



Critical Assesement on Risk and Return of Sharia Portfolios in Indonesia

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ABSTRACT

The development Islamic financial industry is getting better, with presence various product choices can be chosen community, including development of sharia-based investment products. Sharia investment products should not conflict with Sharia principles and may not contain elements being banned. The choice sharia investment products increasingly diverse with presence of investment products on Islamic capital markets or sharia shares. This study aims determine development Sharia stock index and describe risk and return on the Sharia Portfolio as a means sharia investment. Method used in this study is qualitative which describes development Sharia stock index. Types data used are secondary data existed previously such as data obtained from Financial Services Authority (OJK), data analysis technique used is descriptive outlining the development sharia shares and risk forms and return Sharia Portfolio. Results showed development of the Indonesia Sharia Index (ISSI) grew 9.42 percent, Jakarta Islamic Index (JII) 70 decreased -6.99 percent, and Jakarta Islamic Index (JII) 30 10.2 percent. Risk and return on sharia can be carried out in various ways to do analysis, namely can be conducted diversification, technical analysis, fundamental analysis, Markowitz method, and Index single analysis model.

ABSTRAK

Perkembangan industri keuangan syariah semakin baik, dengan hadirnya berbagai pilihan produk yang dapat dipilih oleh masyarakat, termasuk dalam pengembangan produk investasi yang berbasis syariah. Produk investasi syariah tidak boleh bertentangan dengan prinsip syariah dan tidak boleh mengandung unsur-unsur yang dilarang. Pilihan produk investasi syariah semakin beragam seperti dengan hadirnya produk investasi pada pasar modal syariah atau saham syariah. Penelitian ini bertujuan untuk mengetahui perkembangan indeks saham syariah dan menguraikan risiko dan return pada portofolio syariah sebagai sarana investasi syariah. Metode yang digunakan dalam penelitian ini adalah kualitatif yang menguraikan perkembangan indeks saham syariah. Jenis data yang digunakan yaitu data sekunder data yang sudah ada sebelumnya seperti data yang diperoleh dari Otoritas Jasa Keuangan (OJK), teknik analisis data yang digunakan yaitu deskriptif kualitatif menguraikan perkembangan saham syariah dan bentuk risiko dan keuntungan pada portofolio syariah. Hasil penelitian menunjukkan bahwa perkembangan saham syariah Indeks Saham Syariah (ISSI), tumbuh sebesar 9,42 persen, Jakarta Islamic Index (JII) 70 mengalami penurunan sebesar 6,99 persen, dan Jakarta Islamic Index (JII) 30 mengalami penurunan sebesar 10,2 persen. Risiko dan Return pada saham syariah dapat

dilakukan berbagai cara untuk dilakukan analisis yaitu dapat dilakukan diversifikasi, analisis teknikal, analisis fundamental, metode Markowitz, model Analisis sigle Index.



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INTRODUCTION

Sharia capital markets in Indonesia began with the issuance of Islamic mutual funds by PT. Danareksa Investment Management on July 3, 1997. Then on July 3, 2000, in Jakarta, the Islamic Index (JII) was launched aimed at guiding investors who wanted to invest in sharia shares. DSN MUI The first time issuing a fatwa on the Islamic capital market, especially in mutual fund products, namely Fatwa Number 20 / DSN-MUI/IV/2001, Guidelines for Implementation of Investment for Islamic Mutual Funds in September 2002, Sharia Investment Instruments in the Capital Market Increases with Sharia Bonds PT. Indosat Tbk, this first bond uses the Mudharabah contract. On March 14, 2013, the MoU was carried out between Bapepam and DSN-MUI to develop a sharia-based capital market. Sharia shares are valuable securities of capital participation to the company and with the proof of the participation of shareholders has the right to obtain the results of the company, this concept does not conflict with the Sharia principle. This activity is known as musyarakah or syirkah activity. However, a stock can be categorized as sharia shares if the shares are published by issuers and public companies whose business activities do not conflict with sharia principles (Darsono et al, 2017).

