

INCREASING INVESTMENT INTEREST BY STRENGTHENING SHARIA COMPLIANCE ON THE INDONESIAN STOCK EXCHANGE

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ABSTRACT

The purpose of this study is to explore how strengthening sharia compliance on the Indonesia Stock Exchange can increase investor interest in investing in the Islamic capital market. This study uses a qualitative method. The results show that strong sharia compliance can increase investor confidence in the sharia capital market and help attract potential investors who may not be interested in conventional investments. In addition, sharia compliance can also help minimize investment risk and increase long-term investment value.

Keywords : Investment, Sharia Compliance, Indonesia Stock Exchange

ABSTRACT

Tujuan dari penelitian ini adalah untuk mengeksplorasi bagaimana memperkuat sharia compliance di Bursa Efek Indonesia dapat meningkatkan minat investor untuk berinvestasi di pasar modal syariah. Penelitian ini menggunakan metode kualitatif. Hasil penelitian menunjukkan bahwa sharia compliance yang kuat dapat meningkatkan kepercayaan investor dalam pasar modal syariah dan membantu menarik investor potensial yang mungkin tidak tertarik pada investasi konvensional. Selain itu, sharia compliance juga dapat membantu meminimalkan risiko investasi dan meningkatkan nilai investasi jangka panjang.

Kata Kunci : Investasi, Sharia compliance; Bursa Efek Indonesia

INTRODUCTION

In order to strengthen a country's economy, the financial sector plays an important role in making it happen (Rahmanto & Nasrulloh, 2019). In order to increase economic development in Indonesia, several methods are needed, one of the most influential is investment. Investment is urgently needed to address some of Indonesia's economic problems. The investment sector has various instruments that can be used to boost the rate of economic growth, one of which is in the capital market sector (Nurfiati, 2019). In this day and age, more and more Indonesian people choose to invest in the Islamic capital market, especially Islamic stocks. The Islamic capital market in Indonesia is growing rapidly and many companies listed on the Indonesia Stock Exchange have met the criteria of sharia, and the number of investors is increasing because they are interested in investing in Islamic financial instruments.

The capital market can be defined as a functioning market for long-term financial instruments issued by state companies and private. The majority of Indonesia's population is Muslim, according to data from the Central Statistics Agency for 2020 which shows that the total The Muslim population in Indonesia has reached 229.8 million people or approx 85.5% of Indonesia's 267.7 million population (BPS, 2023). The majority of Indonesia's population is Muslims who make their capital market in accordance with sharia law. In addition, an Islamic capital market emerged in Indonesia with the enactment of the Law RI No. 8 concerning the Capital Market in 1995. The policy had an impact on the emergence of sharia products in the capital market.

Islamic capital market is a capital market that carries out activities or transactions according to sharia principles and does not violate religious law. The Islamic capital market in Indonesia has grown rapidly since the signing of the MoU between Bapepam and DSN – MUI on March 14, 2003. This MoU explains that there has been an agreement between Bapepam and DSN – MUI in growing markets sharia-based capital in Indonesia. The Indonesia Stock Exchange (IDX) has released "indices" of Islamic stocks such as the Indonesian Sharia Stock Index (ISSI), Jakarta Islamic Index (JII), Jakarta Islamic Index 70 (JII70), BEI-MES BUMN17 which can provide investment options for people who want to invest in sharia principles (BEI, 2022) . Sharia principles prohibit transactions that involve elements of usury, gharar and maysir, so investing in the Islamic capital market is considered safer and more moral than investing in conventional capital markets.

The research conducted by Neneng Hartati in her article entitled “*Investment of Sharia Shares on the Indonesia Stock Exchange in the Perspective of Sharia Economic Law*” states that investment and spending and selling of shares are lawful and justified in Islamic teachings, both Al – Qur'an, Hadith of the Prophet, Fiqh regulations, as well as Ijma' scholars. Then from the attitude of Islamic monetary regulations, buying and selling or investing in shares for funding purposes is permissible, because buying and selling on a halal basis is even recommended because funding and asset development is one of the maqasid sharia (Hartati, 2021) . However, sharia compliance is not listed in this study, even though if it is reviewed further, sharia compliance is very important to be studied more deeply.

