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Investment Strategy In The Capital Market

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Abstract. The purpose of this research is to determine the role of the capital market in investment in Indonesia's economic growth. The capital market is a financial market for long-term funds.This article explains the benefits of capital market instruments, risks and strategies in the capital market. Investment can be done in various ways, one of which is by utilizing the capital market. The capital market carries out two functions at once, namely an economic function and a financial function. In the capital market, there are several instruments of concern, namely shares, rights and bonds. Apart from capital market instruments, when investing in the capital market you must be aware of the types of risks such as purchasing power risk, business risk, interest rate risk, market risk and liquidity risk. Understanding several types of risk in the capital market will make it possible to create strategies, for example collecting several types of shares in one portfolio, buying on the primary market and selling once they are listed on the stock exchange, buying and holding, buying sleeping shares, stock switching strategies, consulting on certain industries, and mutual funds.

Keywords: *Capital Markets, Risks, Investments, Strategies And Mutual Funds*

INTRODUCTION

The capital market has a big role in a country's economy because the capital market carries out 2 functions at once, namely the economic function and the financial function. The capital market is said to have an economic function because the market provides facilities or a vehicle that brings together two interests, namely the party who has excess funds (investor) and the party who needs funds (issuer).

With the existence of a capital market, parties who have funds can invest these funds in the hope of receiving a return, while the issuer (in this case the company) can utilize these funds for investment purposes without having to wait for funds to be available from the company's operations.

The capital market is said to have a financial function because the capital market provides the possibility and opportunity to obtain rewards (returns) for fund owners, in accordance with the characteristics of the investment chosen. With the existence of the capital market, it is hoped that economic activity will increase because the capital market is an alternative funding for companies so that companies can operate. on a wider scale and will ultimately increase company income and the prosperity of the wider community.

The Indonesian capital market began when the Dutch East Indies Government established a stock exchange in Jakarta (Batavia) at the end of 1912 with the aim of mobilizing funds to finance Dutch-owned plantations which were currently it is developing on a large scale in Indonesia. The establishment of the stock exchange in Batavia was followed by the establishment of the stock exchange in Semarang and Surabaya in 1925. This stock exchange experienced quite rapid development until its activities were stopped due to the outbreak of the Second World War.

Furthermore, entering the era of independence, the Indonesian stock exchange was reactivated with the issuance of Indonesian government bonds in 1950. However, the reactivation of the stock exchange did not progress, this situation continued until entering the decade of the 1470s. The government began re-activating the Indonesian capital market since 10 August 1977 by establishing the Capital Market Implementing Agency (BAPEPAM), which since 1991 has become the Capital Market Supervisory Agency. This business is expected to play a role in spurring economic growth through mobilizing funds to meet development financing needs outside the banking sector.

During the period 1983 - 1987, the capital market was again not enthusiastic. The reason for the reduced interest of companies in emitting during this period was the emission requirements and procedures, which according to industry circles were very strict. To revive the capital market, the government deregulated the financial and banking sector, including the capital market.

The impact of this regulation is that the interest of issuers and investors has drastically increased in utilizing the capital market as a source of financing for companies on the one hand and an investment tool for investors.

LITERATURE REVIEW

Capital Market

The CapitalMarket is a financial market for long-term funds and in a narrow sense is a concrete market. The Capital Market is different from the MoneyMarket which deals mainly with short-term financial instruments and is an abstract market. Instruments used in the Capital Market generally include stocks, bonds, rights teams.

The Capital Market in a narrow sense is a place in an organized physical sense where securities are traded called the Stock Exchange. The definition of Stock Exchange is an organized system that brings together sellers and buyers of securities either directly or through their representatives.

The functions of the Stock Exchange include maintaining market continuity and creating fair securities prices through the supply and demand mechanism. A country in the country will compete to become a developed and prosperous country economically.

Economic growth will be one of the factors to assess the progress of a country. The progress and growth of the economy is not only the responsibility of the state or government but involves all components of the nation, especially business actors both on a scale and small and medium or commonly called SMEs (Small and Medium Enterprises).

The government will really hope for the involvement of the state in supporting economic progress because what is expected to play a more active role is the business world because they are the ones who drive the wheels of the economy in society, the government only plays a role as a policy maker so that the business climate improves and conducive days that can have an impact on national economic growth and progress.

The Role And Benefits Of The Capital Market

The role of the stock exchange is as follows.

1. Providing all securities trading facilities (facilitators).
2. Make regulations relating to stock exchange activities.
3. Strive for instrument liquidity.
4. Prevent prohibited practices on the stock exchange (collusion, unfair price formation, insider trading, and so on).

