rights Issue, the total increase per year was Rp 149 Trillion.

Based on the data above, it can be seen that the three corporate actions continued to increase from 2015-2017, which indicates that the Capital Market also has an important effect on the economy in Indonesia.

CONCLUSION

The capital market is an alternative source of financing for companies and alternative investment for investors. The law plays a major role in creating an orderly, fair and efficient capital market. And the two main instruments traded in the capital market are stocks and bonds. The Capital Market has an important role for the economy of an Indonesian country because the capital market carries out two functions, namely first as a means for business funding or as a means for companies to obtain funds from the investor community. Funds obtained from the capital market can be used for business development, expansion, additional working capital and others, secondly the capital market is a means for the public to invest in financial instruments such as stocks, bonds, mutual funds, and others. Thus, people can place their funds in accordance with the profit and risk characteristics of each instrument.

LIMITATION

1. Future research should use a longer year of about 10 - 15 years.
2. Future research should use other indices besides IPO, Right Issue, Bonds, Sukuk and EBA.

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