Therefore, it is necessary to make efforts to strengthen sharia compliance in the

capital market and increase investment attractiveness for sharia investors. Some of the efforts that can be made include increasing education and awareness about sharia principles, encouraging companies to implement business practices that comply with sharia principles, increasing corporate transparency and accountability regarding sharia compliance, and increasing supervision and law enforcement against sharia violations. Strengthening sharia compliance in the capital market is expected to increase sharia investor confidence and attract more sharia investment to the Indonesian capital market, which in turn can help accelerate economic growth and development in Indonesia.

LITERATURE REVIEW

Investment Interest

Investment refers to the current spending of resources with the hope of obtaining future benefits. This involves investing in assets or projects with the aim of obtaining a favorable return on investment. According to Gitman in his book entitled "*Principles Of Managerial Finance*" explains that investment is the sacrifice of financial costs at this time with the hope of getting profits in the future (Gitman, 2018). Differing opinion with Gitman, in the opinion of Brigham & Ehrhardt in his book entitled "*Financial Management: Theory & Practice*" explains that investment is the allocation of resources to achieve certain dreams in the future (Brigham & Ehrhardt, 2017).

Investment can be defined as a means by which funds can be placed with the expectation that it will generate a positive income or increase in value. There are two forms of investment acceptance, namely:

- a. Current income
- b. Value Increase

In investing there must be a boost in interest to invest because refers to the interest of individuals or entities to engage in investment activities. Investment interest is someone's interest or desire to invest in certain instruments or assets with the hope of getting profits in the future. This interest encourages individuals or entities to carry out analysis, research and decision-making regarding the allocation of their funds into various types of investments. Investment interest can be influenced by factors – factors such as long-term financial goals, acceptable level of risk, investment knowledge and experience, as well as existing economic and financial market factors. Investment interests can involve a variety of instruments such as stocks, bonds, mutual funds,

property, gold, or cryptocurrencies, and can also include investing in new businesses or going out on your own.

Investments in the capital market are often carried out by investors. The capital market is a place where various financial instruments, such as stocks, bonds and mutual funds, are traded between investors. Investors purchase these financial instruments in the hope of benefiting from income from dividends, interest or price increases. Investments in the capital market can be made by many types of investors, including individuals, corporations, pension funds, financial institutions and professional investment managers. Investors seeking long-term wealth growth should consider investing in the capital markets (B. G. Malkiel, 2003).

Sharia Capital Market

Andrew M. Cisholm in Wekke's book entitled "*Social Research Methods*" states that "*capital market is an area where those who need extra funds search for others who need to make their excess investment*" (Wekke, 2019) which means the stock market is an area where those who need additional funds seek out others who need to invest their excess. The capital market provides the possibility for investors to invest their funds in the desire to create income. According to the Big Indonesian Dictionary, the capital market is all activities that bring together requests for and delivery of funds in the long term. Invite – Law No. 8 of 1995 concerning the Capital Market that the capital market is an activity related to public services and buying and selling of securities, public companies dealing with securities issued and establishments and professions related to securities (Article 1 Paragraph (13)). The capital market can also be interpreted as a place to invest a number of their assets that can be used in the long term.

Market investment in Indonesia began in 1977 with the issuance of Regulation No. 4 of 1977 concerning foreign funding. At that time, the Indonesian government opened opportunities for foreign buyers to invest in the Indonesian capital market. However, the capital market in Indonesia only developed in 1989 after the issuance of Regulation No. 8 of 1989 concerning capital markets (Purwanto & Pratiwi, 2016). According to Gatot Nazir Ahmad in his book entitled "*Capital Market and Portfolio Management*" explained that the capital market in Indonesia began in 1912 with the founding of the Bataviasche Effectenbeurs (BEB) which later changed its name to the Jakarta Stock Exchange (BEJ) in 1977. At that time, JSX only serves the supply and