5. Disseminate stock exchange information.
6. Creating new instruments and services.

The benefits of the existence of a capital market are as follows.

1. Providing a source of financing (long term) for the business world while enabling optimal allocation of funding sources.
2. Providing an investment vehicle for investors while enabling diversification efforts.
3. Providing a leading indicator for the country's economic trends.
4. Spread of company ownership to the middle class.
5. Spread of ownership, openness and professionalism, creating a healthy business climate.
6. Create attractive jobs/professions.
7. Provides the opportunity to have a company that is healthy and has prospects.
8. Investment alternatives that provide potential profits with risks that can be calculated through openness, liquidity and investment diversification.
9. Fostering a climate of openness for the business world, providing access to social control.
10. Company management with a climate of openness, encouraging the use of professional management.
11. Long-term source for issuers.

Capital Market Management In Indonesia

1. Capital Market Advisory Board

The main duties of the Capital Market Advisory Board are as follows.

a. Provide policy considerations to the Minister of Finance in carrying out his authority in the capital market sector based on Law No. 15 of 1992 concerning the Stock Exchange.

b. Provide policy considerations to the Minister of Finance in carrying out his authority over BUMN, PT (Persero) Danareksa as intended by Presidential Decree No.52/1976.

2. Capital Market Supervisory Agency

The duties of the Capital Market Supervisory Agency (Bapepam) according to Presidential Decree No. 53 of 1990 concerning Capital Markets are as follows.

a. Following developments and regulating the capital market so that securities can be offered and traded in an orderly, fair and efficient manner, as well as protecting the interests of investors and the general public.

b. Carry out guidance and supervision of the following institutions.

- Stock Exchange
- Clearing, settlement and depository institutions
- Mutual funds
- Securities companies and individuals
- Capital Market supporting institutions, namely Asset Depository, Securities Administration Bureau,Trustee, or Guarantor
- Capital Market Supporting Profession

c. Provide opinions to the Minister of Finance regarding the capital market: Bapepam as a Capital Market Supervisory Institution is obliged to establish provisions to ensure the implementation of securities trading in an orderly and fair manner in order to protect investors and the public in the following forms.

d. Disclosure of information about securities transactions on the Stock Exchange, by all securities companies and all parties. These provisions must contain requirements for disclosure to the Chairman of Bapepam and the public regarding all securities transactions by all major shareholders and insiders and parties associated with them.

e. Storage of records and reports provided by parties who have obtained business permits, individual permits, approval or professional registration.
f. Securities allotment, in the event that there is an excess number of requests in a public offering. This provision does not require the issuance of certificates in an amount less than the standard amount applicable in securities trading on a stock exchange.

Capital Market Supporting Institutions
1. Primary Market Supporting Institutions (Primary Market)
Supporting market institutions and their main tasks are as follows.
a. Securities Underwriting (Underwriter), duties as follows.
- Provide advice on the following matters.
- The type of effect that should be issued.
- Reasonable price for the securities.
- Duration of securities (bonds and credit securities).

b. In submitting a securities emission registration statement, assist complete administrative tasks related to the following.
- Filling in securities emission registration statement documents.
- Preparation of prospectus.
- Designing effect specimens.
- Accompany issuers during the evaluation process.

c. Organizing the implementation of emissions, including the following.
- Distribution of effects.
- Prepare supporting facilities.

d. Public Accountant, his duties are as follows.
- Conduct examination of the company's financial reports and provide opinions.
- Checking bookkeeping, whether it is in accordance with Indonesian accounting principles and Bapepam.
- Provide instructions for implementing good bookkeeping methods.

e. Legal Consultant, whose job is to examine the legal aspects of the issuer and provide a legal opinion (Legal Opinion) regarding the condition and validity of the issuer's business, including the following.
- The company's articles of association/deed of establishment include approval from the competent authority, capital, management, and the rights and obligations of shareholders.
- Business permits that issuers must have.
- Proof of ownership/control of the issuer's assets.
- Engagements carried out by issuers with third parties.
- Lawsuits or demands in cases or crimes involving the issuer or individual management.

f. The notary's duties are as follows.
- Prepare minutes of the general meeting of shareholders (GMS).
- Implementing the concept of the deed of amendment to the articles of association.
- Prepare a draft budget agreement for securities issuance.

g. Sales Agent, generally a securities company with the following duties.
- Serving investors who will order shares.

- Carrying out money order purchases (refunds) to investors.
- Hand over securities certificates to buyers (investors).

h. An Appraisal Company is needed if an issuing company is going to reassess its assets, to find out the fair value of the company's assets as a basis for issuing through the capital market.