The development of the country's economy, capital market holds two roles or very important functions in investing (Indonesia Stock Exchange, 2020). First, the capital market acts as a means to obtain funding for business activities or fundraising facilities from the community as an investor needed by the company (issuer) for their operational activities. Thus, the funds collected from the community (investor) will be used by the company (issuer) in its operational activities (Vanclay, & Hanna, 2019; Daugaard, 2020; Fiedler, et., al, 2021). The investment fund can be used for business development, product development, improving capital structure, and other company operational activities. Second, the capital market can be an alternative investment activity on financial instruments, such as bonds, stocks, mutual funds, and other securities instruments for the community, in addition to banking and other financial institutions. With the existence of the capital market, the community can carry out investment activities while still considering the risk and return that must be borne by the instruments offered. Shares owned by investors in their portfolio structures are more chosen by paying attention to returns and risks invested with deployment which more considering the low correlation of shares individually. Only a few investors, especially long-term investors pay attention to sharia and conventional criteria (Lestari & Erdiana, 2021).

The quantitative number of sharia capital market products is still relatively small compared to total sharia and conventional products. Until the end of December 2015, the market share of sharia mutual funds was 9.54 percent from the side of the number of publications and 4.4 percent. On the other hand, the number of net asset values. The number of corporate Sukuk circulating is 9.14 percent from the total number of issuance of Sukuk and bonds, with a value of 3.18 presenting the value of the issuance of Sukuk and bonds. The encouraging thing is that the share of sharia stock markets has reached 58.89 percent of all company shares listed on the Indonesia Stock Exchange (IDX) whether they are grouped according to a particular criterion, one of which is a sharia stock group. Sharia shares are shares from the company (issuer) that in its operations following Islamic Shari'a rules. PT Jakarta Stock Exchange (BEJ) or currently known as the BEI together with PT. Danareksa Investment Management (DIM) has launched a stock index made based on Islamic Shari'a, namely the Jakarta Islamic Index (JII) in the context of developing a sharia capital market. Shares in the Jakarta Islamic Index (JII) consist of 30 types of shares chosen from stocks that are following Islamic sharia. The Jakarta Islamic Index (JII) is intended to be used as a benchmark (benchmark) to measure the performance of an investment in shares with sharia bases. Through this index, it is expected to increase investor confidence to develop investment in sharia equity. Determination of stock selection criteria in the Jakarta Islamic Index (JII) involve the Sharia Supervisory Board (Yuliani & Achsani, 2018).

As of May 2015, the number of companies that fulfill all these requirements and are included in the list of Sharia securities as many as 334, or around 64.35% of 519 companies listed on the Indonesia Stock Exchange

is included in the List of Sharia Securities. The Indonesian Sharia stock index (ISSI) is a stock index that reflects the overall sharia shares listed on the Indonesia Stock Exchange (IDX). Dilansir from the IDX page, ISSI constituents are the overall sharia shares recorded on the IDX and are listed in the Sharia List List (DES). The method of calculation of the ISSI index, which was launched on May 12, 2011, used a weighted average of market capitalization. While the basic year used in the issue of Issi was the beginning of the issuance of December 2007. Then July 2015 the ISSI market capitalization has reached more than 50 percent Capitalization of the Joint Stock Index (IHSG) (Binangkit & Savitri, 2016).

In general, throughout 2011-2015 the performance of the conventional stock portfolio outperformed the Sharia portfolio. However, in the period of the global crisis at the end of 2011 and 2012 the performance of the Sharia stock portfolio outperformed the conventional stock portfolio, this strengthened the results of research that the performance of sharia shares was better when the crisis because investors carried out hedging mechanisms. The fundamental factor that affects the performance of sharia shares is different from the factors that affect conventional stock performance, especially in the debt to equity ratio, which indicates significant positive relationships in sharia shares, and reverse results in conventional stocks indicate negative relationships even though they are not statistically significant (La Pade, 2020).