purchase and sale of bonds. However, over time, the JSX underwent various modifications, which consisted of merging with the Surabaya Stock Exchange (BES) in 2007 to become the Indonesia Stock Exchange (G. N. Ahmad, 2013). Meanwhile, according to Sudarsono in his book entitled *“Introduction to the Capital Market”* explained that the capital market in Indonesia began in 1977 with the issuance of Regulation No. 4 of 1977 concerning investment abroad. At that time, Indonesian authorities opened opportunities for foreign buyers to invest in the Indonesian capital market. However, the capital market in Indonesia developed in 1989 after the issuance of the Act-Law Number 8 of 1989 concerning Capital Markets (Sudarsono, 2014).

The development of the capital market in Indonesia began in 1912 from the Dutch colonial era in Batavia. The capital market at that time was established by utilizing the Dutch East Indies for the benefit of the VOC or colonial rulers. Although it has been going on for a long time, progress no capital market running as it should, even the capital market experienced a vacuum in several periods. Various elements ended in a vacuum, especially international conflict I and world conflict II, the transfer of power from the colonial government to the rulers of the Republic of Indonesia, and various situations that triggered stock trading operations not to go as expected. In 1977 the Indonesian government through Presidential Decree No. 12 of 1977 established the Capital Market Supervisory Agency (Bapepam) which aims to change and oversee the capital market sport in Indonesia. In 1982, the Jakarta inventory alternative (now called the Indonesian inventory alternative) as the first inventory transaction place in Indonesia. At that time there were only 5 companies that were indexed and their shares were traded on changes in inventory. Moreover, in 1995, the Indonesian government launched the BUMN Privatization program which aims to increase public participation in company share ownership. State-owned companies through the capital market. In 2000, the Indonesian government issued Law No. 8 of 1995 concerning the Capital Market which was later revised to become Law No. 32 of 1997 concerning the sale and purchase of Commodity Futures and Law No. 8 of 1995 concerning the Capital Market (Capital Market Regulation) which regulates capital market activities in Indonesia. Considering that at that time the development of the capital market in Indonesia was growing rapidly. The number of companies indexed on the Indonesia Stock Exchange continues to grow and the types of funding instruments traded on the capital market are increasingly

diverse, such as stocks, bonds, mutual price ranges, and derivative units. In 2018, the Government of Indonesia also launched a Tax Amnesty program which aims to encourage budget repatriation from abroad to the Indonesian capital market. Currently, the Indonesian capital market continues to grow and develop into one of the most important capital markets in Southeast Asia. However, there are still many challenges facing the situation, including low public participation in investing in the capital market and the lack of companies that are known to the public.

Based on the understanding of the capital market according to Regulation No. 8 of 1995, the Islamic capital market can be interpreted as activities in the capital market as stipulated in UUPM which do not conflict with the principles – sharia principles. The Islamic capital market is not separate from the capital market as a whole. There is no difference between the capital market and the Islamic capital market, but there are some uniqueness of the Islamic capital market, namely the products and transaction mechanisms do not conflict with Islamic concepts (OJK, 2017). The application of sharia principles in the capital market is certainly inseparable from Al – Qur’an and Hadith. From these two sources of law, the scholars reached an interpretation which was then called fiqh. Wrong One discussion in fiqh is the muamalah chapter, especially the relationship between humans that relates to alternating. Based on this, Islamic capital market activities are based on muamalah fiqh foundation. The fiqh rule of muamalah states that basically all types of muamalah are permissible unless there is evidence that prohibits it. This concept is the teachings of the Islamic capital market in Indonesia.