2. Supporting Institutions in Bond Issuance
a. The Trustee's duties are as follows.
- Analyze the issuer's capabilities and credibility.
- Conduct research on part or all of the issuer's assets (as collateral).
- Provide advice that is taken into account by issuers.
- Supervise principal loan repayment along with.
- The interest must be paid by the issuer on time.
- Carry out duties as the main payment agent.
- Continuously follow developments in the issuer company.
- Make a trusteeship agreement with the issuer.
- Call a general meeting of bondholders (RUPO) if necessary.

b. The guarantor is responsible for fulfilling the bond principal and interest payments from the issuer to bond holders on time, if the issuer does not fulfill its obligations.
c. Payment Agent (Paying Agent), is tasked with paying bond interest which is usually done twice a year and is repaid when the bond matures.
3. Secondary Market Supporting Institutions
It is an institution that provides services in carrying out buying and selling transactions on the stock exchange, consisting of the following.
a. Securities Holders, in addition to buying and selling securities for themselves, also function to create a market for certain securities and maintain price balance and maintain securities liquidity by buying and selling certain securities in the Secondary market.
b. Securities Dealer Intermediary (Broker), tasked with receiving selling orders and investor orders to then be offered on the stock exchange. For these services, the broker charges a fee to investors.
c. Securities Companies (Securities Companies) can carry out one or several activities, investment management, or investment advisory.
d. Securities Administration Bureau, namely the party which, based on a contract with the issuer, regularly provides services for carrying out bookkeeping, transfers and recording, payment of dividends, distribution of option rights, issuance of certificates, or annual reports for the issuer.

1. Stocks
Shares or stocks are proof or proof of ownership of a share of capital in a limited company. In buying and selling transactions on the Stock Exchange, shares, or often called shares, are the most dominant instrument traded. These shares can be issued in the name or bearer. Furthermore, shares can be differentiated between common shares and preferred shares.

Types Of Ordinary Shares Are As Follows
a. Superior Shares (Blue Chips), namely shares issued by large and well-known companies that have long demonstrated their ability to earn profits and pay dividends. Usually these

companies have high business stability and are superior in similar industries and become the assessment standard in measuring the company.

b. Growth Stocks, namely shares issued by companies whose sales, profits and market share are experiencing very rapid growth compared to the industry average.
c. Emerging Growth Stocks, namely shares issued by companies that are relatively smaller and have strong resilience even in unfavorable economic conditions. The price of this type of stock usually fluctuates greatly.
d. Income Stocks, namely shares that pay dividends exceeding the average income. In America, for example, these shares are generally purchased by investment funds and pension funds.
e. Cyclical Stocks, namely company shares whose profits fluctuate and are strongly influenced by the business cycle. If business conditions improve, company profits will also improve and increase. Correspondingly, company shares have increased, and vice versa,
f. Defensive stocks, namely company shares that can survive and remain stable over a period or condition of uncertainty and review. Such companies have relatively slow growth both in boom conditions and will survive during economic recessions.
g. Speculative Stocks, in principle all ordinary shares traded on the stock exchange can be classified as speculative stocks. Because when buying shares you cannot buy a promise, there is no certainty that the funds ultimately received when selling the shares will increase or even decrease or be equal to the amount of funds that have been paid.

2. Right

The right given to existing shareholders to purchase additional new shares issued by a company is called proof of right. The issuance of rights on the Indonesian Capital Market is called a limited securities offering with the right to purchase first. Usually the company stipulates that each old shareholder is given the right to buy a number of new shares in a specified ratio.

3. Bonds

Bonds or bonds are proof of debt from the issuer which is guaranteed by the guarantor which contains a promise to pay interest or other promises as well as repayment of the principal on the due date. Bonds offer long terms with other benefits to consider. Except for bonds with floating interest rates (Floating Rate Bonds), bonds provide fixed returns over a relatively long period of time and are not affected by interest rate fluctuations as is the case with term deposit interest rates which always change from time to time in line with the results of changes in conditions. monetary

Investment Risks In The Capital Market

Investment risk in the capital market is related to the possibility of price volatility. Risks that investors may face include the following.

1. Purchasing Power Risk

The nature of investors in handling risk factors in the capital market consists of two, namely investors who do not like risk (risk averter) and investors who actually like to challenge risk (risk averse). For investors, the first category will look for or choose a type of investment that will provide profits that are at least the same as the investment made previously. Investors expect to receive income or capital gains in the not too distant future.

However, if the investment takes 10 years to reach 60% profits while the inflation rate during that period has risen to more than 100%, then the investor will clearly receive profits whose purchasing power is much smaller than the profits that could be obtained initially.

Therefore, purchasing power risk is related to the possibility of inflation causing the real value of income to be smaller.