Results of buying and selling shares, investors benefit from capital gain/loss. Investors can also benefit in the form of dividends by instilling funds in securities in a relatively long time range compared to investment for buying and selling shares (Peterson, 2018; Baker, et. al., 2019; O'Loughlin & O'Brien, 2019). Capital gain/loss and dividend are usually called return or return levels of investment. Investors who invest in the form of a portfolio need to analyze the opportunities of returns and risks to be faced. Return and risk are related to the direction, in other words, shares have high risk-high return characteristics. This means that stocks are securities that provide high-profit opportunities but also potentially high risk. Investment can be done, one of which is by forming the optimum portfolio. The optimum portfolio is a portfolio chosen by an investor from many alternatives that exist in a collection of efficient portfolios. The selection of the portfolio is adjusted to investor preferences concerned with returns and risks attached to the chosen portfolio (Entrisnasari, 2015).

In carrying out the process of selecting portfolios, investors can diversify shares, namely by selecting several shares that will be included in the portfolio. The diversification process will reduce the risk compared to investment in one type of stock only. In the capital market, investors can choose stocks included in certain indices because shares included in the index are selected shares based on certain performance such as having high liquidity and have good performance so it is feasible to be used as a candidate in a portfolio. In investing in the capital market, investors can form a stock portfolio with stock diversification, namely selecting stocks based on returns, and the current risk forms the optimal portfolio of these shares. The formation of a portfolio includes assets to be selected to be invested and determine the magnitude of the proportion of the number of funds to be placed into the investment (Yunita, 2018).

This is the background for someone to start investing to get the expected benefits in the future. Investors must know that investing in various investment instruments, especially instruments. Considerations in investing, especially in determining a good portfolio, and according to sharia must consider her fates returns and risks that can occur in investments owned. Return and risk have become a necessity for investment because the consideration to carry out investment is a trade-off of these two factors. It is necessary to analyze the risks that are likely to be faced when deciding to invest in the capital market. Risk is a deviation or deviation of expected profits. Risk is the variability of returns to the expected return (Febrianti, et al., 2021).

Investment activities are one of the economic activities that can encourage the development of the real sector. The investment will increase the movement of the economy that can be a source to increase various productive efforts. Sharia investment is an investment container that can be utilized as an investment adviser that operates following sharia principles, which are free of various transactions that are prohibited. From this description will be discussed the risks and return of the Sharia portfolio. The capital market will not be released at risk. So in addition to taking into account returns or profits, investors must also consider the level of risk as a basis for making decisions in investing. This is in line with the Fiqiyah *al Ghurmu Bi al Ghurm* (that every return can deliver risk).

The portfolio is the combination of various instruments or investment assets compiled to achieve investor goals in investment. Getting an optimal portfolio of investors requires an analysis that can produce optimal returns. One alternative that investors can use is using a single index model. Analysis of securities is done by the cut-off-point method where this method compares the value of Excess Return to Beta (ERB) with the CI value of each stock. The stock portfolio also needs to be analyzed by its performance so that investors can know which portfolio has good performance so that it can be taken into consideration to making decisions in investing. Three sizes can be used in evaluating portfolio performance using Risk-Adjusted Return, namely: Sharpe index, index Treynor, and Jensen Index. (Binangkit & Savitri, 2016).

The capital market is the main source of distribution of funds from savers to investors. One of the main challenges for the Islamic financial industry is the management of liquidity through investment in securities. Sharia compliance of underlying securities (equity/bonds) is a prerequisite for qualifying for investment by IFI. There are dozens of Islamic indices throughout the world, involved in securities filtering following sharia. How to assess security or assets under the financial system that matches sharia is the main concern of investors and researchers. Some assessment models have been proposed and tested for conventional financial frameworks - including the model of determining capital assets (CAPM), three factors of Fama and French (FF), model four Carhart factors, and the theory of arbitrage price (or multifactor models). Given the unique nature of Islamic finance, it can be said that the factors in the process of return generation of sharia-fit sharia can differ from conventional securities - especially due to strong linkages with the real sector - however, such evidence can be established only after conducting several studies in the market different. Under the Islamic financial system, risk-return relationships have not been fully developed as a formal model such as the CAPM model (models of capital assets) and Fama & French (1992) models which are commonly used under conventional financial systems.