The development of the Islamic capital market in Indonesia has a long record and has grown rapidly in recent years. Invite – Law number 8 of 1995 concerning the Capital Market is the first foundation that regulates the capital market in Indonesia. But in 2000, UU – Laws concerning Islamic capital markets were issued, namely Laws – Authority Law No. 8 of 2000 concerning the Islamic capital market. In the opinion of Eddy Junarsin, Deputy Chairman of the National Sharia Council (DSN) of the Indonesian Ulema Council (MUI), the Islamic capital market in Indonesia began in 1999 with the issuance of regulation number eight of 1995 concerning the Capital Market. However in 2000, Law – Law on Islamic capital market issued, namely Government Regulation Number 8 of 2000 concerning Islamic Capital Markets. Invite – This law is the basis for the development of the Islamic capital market in Indonesia. In

2006, Law – Law Number 19 of 2008 concerning Capital Markets was issued in addition which provides a legal basis for the development of the Islamic capital market in Indonesia. Dr Lukmanul Hakim, Vice President of the Capital Market and Economic Institution Supervisory Agency (Bapepam – LK), said that the Islamic capital market in Indonesia developed unexpectedly in 2000 – s, especially after the issuance of Law No – Law of the President No. 8 of 2000 concerning Sharia Capital. In 2006, Regulation Number 19 of 2008 concerning Capital Markets became an additional legal basis for the development of the Islamic capital market in Indonesia. Slamet Hidayat, Chairman of the National Sharia Council (DSN) of the Indonesian Ulema Council (MUI), said that the Islamic capital market in Indonesia has experienced an unexpected development since 2000. – and until now. This can be seen from the increasing number of investment groups as well as increasing public interest in investing in the Islamic capital market. Irfan Syauqi Beik, Chairman of the National Sharia Council (DSN) of the Indonesian Ulema Council (MUI), said that the Islamic capital market in Indonesia has experienced a very rapid increase in the last few years. Matter This can be seen from the increasing quantity of products.

The Islamic capital market is designed and run with the aim of ensuring sharia compliance in investment. The main principle of the Islamic capital market is to ensure that the transactions and financial instruments offered are in accordance with the principles Islamic sharia principles. In order to maintain sharia compliance, the sharia capital market also involves the Sharia Supervisory Board (DPS) which oversees and evaluates financial products and transactions so that they comply with the principles sharia principles.

Sharia Compliance

Sharia compliance refers to the conformity of a product or service with Islamic sharia law. Sharia compliance is often associated with banking and investment products that comply with sharia principles. Sharia compliance in the Islamic finance industry is very important considering that financial products that are not in accordance with sharia principles can have a negative impact on customers and society (A. Muneza, 2019). According to Abdullah Saeed, the concept of sharia compliance is not necessarily related to strict adherence to Islamic rules, but as a substitute for developing services or products that are in accordance with Islamic ideas. Sharia compliance is an important

part of Islamic finance companies and has the ability to help develop an Islamic economic system globally (A. Saeed, 2009).

In Indonesia, the legal basis for shariah compliance on the stock exchange is governed by several regulations and policies issued by the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX). The following are some of the legal basis for sharia compliance on the Indonesian stock exchange:

1. Decree of the Chairman of Bapepam-LK No. Kep-55/PM/2003 concerning Guidelines for Implementing Business Activities of Stock Exchanges and Securities Companies Based on Sharia Principles

This decree stipulates guidelines for carrying out the business activities of stock exchanges and securities companies based on sharia principles. This guide covers the principles sharia principles that must be complied with, supervisory mechanisms, and procedures for issuing and trading sharia investment instruments.

2. OJK Regulation No. 31/POJK.05/2015 concerning Sharia Investment Instruments

This regulation regulates the requirements and mechanisms for issuing, offering and trading sharia investment instruments, including sharia stocks and sharia bonds. This regulation also regulates sharia principles that issuers and investors must comply with in sharia investment instruments.

3. MUI National Sharia Council (DSN) Decree No. 108/DSN-MUI/VI/2015 concerning General Guidelines for Sharia Mutual Fund Transactions

This decree establishes general guidelines for sharia mutual fund transactions, including requirements and principles sharia principles that must be adhered to in investing in sharia mutual funds. This guideline also includes monitoring mechanisms and reporting procedures for sharia mutual fund management institutions.

4. Indonesia Stock Exchange Regulation No. I-A regarding Sharia Share Criteria

This regulation stipulates the criteria for sharia shares that must be met by issuers so that their shares can be categorized as sharia shares. This criterion includes requirements related to the issuer's income and assets, as well as supervisory mechanisms and procedures for the issuance and trading of sharia shares.

