

INVESTMENT REKSADANA SHARIA ON CAPITAL MARKET IN INDONESIA

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ABSTRACT

Indonesia has the largest Muslim population would have a huge potential market for Islamic mutual fund investments. There are special characteristics of Islamic investing, including in the capital markets sector. These limits is the suitability of an investment product on the principles of Islamic teachings. National Sharia Council (DSN) an institution under the MUI (Indonesian Ulama Council) which was established in 1999 has issue provisions regarding investment activities in the Islamic capital market. Provision is poured into some of the MUI on the appropriate investment activities in the Islamic investment products in the Indonesian Capital Market. In terms of stocks that are traded in stock exchange, ISE has issued a list of companies listed in the stock in accordance with Islamic sharia, or shares listed on the Jakarta Islamic Index (JII). Where shares are listed in this index have been determined by the Sharia Board. Mutual Funds in Sharia transactions are not allowed to perform acts of speculation, in which such offer gharar containing false and other speculative actions.

KEYWORDS

Investment, sharia mutual funds, capital markets of Indonesia, JII, sharia council

INTRODUCTION

Problem Background In general, capital markets can be defined as a place where the capital traded between parties who have excess capital (investors) to those who need capital (issuer) to develop an investment. According to Law No. 8 in 1995, the stock market is defined as "activities related to public offering and trading securities, Public Company relating to the issuance of securities, as well as institutions and professions related to the effect".

The existence of capital market in Indonesia is one of the most important factor in the build part of the national economy, proved to have a lot of industries and companies that use this capital market institutions as a medium to absorb the investment and the media to strengthen its financial position. Factually, capital markets have become the financial nerve center (the world's financial nerve) in the modern economic world today, even the modern economy would not be able to exist without the existence of strong capital markets and global competitive and well-organized.

Post-1997 economic crisis and decline amid the national economic growth rates, which also affected the capital markets sector as a subsystem of the national economy of Indonesia, now the Indonesian capital market industry will begin to look the development of the principles of Islamic sharia as an alternative investment instruments in capital market activities in Indonesia.

In recent years, investment instruments based on sharia principles developed quite rapidly, such as Islamic bonds, stocks and mutual funds Islamic sharia. Indonesia with a population of Islamic religion in the world's largest market certainly has huge potential. Our society will begin to look and consider selecting a mutual fund compared with the banking products with a relatively low rate. Of course this will also provide opportunities, to the investment managers who develop a product that is preferred by the public, one of which is the product of Islamic mutual funds. Islamic investment activities have started and introduced in Indonesia since the date of June 25, 1997, in which state-owned securities companies, namely PT. Danareksa became a pioneer in Islamic mutual funds issue. This fund became the first capital market instruments that operate in Islamic sharia and the inception of Islamic capital markets and then followed by the presence of Jakarta Islamic Index (JII) in July 2000. Then followed the issuance of Islamic bonds in late 2002. Through the instruments and bond mutual funds and a number of sharia DSN-MUI fatwa related to investment activities in the Islamic capital market, has also been published, but so far the parties invest in the Islamic capital market is still not optimal. Therefore needed socialization and understanding to people about investing, especially sharia-based mutual fund so that people will better understand and are interested in this investment.

DISCUSSION

2.1. The concept of Islamic Mutual Funds

Mutual fund is an investment fund management pattern where investor can invest by buying mutual fund units. These funds then managed by the investment manager in the capital markets, whether it be stocks, bonds and money markets. Mutual fund is a way out for small investors who want to participate in the capital markets. In accordance with the principle of portfolio, investors will find the "egg" investment spread over several "baskets" are different, so the risk is spread.

Sharia mutual funds is a container that is used to raise funds from public investors as owners of funds (shahul mall) to further invest in the securities portfolio by the Investment Manager as the representative of the mall Shahibul and according to the principles of Islamic law which is based from AL-Qur'an. Mutual funds are only allowed as a type of investment in securities (securities), not direct investment into the real sector (business). Islamic mutual funds are managed funds invest in stocks or bonds issued by companies based sharia.

