



Stock Investment in Islamic Perspective

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ABSTRACT: The economic development of a country cannot be separated from the development of the capital market with stock investment. The advancement of science and technology has had a positive impact on many aspects, especially in the financial aspects that aim to make ends meet by making much investment. Investment is a commitment to several funds or other resources that are carried out at present with the expectation of future profits. Islamic economics requires halal economic activities, both products that become objects, how they are acquired, and how they are used. Islamic economics aims to fulfill the needs of humans in the world and life after death. Also, the principle of Islamic investment must also be carried out without coercion, fairness and the transaction rests on production and services activities that are not prohibited by Islam, including free manipulation and speculation.

KEYWORDS: Stock Investment, Islamic Perspective

I. INTRODUCTION

Investment can be done in many ways, one of which is by investing in the capital market by buying shares. This stock investment is usually done by buying shares in companies that are traded and bought in the capital market. This capital used to buy investment in shares is an absolute gift of God which is used for welfare in fulfilling needs (Syafi'i, 2001). The assets obtained must be in a good and right way. The capital market is one of the important elements in the world economy today. Capital is widely used by companies and industries as a medium to absorb investment and media to strengthen financial position. Factually, the capital market becomes a financial center, even a modern economy cannot survive without a well-organized capital market.

The capital market is inseparable from a mistake and weaknesses include speculation. In general, the processes of business transactions that occur are controlled by speculators. In making various analyzes and calculations in making shares or selling shares, speculation is often done. This activity makes the market active. But this activity is not always beneficial, especially when it causes tremendous depression.

Basically speculation activities can be specified, first speculation is actually not an investment, although there are similarities between them. The very basic difference between the two lies in the spirit that animates it, not in its form. Speculators buy securities to make a profit by reselling them in the future. While investors buy securities with the aim of participating directly in business. Second, speculation has increased income upfront for a group of people in society without them contributing anything, both positive and productive. In fact, they have taken advantage of the community which, after all, is very difficult to justify economically, socially, or morally. Third is speculation that is the cause of the financial crisis.

Facts show that the activities of speculators are what cause a lot of extraordinary depression for the economy in the world. Monetary authority is like financial experts taking steps to anticipate actions and impacts that might be caused by speculators. Fourth, speculation is an out come from a mental attitude that wants to get rich quick, this will cause someone to justify a variety of ways regardless of religious and ethical signs. Therefore, Islamic teachings always strictly prohibit this act of speculation, because it is



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contrary to the values of illahiyah and insyaniyah (Iqtishad, 2017). There are several basic principles to build a capital market that conforms to Islamic teachings, while for its implementation, a long discourse process is needed.

II. LITERATURE REVIEW

Stock Investment

Investment is the planting of money or capital in a company or project for the purpose of gaining profits. Shares are units of value or bookkeeping in various financial instruments that refer to the ownership of a company. In other words, shares are a sign of the participation or ownership of a person or entity in a company or limited liability company. The form of shares is a piece of paper which explains that the owner of the paper is the owner of the company that issued the securities. The portion of ownership is determined by how much investment is invested in the company.

Syari'ah shares

Shares are securities as proof of equity participation in a company. In sharia principles, equity participation is carried out on companies that do not violate sharia principles. In Indonesia, the principles of sharia equity participation are not realized in the form of sharia or non-sharia shares, but in the form of the establishment of a stock index that meets sharia principles. In this case, on the Indonesia Stock Exchange there is the Jakarta Islamic Index (JII) which contains 30 stocks that meet the sharia criteria set by the National Sharia Board (DSN). The JII Index is prepared by the Indonesia Stock Exchange (IDX) together with PT Danareksa Investment Management (DIM).

JII is intended to be used as a benchmark to measure the performance of an investment in a sharia-based stock. Through this index, it is expected to increase investor confidence to develop investments in equity in sharia. JII consists of 30 types of shares selected from stocks that are in accordance with Islamic Sharia. Determination of stock selection criteria in JII involves the PT Danareksa Investment Management Sharia Supervisory Board.

The shares included in the Syariah Index are compliant with the following requirements:

- a. The Issuer's business activities do not conflict with Syari'ah Islam.
- b. Issuers carry out the process of offering and placing shares in accordance with the principles – principles the Islamic principles of Shari'ah.