5. Indonesia Stock Exchange Regulation No. II-A regarding Sharia Bond Criteria

This regulation stipulates the criteria for sharia bonds that must be met by issuers so that the bonds can be categorized as sharia bonds. This criterion includes

requirements related to the use of funds, monitoring mechanisms, and procedures for issuing and trading sharia bonds.

In order to improve the implementation of the principle With sharia principles in the capital market, the Indonesia Stock Exchange also periodically issues sharia stock indexes that are measured based on predetermined sharia compliance criteria. This is expected to provide investment options for investors who want investment instruments in accordance with sharia principles (H. Muharam, 2018).

METHOD

Method is a method of work that can be used to obtain something. While the research method can be interpreted as a work procedure in the research process, both in searching for data or disclosing existing phenomena (Zulkarnaen, W., et al., 2020:229). In this study, the authors used the literature review research method where data was collected in a secondary way, namely the data collection method was carried out through a literature search. Literature studies are carried out by analyzing books, economic and business journals, and websites that provide input or support research (Nasrulloh, 2022) . Qualitative research is usually used for "exploration". Qualitative research methods are more commonly used by humanities, social, and religious academics. Qualitative research methods can be carried out with 2 channels namely, a combination of literature studies and field studies (W. Darmalaksana, 2020).

According to Bodgan and Taylor as quoted by S.Margono, qualitative research is a research step that produces descriptive data in the form of written or spoken words from people and behavior that can be observed. (Sugiono, 2013). Based on the writings (Ramdhan, 2021) in his book explaining that this type of qualitative research is explanatory in nature and focuses more on the use of analysis. The theoretical basis is used as a guideline so that the research focus does not differ from the facts highlighted in this process. In contrast to this type of quantitative research, in this type of research the researcher is in the event or condition being studied.

RESULTS AND DISCUSSION

The Definition of Sharia Investment and the Importance of Sharia Compliance on the Indonesia Stock Exchange (IDX)

Sharia investment is a type of investment made based on sharia principles, both in the real sector and in the financial sector (D. Wiyanti, 2013), investments that comply

with the provisions of applicable Islamic law, such as not being able to invest in companies that sell illicit products, such as liquor, narcotics, gambling, and pork production. The definition of Sharia Investment on the Indonesia Stock Exchange (IDX) is an investment made based on Islamic sharia principles, such as paying attention to the provisions of Islamic law and ethical and moral principles in Islam in selecting stocks to invest. Sharia investment must also pay attention to ethical and moral principles in Islam.

The legal basis for sharia investment comes primarily from Islamic teachings, the Al-Quran, Hadith, and the fatwas of scholars. Some of the laws that form the basis of Islamic investment include:

1. The principle of mudharabah (cooperation between two parties in investment, where one party provides funds and the other party provides expertise and experience in running a business).
2. The principle of musyarakah (cooperation between two parties in investment, where both parties provide funds and skills in running a business).
3. The principle of wakalah (representing fund management to other parties who are experts in the field of investment).
4. The principle of murabahah (buying and selling of goods with pre-agreed profits).
5. The principle of ijarah (leasing of goods or services at a pre-agreed rental price).
6. The principle of istishna (sale of goods that do not yet exist or have not been made by ordering or ordering them to be made).
7. The principle of sukuk (sharia-based investment instruments issued by the government or companies with the aim of obtaining funding).

In addition, Indonesia has Law Number 21 of 2008 concerning Islamic Banking and Law Number 19 of 2008 concerning State Sharia Securities which regulate Islamic investment in Indonesia.

On the Indonesia Stock Exchange, many companies have implemented sharia compliance in accordance with sharia principles that do not deviate from religious law. Sharia compliance on the Indonesia Stock Exchange (IDX) is very important in order to strengthen the Islamic capital market. IDX has a special supervision and monitoring program for sharia shares listed on the stock exchange. At the end of 2020, there were 729 sharia shares on the IDX with a market capitalization of IDR 1,418 trillion.