However, the principles of Islamic financial systems are well defined, namely every business/investment under the Sharia Framework is required to bear the "risk" to benefit. Islamic Financial Institutions must consider sharia compliance in addition to economic feasibility. For the Islamic finance industry, deposit collection is not as difficult as financing and investment in business and industry. The investment road is limited to IFI due to the limitation of sharia compliance compared to conventional financial institutions. For example, conventional interest-based bonds, leasing, insurance company certificates, and government securities are not in line with the Islamic financial system. However, investment in equity, which is mainly based on profit sharing and loss and is included in the world of investment following Sharia is permissible (Hanif et al., 2019).

Sharia shares portfolios are investments consisting of various company shares in terms of expectations if the price of one of the shares decreases, while others increase, the investment has not suffered losses. Sharia shares here mean the company that is registered and has met the criteria as sharia shares. The definition of its portfolio here is a field of science that specifically examines the way investors reduce risk by investing minimally. To find the most profitable sharia shares portfolio in the Jakarta Islamic Index by analyzing the level of return and the risk of stock to obtain the best profit with a low level of risk. The single index method model is a way used to get the best return and risk of sharia shares that will then be used as optimal portfolio candidates (Nursanti, 2020).

For investors to invest in stock investments should establish an optimal portfolio and conduct performance assessments of the formed portfolio. It aims to reduce the risk of an investment that will be borne and provide optimal returns. Investors can use Single Index models informing optimal portfolios and using the Sharpe index method, Treynor, Jensen in assessing the performance of portfolios formed to make investment decisions. It is recommended that investors with sustainable and responsible investment (SRI) investment preferences or sustainable investments that are aware of the environment, social, and good corporate governance, can invest in shares included in the optimal portfolio. It is better for companies (issuers) whose shares are included in the optimal portfolio criteria are expected to maintain their company's performance. As for the company (issuer) whose shares have not been included in the optimal portfolio, criteria are expected to improve the performance of its company. The company manager needs to evaluate to improve the company's performance so that investor interest in investing in the company's shares can increase (Susilowati et al., 2020).

Stock portfolios are randomly formed from three types of stock group data. A first group is a stock group that is consistently always in the issuer of ISSI from 2011-to 2015, categorized as a sharia stock group. A second stock group is a group of shares in his inner stocks that have stocks that have never been entered as an issuer of ISSI and shares that have been entered as an issuer of ISSI from the period 2011-2015 which are categorized as conventional shares. The last group is a combination of sharia stock groups and conventional stock groups that are categorized as composite stock groups. The number of issuers in the sharia stock group is 134 issuers, issuers who are members of a conventional stock group amount to 221 issuers, while the number of combined groups is 355 issuers. Stock portfolios are randomly formed from each stock group (La Pade, 2020).

Sharia shares are assessed as a type of stock that has a positive appeal because they can provide better and fair benefits following Islamic principles. Issuers that have registered their shares into the list of sharia securities (DES) experience development each year. Stocks contained in DES are reviewed every six months, in May and November. Indonesia applies two Sharia stock indices as a benchmark for the movement of sharia stock prices, the Jakarta Islamic Index (JII) and the Indonesia Sharia Stock Index (ISSI). The two groups of sharia shares are shares listed on the Indonesia Stock Exchange (IDX). Issi is a stock index that reflects the entire sharia shares recorded on the IDX and is registered in the Sharia List (DES) list. While JII is more specific than ISSI because of JII shares there are only 30 sharia shares that have the largest average

capitalization and the largest level of liquidity. Decision-making in investing must be considered which shares will be selected first. The selected shares are shares that have progressive prospects measured based on the magnitude of expected returns and certain levels of risk that must be borne by investors, therefore analysis is also needed in knowing the prospect of JII shares. To be able to analyze the performance of shares that will be selected there is a share portfolio. The stock portfolio is a collection of unit stock investments that are expected to minimize the risk of loss. Diversification of shares formed from portfolios can minimize risk (Permata & Suryawati, 2020).