As stipulated in MUI's DSN fatwa number 20 of 2001 article 7 as follows:

- 1) Equity instruments that have gone through public offerings and dividend distribution are based on the level of operating profit.
 - 2) Placement in deposits at Syari'ah Commercial Banks.
 - 3) Long-term debt instruments in accordance with Shari'ah principles.
- c. Stock investment is carried out according to the principle of prudence (ihtiyath) and does not carry out speculation in which it contains gharar. The act of speculation that contains gharar according to MUI DSN Fatwa Number 20 of 2001 article 9 includes the following:
 - 1) Najsy is making a fake offer. Someone is bidding for goods at high prices so that others are interested in buying. Though the offer is not real, the purpose is to trick other people.
 - 2) Baiy 'al-Ma'un (short selling), which is selling goods that are not owned.



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- 3) Insider trading is to disseminate information that is misleading or uses inside information to obtain the benefits of prohibited transactions.
- 4) Invest in companies that at the time of the transaction the debt level is more dominant than their capital.
- d. Stock investments are not made to issuers who are not feasible. Indicators of issuers that are not feasible are described in Article 10 of the MUI DSN Fatwa Number 20 of 2001 as follows:
 - 1) The structure of debt to capital relies heavily on financing from debt which is essentially financing that contains elements of usury;
 - 2) Having a debt to equity ratio of more than 82% (45% debt, 55% capital): and
 - 3) The management of the company is known to have violated the principle of Islamic business (syarai'ah).

Advantages and Risks of Investing in Shares Profit and loss in Business or Economic

activity is a natural thing. Even though everyone always wants profit, but for various reasons, both lack of knowledge and experience, lack of capital etc., may be a loss to him. In investing with stocks, there are always 2 (two) elements inherent, namely the results of profits (return) and risk of loss (risk). The two elements have a unidirectional relationship, the higher the investment risk, the greater the chance of the outcome. Conversely the smaller the risk, the smaller the chance of the outcome (Sawidji, 2008). The results of stock investments obtained by investors as profits are as follows:

- a. Dividends: company profits distributed to shareholders proposed by the Board of Directors after being approved by the GMS. The amount of dividend depends on the amount of profits obtained by the company and business development carried out by the company.
- b. Capital Gain: profit derived from the difference in price of the selling price of a stock compared to the purchase price of a stock. For example, investors buy shares at a price of Rp. 2,500, - per share, along with the development of the company, the price in the Stock Exchange rose to Rp. 3,500, - per sheet. Then investors get a profit of Rp. 1,000, - per share which is deducted by various prescribed costs,
- c. Shares can be used as collateral for loans to banks.

Impact of Buy and Sell Shares

Stock trading activities in the capital market are carried out on the primary market and the secondary market. In the primary market, someone who makes a transaction aims to invest funds for a long period of time to get dividends. Whereas, in the secondary market a person conducts shares buying and selling transactions in order to obtain capital gains. Someone who transacts in the secondary market or capital market speculates to make a profit. Normally a transaction, share buying and selling, especially on the secondary market, creates a variety of positive and negative impacts, both for individuals, micro and macro economics.

Perspective of Ulama on Share

Buy and Sell Buying and selling shares is basically the same as buying and selling other goods, because trading something that has value or price. Shareholders are just like people saving gold whose prices sometimes go up and sometimes they go down. The ulama's view of the sale and purchase of shares is different from buying and selling shares in the primary market and the secondary market.

1. Stock Trading Transactions on the Primary Market

In this transaction, the parties are issuers and investors. The stock price set by the issuer and underwriter is based on how much market power absorbs the shares offered. The greater the market power to absorb the shares offered, the more demand for shares in the



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primary market, the higher the stock price. However the price of shares offered exceeds the nominal price stated in the stock sheet. This difference between the nominal price and the selling price is then called agio (Samsul, 2006).

The fact in the field shows that the higher the premium, the higher the risk borne by investors who buy it in the primary market. But on the other hand, with high agio investors as owners will enjoy profits later on. Agio obtained from the difference between the selling price and the purchase price in the primary market does not include usury, because the profit obtained is the agreed price at the time of the contract. The strength of these prices is determined by market forces. Therefore, if the shares are offered in the primary market, the shares are considered as goods (sil'ah). The price does not depend on what is printed on the sheet, but according to the agreement, because the sheet is considered as goods.

That way, the stock transaction in the primary market may be according to Islam, because the price determination is based on the principle of liking (between Chinese). Whereas the stock premium itself is used for members of the company. Even this is in accordance with the goal of Islam, which is benefit, as well as Ash-Syatibi's understanding that defines *maslahah* widely, namely: what sustains the upright and perfect life of human life, and fulfills what demands emotional and intellectual qualities in a broad sense. In another sense the concept of *maslahat dalam mu'amalah*, holds that the law is set in order to eliminate difficulties (Fuad, 2008).