According to experts, sharia compliance on the IDX is very important because:

1 Increasing Investor Confidence

Investors who invest in Islamic stocks on the IDX certainly expect halal and blessed profits. If sharia compliance on the IDX is fulfilled properly, investors will be more confident and confident to invest in the Islamic capital market.

2 Encouraging Economic Growth

Increasing investor confidence in the Islamic capital market will encourage economic growth. This is because the more investors who enter the Islamic capital market, the more funds available to support economic activities in Indonesia.

3 Making a Positive Impact on Society

Sharia compliance on IDX also has a positive impact on society. Investments made according to sharia principles can help improve the community's economy because these investments are made in the halal sector and are related to community needs.

Sharia Investment Market Potential in Indonesia

The potential for the Sharia Investment Market in Indonesia is quite large, along with stable economic growth and increasing public awareness of the importance of investing in accordance with sharia principles. Based on data from the Financial Services Authority (OJK) for 2020, the total assets of the sharia financial industry reach Rp 711 trillion, consisting of IDR 614 trillion of Islamic banking assets and IDR 614 trillion of Islamic capital market assets 97 trillion.

According to the Islamic Finance Country Report 2020 published by Thomson Reuters, Indonesia is the largest Islamic financial market in ASEAN and ranks third in the world after Saudi Arabia and Malaysia. The report also states that the Islamic financial market in Indonesia is expected to continue to grow in the coming years.

One sector that shows great potential in sharia investment in Indonesia is the property sector. According to data from Bank Indonesia, in 2020 the sharia property sector will experience positive growth, with total sharia property financing reaching IDR 102 trillion.

In addition, the infrastructure sector is also an attractive sector to invest in. The Indonesian government estimates that investment in the infrastructure sector will reach IDR 5,500 trillion in the next five years. Investments in the infrastructure sector such as

toll roads, airports, ports and railways will open opportunities for sharia investors to invest.

Technological developments also open up new opportunities for sharia investment in Indonesia. The Islamic fintech industry continues to grow rapidly in Indonesia. According to the Indonesia Fintech Report 2020 report, there are 23 sharia fintech companies in Indonesia with a total of 22 million users.

With the large potential of the Islamic investment market, it is hoped that Islamic investors will be increasingly interested in investing in Indonesia. In addition, the government also continues to improve regulations and expand sharia investment opportunities in Indonesia.

Differences between Sharia and Conventional Investments

Sharia and conventional investment are two different types of investment in certain aspects. Sharia investment is based on Islamic principles which avoid usury (interest), gambling, speculation, and investment in industries that are considered non-halal, whereas conventional investment is not bound by religious principles or certain rules.

The following are the differences between Islamic and conventional investments:
(Table 1)

Sharia Investment Benefits

Investing is a way that many people do to increase their wealth and develop their business. In investing, there are many types of investments to choose from, one of which is sharia investment. Sharia investment is a form of investment made with sharia or sharia principles. Sharia principles prohibit investment in sectors that are not in accordance with Islamic teachings, such as gambling, usury and haram food. Here are some of the benefits of sharia investment:

1. Get Rewards

One of the main benefits of Islamic investment is getting rewards. Sharia investment is carried out by following sharia principles, so that it can help increase goodness and blessings in one's life. In Islam, every deed that is done for good and blessings will be rewarded by Allah SWT. Sharia investment can also help fulfill one's life needs in a lawful way and help avoid sin and torment in the afterlife.

2. Maintaining Morals and Morals

Sharia investment is carried out by taking into account the principles of ethics and morality in doing business. This means that Islamic investment does not involve practices that are unethical or harmful to others, such as usury, fraud or corruption. By investing in sharia, a person can strengthen his morals and morals and obtain blessings from Allah SWT.

3. Avoiding Risks

Islamic investment can also help avoid financial risks. Shari'a principles prohibit investing in volatile or dubious sectors, thus helping to avoid investment losses and failures. In addition, sharia investment also considers social and environmental factors, so that it can help minimize risks in the future.

