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# Islamic Capital Market Investment In Indonesia

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**Abstract.** Capital market is developed to accommodate the needs of muslims in Indonesia who want to invest capital market products in accordance with the principles of sharia. With the developing of sharia investment products in the Indonesia capital market is expected to realize the Indonesian capital market into a market that can attract investors who are investing in accordance with Islamic teachings. In Islam investment activities can be categorized as a muamalah activity. Transactions in the capital market according to sharia law are not prohibited and allowed provided that there is no transaction that conflicts with sharia such as transactions containing elements of interest and riba and also prohibit the existence of transactions contained speculation and contain a gharar element or obscurity

**Keywords:** *capital markets, investments, sharia*

## INTRODUCTION

Sharia principles in the banking industry were marked by the establishment of the first Islamic Bank in Cairo called Nasser Social Bank around 1971 whose operations were based on a profit-sharing system (without usury). Which was then followed by the establishment of several other Islamic banks such as the Islamic Development Bank (IDB) and The Duba Islamic around 1975, then Faisal Islamic Bank of Egypt, Faisal Islamic Bank of Sudan and Kuwait Finance House in 1977. The development of sharia-based banks was able to encourage the development of the use of sharia principles in the capital market sector. The first countries to apply sharia principles in the capital market sector were Jordan and Pakistan because the two countries had compiled the legal basis for the issuance of sharia bonds. And in its development, various sharia-based capital market instruments are already available in the Malaysian capital market, including Sharia Mutual Funds, Sharia Shares, Sharia Indexes and Sharia Bonds. Capital market activities in Indonesia are regulated in Law No. 8 of 1995 concerning Capital Markets (UUPM). The Capital Market Law does not distinguish whether the capital market activities are carried out with sharia principles or not. Based on UUPM, Indonesia's capital market activities can be carried out in accordance with sharia principles.

To encourage the development of economic growth in Indonesia, whose population is predominantly Muslim, the progress of the Islamic capital market has emerged with the development of the Islamic capital market through the issuance of Islamic mutual funds by PT Danareksa Investment Management on July 03, 1997, then the Indonesia Stock Exchange in collaboration with PT Danareksa Investment Management launched the Jakarta Islamic Index (JII) on July 03, 2000 which aims to guide investors who want to invest their funds in sharia, supported by a fatwa on the Islamic capital market on April 18, 2001 by the National Sharia Council of the Indonesian Ulema Council (DSN- MUI), as well as bonds effective starting October 30, 2002.

## **LITERATURE REVIEW**

The Islamic capital market is part of the capital market industry as regulated in Law No. 8 of 1995 concerning Capital Markets. However, Islamic capital market transactions are based on Islamic laws or sharia principles. As a result, there are various special characteristics of the Islamic capital market compared to the conventional one, especially regarding its products and mechanisms. The rules of the game of sharia principles in the capital market are regulated in OJK Regulation Number 15 of 2015 concerning the Application of Sharia Principles in the Capital Market.

The journey of Indonesia's Islamic capital market industry has undergone various stages. On July 3, 1997, the Islamic capital market in Indonesia began with the issuance of Islamic Mutual Funds by PT Danareksa Investment Management. Furthermore, the Indonesia Stock Exchange which was formerly called the Jakarta Stock Exchange in collaboration with PT Danareksa Investment Management launched the Jakarta Islamic Index on July 3, 2000 with the aim of guiding investors who want to invest their funds in sharia.

## **SHARIA CAPITAL MARKET**

The package of regulations are Bapepam and LK Regulation Number IX.A13 regarding the Issuance of Sharia Securities and Number IX.A.14 regarding the Agreements used in the Issuance of Sharia Securities in the Capital Market. Furthermore, on August 31, 2007 Bapepam-LK issued Bapepam and LK Regulation Number II.K.1 on the Criteria and Issuance of Sharia Securities List and followed by the launch of the first Sharia Securities List by Bapepam and LK on September 12, 2007. The presence of Law Number 19 of 2008 on Government Sharia Securities (SBSN) expands Islamic capital market products. With the SBSN Law, the government has a legal basis to issue state sharia securities or state sukuk. For the first time, the Government of Indonesia issued the IFR0001 and IFR0002 series of SBSN. Please note, Islamic capital market products are in the form of Islamic securities or securities. Sharia securities that have been issued in the Indonesian capital market include sharia stocks, sukuk and sharia mutual funds. Well, sharia shares are securities of proof of capital participation in the company and proof of participation, shareholders are entitled to get a share of the proceeds from the company's business with sharia principles.

## **SHARIA STOCK MECHANISM IN INDONESIA**

The principles of sharia capital participation in the sharia capital market in Indonesia are not realized in the form of sharia or non-sharia stocks, but in the form of the formation of a stock index that meets the principles of sharia. The sharia capital market in the context of sharia stocks basically should not contain ribawi transactions, gharar transactions, and also should not be engaged in sectors that are forbidden by sharia.

This capital market should be free from unethical transactions such as market manipulation, insider trading, and short selling. The transaction of buying and selling shares in the sharia capital market should not be done directly and is prohibited in Islam. This is because in the sale of shares in the conventional capital market, investors can buy and sell shares directly by using the services of a broker or broker. So it is possible for speculators to play with prices.

## **METHODS**

This paper uses a literature study research method by reviewing and analyzing several journals and books that are closely related to the field of sharia capital market implementation in

Indonesia. The results of the analysis of various literatures will be used as a reference and source of learning in describing materials regarding the application of Islamic markets in Indonesia, so that writers and readers can clearly understand Islamic markets in supporting economic growth and the development of Islamic capital markets.

## **RESULTS**

The value and price of Islamic stocks in the Islamic capital market in Indonesia are not much different from the value and price of common stocks. This stock value is very useful for investors, especially to determine the level of growth (growth) shares and cheap (undervalued) shares that reflect the growth of the company.

## **DISCUSSION**

Book Value per share shows the net assets owned by shareholders by owning one share. Since net assets are equal to total shareholders' equity, the book value of shareholders is total equity divided by the number of shares outstanding.

Market Value Market value is different from book value if book value is the value recorded when the shares are sold by the company, then market value is the share price that occurs on the stock exchange market at a certain time determined by the demand and supply of the relevant shares on the stock exchange market.

Intrinsic value is the supposed value of a stock, or often referred to as the fair value of a stock. Some fundamental questions are often asked, such as whether the market price of shares reflects the true value of the company.

## **CONCLUSION**

The Capital Market is a place or facility that brings together demand and supply, the goods offered are financial instruments that have a relatively long period of time generally more than one year. The Sharia Capital Market is a capital market that does not contradict sharia principles which are universal and function as funding for companies as well as investment facilities that are in accordance with sharia principles (OJK, Knowing the Sharia Capital Market, 2020). In general, the Islamic capital market is in line with the conventional capital market, except that the Islamic capital market has special characteristics, namely the products and transaction mechanisms must not conflict with sharia principles.

## **LIMITATION**

The Islamic capital market has 2 (two) important roles, namely: As a source of funding for companies to develop their business through the issuance of Islamic securities. As a means of investing in Islamic securities for investors The Islamic capital market is universal, can be utilized by anyone regardless of ethnic, religious, and racial backgrounds.

The resilience of the Islamic capital market can also be affected by external factors such as overall global economic conditions, geopolitics, and other external events. Therefore, while Islamic capital markets can have characteristics that make them more resilient in the face of crisis, it is still important to monitor overall market conditions and take appropriate measures to protect investment portfolios.

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