Whereas Wahbah az-Zuhaily defines *maslahah* as the nature that is in accordance with the actions and objectives of the shari'ah maker, but there is no specific argument that establishes or cancels it, and with the legal stipulation of these characteristics will be achieved benefit and avoid human damage. Based on the *maslahah* classification above, it means that agio shares are company profits that are used for the interests of investors, in this case can be categorized as *maslahah 'ammah*. cheating or cheating.

2. Share Transactions in the Secondary

Market Trading in secondary markets is carried out at the Stock Exchange by bringing together selling offers and buying requests. This transaction activity is carried out by investors through an intermediary trader who serves as a liaison between selling investors and buying investors. Prices are no longer determined by underwriters, but are based on the theory of supply and demand. besides that, also by the prospect of companies that issue shares (issuers). Therefore, it is only natural if the stock price could be higher or lower than the price on the primary market.

It is very clear that the capital market is full of speculative elements but not the same as gambling. Speculations that occur in the stock exchange are based on data and facts or all information about the company, and also depend on fundamental and technical bases. Investors here can also determine the desired selling price, while gambling does not have clear information and information, and what value will it lose if it loses money.

3. Based Stock Transactions based on Shari'ah

Principles The contemporary scholars of the twentieth century, view that the stock transaction is categorized as *mu'amalah mu'asirah* which does not occur during the period of the Muslim scholars, therefore *ijtihad* or in-depth study of the problem is needed. Here are some opinions of contemporary scholars who assess stock transactions, including:

- a. Dr. Mahmud Syalthouth believes that the sale and purchase of shares is permissible by Islam as a "mudharabah" contract, because shareholders share profits and losses (profit and loss sharing).
- b. Dr. Yusuf al-Qordhawi explained that issuing shares, owning and selling and conducting business activities in stocks is lawful, not prohibited in Islam, as long as the company supported by the stock funds does not conduct prohibited business activities, such as making liquor or doing ribawi practices.



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- c. Dr. Wahbah Az-Zuhaily emphasized that doing business in shares, law is lawful according to religion, while the bond business is haram, because it contains the practice of ribawi in the form of interest.
- d. Shaykh Abdurrahman Isa argues that the sale and purchase of shares is permissible by religion, including shares that are used to support banks, even though most of the banking activities are for the interest system, because of the existence of banks in the modern economic order as an institution that must there is an official nature, therefore shares to support banks are halal.

If we pull in the Indonesian context, we can trace the thoughts of scholars about stocks from the fatwas of the National Syari'ah Council of the Indonesian Ulema Council (DSN-MUI). MUI DSN, stocks and bonds are part of the forms of investment in mutual funds. All mutual fund businesses can be essentially realized, as well as bonds that are thicker with usury systems because fixed interest rates have no profit and loss sharing. The National Syari'ah Council-Indonesian Ulama Council (DSN-MUI) in its fatwas. It expressly stipulates that the determination and distribution of investment returns must be free from non-halal elements, bearing in mind that Islamic economic activities cannot yet be completely separated from the conventional conventional economic system. At the very least, sharia economic institutions will relate to the conventional economy which is very expensive from the aspects of capital, product development, and profits. The rules of tafriq al-halal min al-haram (the separation of halal elements from haram) can be done as long as they are forbidden not to be greater or dominant than the halal ones. If the illegitimate and halal elements have been identified, the illegitimate element must be issued.

This rule can be formulated concisely that wealth or money in the perspective of jurisprudence is not an unclean thing because of its substance ('ainiyah) but because of the way it is obtained (kasbiyyah). Therefore, if the halal assets or money are mixed with the illegitimate while the illegitimate part can be identified and issued, then the remaining assets or money are legal. This thought is believed to be the most suitable middle ground to be applied in Indonesia. So far, two views on this issue, there are absolute and absolute prohibitions, so the investment manager must separate the portion of income that contains non-halal elements from income that is believed to be halal (tafriq al-halal minal haram).

III. CONCLUSION & SUGGESTION

Investment can be done in many ways and types. Many investments are good and right and in line with Islamic sharia. Activities or investments in the form of trade or business in accordance with sharia are business activities that do not violate Islamic sharia and their products or services are not illegal, such as food, gambling or immorality. The investment that we make must avoid trade or business methods that are prohibited for example by practicing usury, gharar and maysir. The investment must be based on Islamic sharia so that it gives blessings to both the world and the hereafter.

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