From the point of view of devout Muslims, the form of the stock market currently limits a Muslim to invest in the market because it does not meet the provisions of Islamic law known as Sharia. The basic principles of Islamic investments in the stock market are by reviewing the norms set by sharia and global practices of the current stock and Islamic index market. Despite investing in stock markets being allowed in Islam in principle, Sharia establishes certain rules and regulations that distinguish the stock market following Islam from the conventional stock market. Share or stock means ownership, and shareholder or shareholders means the company owner. Long-term investors and sponsors or founders are long-term shareholders which are mostly responsible for the characteristics of the company through influencing operations, business nature, and company strategic decisions. However, short-term investors, which are not an investor but often trade in the secondary market to obtain short-term price changes, have a very small influence on the operation, business nature, and strategic decisions of the company. Therefore, long-term investors are fully responsible for the company's sharia provisions as a whole while short-term investors only need to see the following characteristics of the company to avoid violations of sharia principles (Alam, et al., 2017).

Sharia provides several guidelines about the nature of the company which mostly focuses on religious values and social welfare. At the starting point, the company's main business must be accepted (halal) according to Islamic principles. Islam explicitly prohibits all types of usury (usury and interest). The divine authority (Allah) said that trade was allowed, but Riba was prohibited. According to Islamic principles, it is not allowed to obtain company shares directly or indirectly associated with usury or interest. Companies that provide financial services with interest, such as flower-based banks, insurance companies, financing companies, leasing, etc. Also included in this banned category. The Indonesian Financial Services Authority categorizes sharia-compliant if the issuer's company states that its business activities and managing their business are carried out based on sharia principles (Alam, et al., 2017).

Risk and return between conventional stocks, sharia shares, government bonds, and state Sukuk are well-analyzed individually and the combination of two instruments shows that the performance of sharia shares and state Sukuk is more optimal than conventional shares and government bonds based on expected return and variance of each investment instrument. (Azifah, Nur & Indah, 2016) Investment can be divided into 2 (two) types namely real assets investment and investment Financial Assets. Investment in Real Assets for Real Assets that can be used to produce goods and services such as gold, land, buildings, and machines. While the Financial Assets investment is a means used to claim the income produced by real assets in the form of stocks, mutual funds, and bonds. Investors in managing investments have characteristic of risk profiles that are divided into 3 (three) to determine the amount of risk, namely conservative (type of investor who does not want to bear the risk), moderate (type of investor that is in the condition between fear and brave to bear a big risk), and aggressive (the type of investor who dares to bear the risk because he hopes to get high yields) (Avianti & Ratnasari, 2021).

In contemporary analysis, there are two total risk classifications, namely systematic risks, and non-systematic risks. Systematic risk is a type of risk caused by several macro factors, such as economic conditions, inflation, interest rates, tax policies, and so on. Systematic risk is a benchmark for the level of risk of a portfolio. Systematic risk is reflected in beta shares. This type of risk affects all companies and causes all stock prices to move together. The second risk is non-systematic, this risk is caused by several micro factors, such as the level of company liquidity, asset structure and capital, company size, and the condition of the work environment in a company. Systematic risk is also called Unique Risk and can be removed by diversifying. Investors who are Risk Averse (the type of investor who avoids risk) will consider the risk of an investment based on systematic risk. If the systematic risk of an investment is quite large, one must think twice to risk it. Investors will certainly choose to diversify his portfolio compared to the face of a large systematic risk (Rodoni & Fathoni, 2019).

RESEARCH METHOD

The type of research used in this study is qualitative, related to the development of sharia portfolios for sharia shares, and related risks and profits on sharia investment products in sharia shares. The type of data

used in the study, namely secondary data that has been pre-existed was then processed, in this case, the data used by data issued by the Financial Services Authority (OJK), about sharia shares consisting of the Sharia Indonesia Stock Index (ISSI), Jakarta Islamic Index (JII) 70, and Jakarta Islamic Index (JII) 30 in the period 2018 to the period January 2022. The data collection techniques used in this study, namely literature studies of various sources such as reports, books, journals, and others. The data analysis technique used in the study is descriptive qualitative, describing the development of the Sharia stock index instrument consisting of ISSI, JII 70, and JII 30. Then describes the methods that can be used in measuring risks and profits that can occur in the Sharia Portfolio.