2.2. About DSN Fatwa Sharia Investment

There are special characteristics of Islamic investing, including in the capital markets sector. These limits is the suitability of an investment product on the principles of Islamic teachings. National Sharia Council (DSN) an institution under the MUI (Indonesian Ulama Council) which was established in 1999 has issue provisions regarding investment activities in the Islamic capital market. Provision is poured into some of the MUI on the appropriate investment activities in the Islamic investment products in the Indonesian Capital Market. Fatwa DSN Number: 40/DSN-MUI/X/2003 dated October 4, 2003 on the Capital Market and the General Guidelines for the Implementation of Sharia Principles Capital Markets Division, has determined the investment criteria products in accordance with Islamic teachings. In essence, these products qualify requirements, among others:

- 1) Type of Business, products and services provided and the way companies manage business issuers are not forbidden by Islamic principles, among others:
 - a. Business gambling or gambling game or belonging to a banned commercial.
 - b. Conventional Financial Institutions (ribawi), including conventional banking and insurance.
 - c. Producers, distributors, and traders of food and drink forbidden.
 - d. Producers, distributors, and / or supplier of goods / services that damage morale and harmful.
- 2) Type of transaction must be conducted according to the precautionary principle and not allowed to gamble in it an element of dharar, gharar, maysir, and zhulm include: najash, ba'i al ma'dun, insider trading, disseminating misleading information to gain prohibited transactions, make investments in companies at the time of the transaction rate (ratio) to the agency debt ribawi financial more dominant than the capital, margin trading and ikhtikar. Based on these conditions then the investment products in the appropriate capital markets sharia principles could be:
 - a. Stocks

Investation products principally in the form of shares is in accordance with Islamic teachings. In mixture theory, Islam knows akad shirkah or Musharaka is a partnership between two or more parties to conduct business in which each party to deposit a sum of money, goods or services. The shirkah types known in the science of jurisprudence, namely: 'inan, mufawadhah, wujuh, abdan, mudaraba. Division deposit type based on each side and who among those parties who manage these activities.
 - b. Bonds

Bonds is a long-term securities that are debt issued by the issuer to bond holders with the obligation to pay relating to a particular period and repay principal at maturity to the bondholder. Based on these definitions it can be said that the bond is a product that does not match the teachings of Islam. Islamic according then a debt receivable including activities tabarru (virtue), so forbidden to get something from these activities. For example a person borrows money USD. 1,000,000.00 so that lending may not request more funds from the loan. Referring to the National Sharia Board Fatwa No.: 32/DSN- 19 MUI/IX/2002, "Islamic bonds is a long-term securities based on sharia principles issued by the Issuer to the holder of a compulsory Shariah Bonds Issuer to pay the income to holders of Shariah Bonds in the form of profit sharing / margin / fees, and bond funds to repay at maturity ". Akad-akad that can be used in the issuance of Islamic bonds, among others:

 1. Mudaraba
 2. Murabaha
 3. Regard
 4. Istishna

5. Ijara

2.3. Basic rules of Sharia

In general, all types of business activities in Islamiyya Islamic perspective, fall into the category of legal origin muamalah Mubah (may be) provided that does not violate some basic principles of Islamic Shari'a. This is in line with a rule that distinguished among the scholars that read: "The law is the subject of worship muamalah (should) except when there is the argument that proscribe". In a conventional mutual funds offered by many investment managers, with the agreement that allowed in Islam, namely trading and profit-sharing and there are many objectives such as promoting the economy, mutual benefit among the participants to minimize the risk in capital markets and so on. Activities of mutual funds are still many contain elements that are not in accordance with Islamic sharia. There are several things that distinguish between conventional mutual funds and mutual funds sharia.