2. Business risk.

Business risk is a risk of reducing the ability to earn profits which in turn will reduce the ability of the company (issuer) to pay interest or dividends.

3. Interest rate risk.

Rising interest rates usually put pressure on the prices of fixed income securities, including stock prices. Usually, increases in interest rates do not occur in the same direction as capital market instrument prices. The risk of rising interest rates, for example, will clearly reduce prices on the capital market.

4. Market risk.

If the market is bullish, generally almost all share prices on the Stock Exchange will increase. Conversely, if the market is sluggish (bearish), shares will also experience a decline. Changes in market psychology can cause securities prices to fall regardless of fundamental changes in the company's profit-making ability.

5. Liquidity risk.

This risk is related to the ability of a security to be traded immediately without experiencing significant losses.

Investment Strategy In The Capital Market

Profits (capital gains) and losses (capital losses) for investors are greatly influenced by their ability to analyze the condition of share prices and the possibility of price fluctuations on the stock exchange. Several strategies for investing on the Stock Exchange (especially in the form of shares) are as follows.

1. Collect several types of shares in one portfolio. This strategy can reduce investment risk because the risk will be spread across several types of shares. The opportunity to make a profit is quite large. Losses in one type of share can be covered by profits in another type of share.
2. Buy on the primary market and sell once it is listed on the stock exchange.
3. Buy and save. This strategy can be used if investors have confidence based on analysis that the company in question has prospects for growing quite rapidly in the next few years so that its shares are expected to experience a fairly large increase. The profits that can be obtained from this strategy are in addition to dividends as well as capital gains.
4. Buy sleep stocks. Sleeping shares are shares that rarely or never have transactions. These sleeping shares can be caused by the number of shares listed being too small or controlled by institutional investors and old share owners (company founders). Or it could also be caused by the performance of the company in question being poor or its business prospects still not being bright enough so that it does not receive the attention of investors.
5. Strategy for moving from one stock to another. Investors who choose this strategy tend to be more speculative. Investors like this must always follow movements or changes in share prices on the Exchange.
6. Concentration in certain industries. This strategy is more suitable for investors who really understand the conditions of a particular type of industry so they know its development prospects in the future. Investors can choose several shares of bank companies that have business in the relevant industrial sector.

7. Mutual funds. Invest by purchasing investment units or shares issued by mutual funds. This strategy is suitable for investors who do not have enough time to carry out market analysis or do not have access to information. Usually novice investors tend to choose this type of investment.

METHODS

In this study the authors used a quantitative descriptive approach method, which is a form of research conducted based on data that is in accordance with the actual data collected during the research accompanied by analysis and interpretation based on capital market investment theories.CapitalMarket / Capital Market is a financial market for long-term funds and in a narrow sense is a concrete market.

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The functions of the Stock Exchange include maintaining market continuity and creating fair securities prices through the supply and demand mechanism.

RESULTS AND DISCUSSION

This research was conducted to find out what strategies exist in the capital and financial markets in Indonesia. The capital market has a big role for a country's economy because the capital market performs 2 functions at once, namely economic functions and financial functions. The capital market is said to have an economic function because the market provides facilities or vehicles that bring together 2 interests, namely those who have excess funds(investors) and those who need funds(issuers).

With the capital market, those who have funds can invest these funds in the hope of getting areturn, while the issuer (in this case the company) can utilize these funds for investment purposes without having to wait for the availability of funds from company operations.

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Furthermore, entering the era of independence, the Indonesian stock exchange was reactivated with the issuance of Indonesian government bonds in 1950. However, the reactivation of the stock exchange did not progress, this situation continued until entering the decade of the 1470s.

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CONCLUSION

Investment can be done in various ways, one of which is by utilizing the capital market. The capital market performs two functions at once, namely the economic function and the financial function. In the capital market, there are several instruments that are of concern, namely stocks, rights, and bonds. In addition to capital market instruments, investing in the capital market must know the types of risks such as purchasing power risk, business risk, interest rate risk, market risk, and liquidity risk.

Understanding several types of risks in the capital market will allow you to create strategies, such as collecting several types of stocks in one portfolio, buying in the primary market and selling once listed on the stock exchange, buy and save, buy sleeper stocks, switching strategies, consulting on certain industries, and mutual funds.

LIMITATION

Investments can be made in various ways, one of which is by utilizing the capital market. The capital market performs two functions at once, namely the economic function and the financial function. In the capital market, there are several instruments that are of concern, namely stocks, rights, and bonds. In addition to capital market instruments, investing in the capital market must know the types of risks such as purchasing power risk, business risk, interest rate risk, market risk, and liquidity risk.

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