RESULT AND DISCUSSION

The table 1 described the growth of the Sharia index market on the Stock Exchange in the period 2018 to 2022 January, sharia shares registered in the Indonesian Sharia stock index (ISSI), grew by 9.42%, while two index types experienced decline is; The Jakarta Islamic Index 70 (JII) decreased by -6.99%, and the Jakarta Islamic Index 30 (JII) fell by -10.2%. The biggest stock index on JII 70, took a portion of 74.068 percent. The stock index on JII 30 has not become dominant.

Table 1. The Growth of Sharia Stock Exchange Share

No	Type Of Sharia Share	2018	2022 (January)	Growth
1	Indonesian sharia stock index (ISSI)	3.666.688,31	4.012.027,38	9,42
2	Jakarta Islamic Index (JII) 70	2.715.851,74	2.525.932,33	-6,99
3	Jakarta Islamic Index (JII) 30	2.239.507,78	2.009.678,86	-10,2

Source: Financial Services Authority. Sharia Index Market Capitalization on the Indonesia Stock Exchange, January 2022

In investment selection on the Sharia Protofolio, there needs to be a process to be able to optimize the benefits you want and hope can avoid risk. In investment in sharia shares, there is a need for expertise in analyzing the development of stock prices. With various methods, such as conducting fundamental analysis techniques and technical analysis. Changes in fluctuating sharia share prices can provide benefits, but if prices experience a price decline, it can provide a risk of loss. Two benefits can be obtained by investors from Islamic stock instruments, can obtain capital gains and dividends.

Risk and Return of Sharia Portfolio

Diversification is a popular word in the world of investment, which means placing funds on some investment instruments that are different characteristics. This strategy is an accurate step to minimize losses and maximize profits for investors. In the world of the capital market, asset portfolio diversification is a method for managing the purchase of some equity assets to provide balanced yields. These steps are carried out by adjusting the characteristics and targets of each investor both in stocks, bonds, which can also be allocated in the form of investment in property, gold, deposits, derivative products, or other instruments. In compiling an investment portfolio, an investor should diversify. Or have more than one share. The more diverse companies in the portfolio, the lower the investment risk. Through a well-managed stock portfolio, investors can fulfill investment objectives or objectives with their respective targets. The steps to break down the purchase of shares are how to avoid investment risk considering the more diverse shares of the company in the portfolio, the lower the investment risk. (<https://www.idxchannel.com/>)

Assume there are two shares in one portfolio, and we will calculate the expected benefits in the rupiah for the portfolio. Tell me it 1,000,000 to invest in a portfolio. That is; Rp. 400,000 invested in stock A and Rp. 600,000 in stock B. Stock A is expected to have a profit rate of 10Persen, and share B's profit levels are 6 percent. So the expected amount of profit in the rupiah is Rp. 76,000. Then the percentage of profit level for a portfolio with a capital of Rp 1,000,000 is 7.6 percent. The portfolio balance can be positive and negative. The portfolio balance intends to buy shares and is considered to take a long position (long). Conversely, the short position Short is sells shares, and the ballast is negative. To obtain a variant value of a portfolio, you need to know the covaries between two securities in a portfolio. In each different period, there is a deviation in the value of the benefits expected by investors. At each securities pair, if both of them get the expected advantage value, it will get a positive covariance value. However, if there is one of the securities or even both of them get a value below the expected profit, the value of the generated covariation is negative (Rodoni & Fathoni, 2019).