2.4. Institutional

In yet known Islamic sharia legal institutions such as the present. But this legal institutions reflect the actual ownership of shares of companies that are recognized sharia. However, in the case of Islamic mutual funds, the highest decision in the case of the validity of the product is Sharia Supervisory Board consisting of several Muslim scholars and Islamic economists recommended by the Sharia Supervisory Board of the National Council of Ulama Indonesia. Thus in the process will continue to follow developments in order not to get out of the path of the Islamic investment principles.

2.5. The Investor Relations Company

Akad between the institutional investors should be done with mudaraba system. Technically, al-mudaraba is the covenant of business cooperation between two parties where the first party to provide the entire (100%) of capital, while others become managers. Business profits are divided according to the agreement mudaraba set forth in the contract, whereas if the loss, borne by the owners of capital loss is not due to negligence on the manager. If the losses resulting from fraud or negligence the manager, the manager will be responsible for the losses. In terms of buying or selling, shares in mutual funds can be traded sharia. Shares in mutual funds are the property Sharia (mal) is allowed to be traded in the shari'a. The absence of elements of fraud (gharar) into stocks because the stock value is clear. Stock prices are formed by the law of supply and demand. All issued shares in a mutual fund administration noted that the reference price of neat and should be done clearly.

2.6. Mutual Fund Investment Activities

Invest in mutual funds sharia could do anything as long as not contrary to the sharia. of investment is not permissible not to do is to invest in gambling, prostitution, pornography, food and beverages are prohibited, ribawi financial institutions and others are determined by the Sharia Supervisory Board. In terms of stocks that are traded dibursa stock, has issued a list of JSE listed companies in the stock in accordance with Islamic sharia, or shares listed on the Jakarta Islamic Index (JII). Where shares are listed in this index have been determined by the Sharia Board. Mutual Funds in Sharia transactions are not allowed to perform acts of speculation, in which such offer gharar containing false and other speculative actions.

2.7. Sharia Mutual Fund Shares

Method of stock mutual fund income is calculated based on the concept of sharia and sharia mechanism, where the transactions are not allowed to perform acts of speculation, which in it contains such gharar Najsy (false bids) better known by the term short-sale in the stock market. Funds collected from its customers will be reinvested by the relevant investment managers collectively. Investment results will be added to the accumulation of customer's money if a profit, or reduced if the losses. Accumulated funds would still be owned by customers and stored in a custodian bank that also serves to calculate the amount of accumulated funds. After deducting the fees of investment managers and other costs, an accumulation fund called the Net Asset Value (NAV). NAB is going up and down according to the profit and loss performance of the investment made.

Important information that is needed is to measure the performance of Islamic mutual fund shares. there are two important things that must be considered in measuring the performance of Islamic mutual fund shares, namely:

1. Level results (rate of return) obtained equal to or greater than the level of the portfolio (portfolio return) with specific risk equal to or less than the level of market risk (market risk).
2. To diversify so that it can not eliminate systematic risk as measured by calculating the correlation between the level of Islamic mutual fund shares with shares of the level of Islamic mutual funds with a portfolio of market rates.

To assess the performance of Islamic mutual fund shares can determine the investment managers benchmark set forth in the prospectus as a guide for investors to assess the performance manager investment. Set benchmarks for comparison the performance of mutual fund shares by the Council of Islamic Sharia and the National Bappepem is the index of 30 securities are recognized based on the Shari'a and Islamic principles, which is mentioned in the Jakarta Islamic Index (JII).

Investors should always monitor your mutual fund investment by way of always seeing the prospectus, current market conditions, and the performance of investment managers who manage the funds. This is done so that the invested funds can provide value to the more (value added) future period, more developed and that funds are not reduced, the things that investors need to note are:

1. Total Return on Investment (total return)
The ratio increases the value of the Net Asset Value (NAV) per unit of shares / units in one period with the NAV per share / unit of participation in early inclusion.
2. NAB development
NAB and the development of procedures for calculating the amount NAV should be monitored continuously published in the mass media so as to facilitate the community in a mutual fund's performance compare with other similar mutual funds.
3. Periodic reports
Mutual fund managers are required to provide periodic reports (annual or midyear) to shareholders / unit of participation (investors) which describes the performance of mutual funds in question. Entering the year 2005, stock mutual fund investment prospects promising sharia.