If choosing a portfolio based on investor preferences. Investors will base the election on the preference for expected returns and risks that are willing to be borne by investors. The more conservative an investor, the

more reluctant he bears the risk of the choice of his portfolio will get closer to risk-free assets. The more aggressive an investor, meaning the braver he bears the risk, the choice of his portfolio will get closer to the portfolio on risk assets. The choice of investors will be at the contact point between the investor utility curve with an efficient surface line. The expected return of a portfolio can be estimated by calculating the weighted average of the expected return of each asset in the portfolio. In calculating the risk of the portfolio, three things need to be determined, namely: variance of each security, the covariance between one security with other securities, portfolio weight for each security. Several factors influence direct investment and portfolio, namely; The expected rate of returns (expected rate of return), predictions regarding future circumstances, interest rates, investment costs, national income levels, and changes. To reduce the risk of the portfolio, investors need to do 'diversification', by forming a portfolio in such a way that the risk can be minimized without reducing the expected return (Sumaryoto, 2017).

The profit rate means the percentage of profits obtained by investors based on a certain period. The dividend increase is the increase in the number of shareholders (dividend) at a certain period in cash plus changes to the value of shares at the same period. The percentage of profit level is the same as the increase in the rupiah divided by the stock market value at the beginning of the period. The advantage variant explains the trend of securities to generate profits above or below the sample. Kovarian explained related to profit relationships between securities. The correlation coefficient is obtained by dividing covaries with the results of standard deviations (Rodoni & Fathoni, 2019).

The fundamental analysis used to predict the risk of investment is very possible to use before investing in the sharia stock market, especially on the JII stock index. All investments contain risks or uncertainties, to reduce the risk, an investor can carry out a fundamental analysis of shares to be purchased or owned by investors to reduce the risks that will occur (Zaimsyah, 2019). Strategic steps in using technical analysis to make stock investment decisions on the list of sharia effects have a high level of risk. Because technical analysis has the risk of reading opportunities that can be confusing and even wrong. But the fact that technicals use several types of strategic indicators to make investment decisions is undoubted because it has been used for almost 40 years in various types of markets. Although this can happen, by applying the principles and proper strategic steps, the risk can be minimized. Skills and caution in making investment decisions are needed, not just looking in terms of short-term profits. Technical analysis is not suitable for individuals who want a long period of investment (Basrowi, et al., 2020).

Investors as parties that make investments can choose to invest in the capital market, one of them is in stock. Stocks are one of the best-known long-term investment securities and are in demand by investors. Stocks can provide large rewards in a relatively short period. Determination of an optimal portfolio can be done in several ways, one of which is the Markowitz model. The Markowitz model assumes investors choose two considerations when building investment portfolios, namely expected returns and risks in return. The portfolio with the Markowitz model provides a return rate that is following the risks that dare to be borne by investors. Markowitz's contribution, the asset return is correlated between one and the other and is not independent. Risk contributions can be represented by covariance or correlation coefficients. The correlation coefficient is a statistical measure that shows the concurrent movement of the relative between two variables, explaining the extent to which the return of securities is related to one another. Covariance shows the extent to of the return of two securities tends to move together. Covariance can be positive, negative, or zero. Portfolio Selection *The Journal of Finance* is a journal written by Markowitz in March 1952. Receiving Nobel Prize, the basis of the Markowitz portfolio model is to provide input to investors to avoid risk and provide maximum profits by diversifying investment (Mahayani & Suarjaya, 2019).

William Sharpe developed a model called a single index model (single index model). This model can be used to simplify calculations, also used to calculate portfolio expectations and risk returns. The single index model calculation method (Single Index Model) is used to form an optimal portfolio. The optimal portfolio is a portfolio chosen by investors from many efficient portfolios. An efficient portfolio is a portfolio that provides the biggest expectation return with a certain level of risk or provides the smallest risk with a certain level of return expectations. An efficient portfolio does not mean an optimal portfolio. The efficient portfolio is good but not the best. The efficient portfolio only has one good factor, namely the best expectation and risk-return. Meanwhile, the optimal portfolio is a portfolio with a combination of return expectations and the best risk (Wardah, 2020). Christina (2008) mentions a single index method is a simplification of the Markowitz calculation as another portfolio optimization model. Single index models are also assessed as an optimal method because they can provide the greatest expectation return with certain risks or the smallest risk with certain expectation returns (Avianti & Ratnasari, 2021).