2.8. The development of Islamic Investment in Indonesian Capital Market

Since the launch of first Islamic mutual funds are mutual funds Sharia Danareksa June 25, 1997, the development of Islamic instruments continue to experience growth despite a slow but sure, especially the era of 2002 until the mid-2004, both instruments sharia mutual funds and bonds experienced significant growth, the mutual fund until while in total 10 mutual funds (including mutual funds 2 inactive / disbanded) and as many as 10 (ten) issuers that have issued sharia-based bonds. The things that affect the development of Islamic capital market is among other things:

1. The development of capital market instruments in accordance with the Sharia fatwa strengthened with DSN - MUI;
2. The development of the transaction in accordance Islamic capital market instruments sharia; and
3. Institutional development and monitoring of Islamic capital market transactions (including Bapepam Sharia, Islamic Securities Agencies and the Board of Trustees Islamic Market / Index).

Judging from the results (potential return) is obtained, specifically Islamic mutual fund industry somewhat higher than conventional mutual funds, namely Islamic mutual funds provide an average 13% return, while the conventional mutual funds provide an average 12% return.

Furthermore, on July 3, 2000 PT Jakarta Stock Exchange (JSE) has launched the Jakarta Islamic Index (JII) is the "Benchmark" for stocks that contain illiquid stocks and meet the principles of Islamic sharia. JII formation goal is to increase investor confidence in investing in syariah-based stock and provide benefits for investors in Islamic sharia run to invest in the Stock Exchange. JII is also expected to support the process of transparency and accountability of sharia-based stocks in Indonesia. JII members consist of 30 stocks that represent + 42% of market capitalization in the Jakarta Stock Exchange and members of the JII will be reviewed every 6 months, precisely in January and in June of each year.

To know the development of Islamic investment can be seen from the following tables.

Table 1. Members Table III Period July 2004 s.d. December 2004

No.	Issuer Name	No	Issuer Name
1	Aneka Tambang (Persero)	16	Kawasan Industri Jababeka
2	Astra Agro Lestari	17	Limas Stokhomindo
3	Astra Graphia	18	London Sumatera
4	Bakrie & Brothers	19	Multipolar
5	Barito Pacific Timber	20	Perusahaan Gas Negara (Persero)
6	Bumi Resources	21	Semen Cibinong
7	Ciputra Development	22	Semen Gresik (Persero)
8	Dankos Laboratories	23	Summarecon Agung
9	Enseval Putra Megatrading	24	Tambang Batubara Bukit Asam
10	Gajah Tunggal	25	Telekomunikasi Indonesia
11	Indocement Tunggal Prakasa	26	Tempo Scan Pacific
12	Indofood Sukses Makmur	27	Timah
13	Indosat	28	Trias Sentosa
14	International Nickel Ind	29	Unilever Indonesia
15	Kalbe Farma	30	United Tractors

The development of instruments and capital market transactions in accordance with Islamic principles s / d September 2004 is as the data in the table below:

Table 2. Islamic bond issuer Table s / d September 2004

No	Sharia Investment Instrument	Effective	Total (Rp million)	Indication Return %
1	Indosat Syariah Mudharabah (2002)	30-Oct-02	175	16,75
2	Bank Muamalat Syariah Subordinasi	30-Jun-03	200	17
3	Cilindra Perkasa I Th. 2003	18-Sep-03	60	14
4	Bukopin Syariah Mudharabah 2003	30-Jun-03	45	15
5	Berlian Laju Tanker Mudharabah 2003	05-Dec-03	60	13
6	BSM Mudharabah 2003	22-Oct-03	200	13
7	Obligasi Syariah PTPN VII 2004	18-Mar-04	75	13,5
8	Matahari Putra Prima Ijarah	28-Apr-04	150	13,80
9	Sona Topas Tourism Ijarah	17-Jun-04	52	13,5-14,5
10	Citra Sari Makmur Ijarah 2004	29-Jun-04	100	13,5-14,5
Total			1.117	