The purpose of preparing portfolios is carried out by calculating the return potential and the period prepared by investors in realizing its objectives. If investors only put their investment funds in one share for example, the potential risk for the investment fund will be high. Because if one share has a price decrease, all of the funds

will be reduced. However, if the funds are bought some shares or a portfolio formed, it is likely not all shares in their portfolio have decreased prices. The formation of a portfolio begins by identifying which shares will be chosen and what proportion of funds will be implanted in each of these shares. So that an optimum portfolio will be formed, namely the portfolio chosen by investors from many shares recorded on the IDX. If the purchase is carried out in some sectors, if there is one sector that is not good at the condition, for example due to the economic situation or other factors, not all investment funds belonging to investors fell. Investors can choose the type of sector that is following its preferences, mainly seen from the level of return and the risk that can be borne. For investors, knowing the risk profile of each investor and the investment period is important. Some financial consultants or dealers in some securities companies can also be an investor reference in assessing risk profiles (<https://www.idxchannel.com/>).

Systematic risks and non-systematic risks exist in the market, because the risk for individual securities incorporates systematic risk elements, it cannot be diversified. This remembers systematic risks such as inflation, interest rates, and so on are a comprehensive risk and cannot be eliminated by diversifying. In contrast to non-systematic risks such as the risk of failure in the company, financial risk, management risk that can be reduced by establishing an investment portfolio called diversification. So far it is assumed that portfolio formation can reduce risk compared to only investing in one securities. Two exceptions need to be recognized. First, under certain circumstances, the portfolio is only evenly distributed risk rather than subtract the risk of individual securities. Second, the concept of portfolio is likely to reduce or eliminate risk, namely the risk of non-systematic and systematic risks. Three things can be done regarding the scolding, what is perfectly correlated, perfectly correlated, know the zero correlation. First, the formation of a portfolio consisting of shares is positively correlated perfect is not meaningful, it will not subtract risk. Second, shares whose profits have the perfect negative correlation in the most suitable to be used as a portfolio. This is because the portfolio will eliminate the risk of individual securities. However, in the world of actual stocks that have negative correlation benefits is rarely found. Third, a portfolio containing shares where the profit has a zero correlation, in general it can reduce risk (Rodoni & Fathoni, 2019).

The results of return calculations and risks cannot be separated from the economic influence of macroeconomics and the company's micro conditions. Not systematic risks can be removed by diversifying assets in a portfolio, but not so with systematic risks. The picture of the Indonesian economy during the period of research that still has not improved has a major influence on the investment climate in Indonesia, especially shares. The risk of Indonesia's economic conditions in a portfolio is called systematic risk that cannot be removed by diversification. The results of the selection of optimal portfolio forming shares produce the best return and risk level where the portfolio form meets portfolio assumptions with the lowest risk level with certain returns. The portfolio formed is the optimal portfolio and the level of risk can be reduced by diversifying with expectations if a decrease in the return of one share will be closed with an increase in other share returns. The relationship between risk and return, High Risk High Return, where the higher the return rate, the higher the level of risk. When compared between the return of each share with a portfolio return, some stocks have a bigger return than the portfolio return. Nevertheless these shares have far greater risk than the portfolio risk (Oktaviani & Wijayanto, 2016).

CONCLUSION

This study aims determine development Sharia stock index and describe risk and return on the Sharia Portfolio as a means sharia investment. The result conclude that sharia shares in the period 2018 to January 2022, the Indonesian Sharia stock index (ISSI) experienced a growth of 9.42 percent, Jakarta Islamic shares (JII) 70 decreased by -6.99, and Jakarta Islamic Index (JII) 30 decreased by 10.2 percent. The biggest portion of Issi is JII of 74.068 percent. Some methods can be used in the selection of sharia portfolios to gain profits and minimize risk. Diversification method, put a portfolio owned on several containers. Then technical analysis recognizes the stock movement of the existing chart, then sets a reasonable stock price, and evaluation and continues to monitor the stock price movement.

However this study limited only in the descriptive analysis of the development sharia stock index and describe risk and return on the Sharia Portfolio as a means sharia investment, further research add an indepth analysis on the impact of the awareness of Muslim consumer on the development sharia stock index.

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