Table 3. Comparison of Total Bonds Total Bonds vs. Sharia and Comparison of Shariah Bonds Issuance Value vs Total Value of Bonds Issuance Shariah vs. yr. Total Bonds Bonds Issuance Comparison Value vs Total Value Shariah Bonds

Year	Sharia vs. Total Bond			Comparison Value vs Total Value Shariah Bonds (Rp. Milyar)		
	Sharia	Bond	%	Sharia	Bond	%
2000	0	91	0%	0	28.787,40	0%
2001	0	94	0%	0	31.662,40	0%
2002	0	100	0%	0	37.812,40	0%
2003	6	135	4,44%	740,00	63.635,50	1,16%
2004	10	145	6,89%	1.117,00	75.055,30	1,48%

Table 4. Publisher Syariah Mutual Fund Table

No.	Mutual fund	Effective date
1.	Batasa Syariah	21 Juli 2003
2.	Dompot Dhuafa Batasa Syariah	20 Juli 2004
3.	BNI Dana Plus Syariah	21 April 2004
4.	BNI Dana Syariah	21 April 2004
5.	PNM Syariah	25 Mei 2000
6.	Danareksa Syariah Berimbang	24 Oktober 2000
7.	AAA Syariah	12 Agustus 2004
8.	PNM Amanah Syariah	26 Agustus 2004
9.	Danareksa Syariah (telah bubar)	25 Juni 1997
10.	Rifan Syariah (telah bubar)	11 September 2002

Table 5. Comparison of Number of Mutual Funds Syariah Funds vs. All and Comparison of NAB

years	Comparison Mutual Fund Syaria vs. Total Mutual Fund			NAB Comparison (Rp. Milyar)		
	Sharia	Mutual Fund	%	Sharia	Mutual Fund	%
2000	2	94	2,13%	25,26	5.515,95	0,46%
2001	2	108	1,85%	25,96	8.003,77	0,32%
2002	3	131	2,29%	29,47	46.613,83	0,06%
2003	4	180	2,22%	66,94	69.455,22	0,10%
2004	8*)	215	3,72%	285,59	94.539,45	0,30%

From the above data can be seen that the Syariah Mutual Fund Investment experiencing positive growth year after year.

2.9. Issues That May Affect Mutual Fund Investment Sharia

First, the application of the rules of fair market value or better known as market-to-market. Application of market-to-market mutual fund industry will make more transparent. Second, new variants publishing opportunities such as mutual funds protected or guaranteed funds. Mutual fund investors will also be spoiled by the presence of non-conventional mutual funds in 2005. The presence of this new type of mutual funds will provide more choices for investors. Third, new investment instruments, instruments such as Letters Perbendaharaan State (NES) and Bonds (SUN) sharia. SUN sharia exciting potential future development of Islamic mutual funds.

3. CONCLUSION

Mutual Fund Investment Sharia has certain specifications that differ from conventional investments. Sharia mutual funds is a container that is used to raise funds from public investors as owners of funds (shahibul mall) to further invest in the securities portfolio by the Investment Manager as the representative of the mall Shahibul and according to the principles of Islamic law which is based from AL-Qur'an.

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The development of Mutual Fund Investment in Indonesia Having a pretty good development that is supported by the majority of Indonesian people are Muslims, of course, no stranger to the concept of sharia. Other factors that support the development of Islamic investment is the rate high enough return on average is 13% higher than conventional mutual funds that only 12%.

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