4. Supporting Halal Economy

Sharia investment can also help support the halal economy. By choosing sharia investments, one can contribute to the development of a business that complies with sharia principles and help promote a halal and sustainable economy. In addition, sharia investment can also help reduce dependence on sectors that are considered non-halal or not in accordance with sharia principles.

5. High Profit Potential

Even though sharia investment follows sharia principles, it does not mean that the profit potential is small. Sharia investment can provide high returns by choosing the right investment instruments and investing well. Several Islamic investment instruments that can provide benefits .

Sharia Investment Risks and Challenges

Sharia investment has risks and challenges that need attention investors. Some of these risks and challenges include:

1. Market risk: Islamic investments remain subject to fluctuating market conditions like conventional investments. Bad economic conditions can affect investment performance.
2. Compliance risk: Sharia investment must comply with Islamic principles in investment which prohibit usury, gambling, and investing in companies involved in prohibited industries such as alcohol, tobacco, and pornography.
3. Liquidity risk: Islamic investments are sometimes less liquid than conventional investments, so it may be difficult to sell investment assets in a timely manner.

4. Challenges in investment selection: Sharia investment must not only consider the company's financial performance, but also must consider the company's sharia compliance.
5. Challenges in finding information: Information on Islamic investments may be more difficult to find than information on conventional investments.

Sharia Compliance On IDX

Islamic capital market is a capital market that operates based on sharia principles. Sharia principles are defined as a set of values, norms and laws originating from Al – The Quran and Sunnah of the Prophet Muhammad SAW regulate the relationship between humans and God, humans and humans, and humans and their environment. This principle requires a balance in the distribution of profits and risks between investors and issuers. The Indonesia Stock Exchange (IDX) provides an Islamic capital market for investors who wish to invest in accordance with sharia principles.

The Indonesia Stock Exchange (IDX) has strict governance and sharia compliance mechanisms to ensure investment instruments listed on the IDX comply with sharia principles. One of the institutions responsible for overseeing sharia compliance on the IDX is the Sharia Supervisory Board (DPS). DPS consists of sharia experts who are independent and authorized to issue fatwas and recommendations related to sharia compliance on the IDX. DPS is also in charge of supervising and evaluating products – products listed on the IDX to comply with sharia principles.

In addition to DPS, IDX also has regulatory mechanisms governing sharia in the capital market, namely:

1. Regulation of the Board of Commissioners of the Financial Services Authority (OJK) Number 35/POJK.04/2014 concerning Implementation of Sharia Banking Products and Services;
2. Fatwa of the Indonesian Ulema Council (MUI) regarding sharia principles that must be met by investment products;
3. General Guidelines for Sharia Investment Management (PUPIS) issued by OJK;
4. Islamic Financial Accounting Standards (SAKS) issued by the Financial Accounting Standards Board (DSAK) of the Indonesian Institute of Accountants (IAI);
5. Code of Conduct for Sharia Capital Market Participants (PPBPPS) issued by IDX.

Sharia Investment Strategy on IDX

The sharia investment strategy on the IDX includes several important steps, including:

1. Choose an investment instrument that complies with sharia principles

Before making an investment, it is important to choose an investment instrument that complies with sharia principles. Several sharia principles that must be fulfilled include not being involved in the practice of usury (interest), gharar (uncertainty), and maysir (speculation). On the IDX there are several investment instruments that comply with sharia principles, such as stocks, bonds and sukuk.

2. Paying attention to the company's performance and other fundamental factors

After selecting investment instruments that comply with sharia principles, the next step is to pay attention to company performance and other fundamental factors. Several fundamental factors that need to be considered include the company's financial performance, business prospects, and quality of management. By paying attention to factors – With these factors, investors can choose companies that have good prospects and good growth potential in the future.

3. Portfolio diversification

One of the important principles in investing is portfolio diversification. Diversification can be done by buying several different types of investment instruments or buying shares of several different companies. By diversifying, investors can reduce the risk of losses that may occur due to market fluctuations or poor company performance.

CONCLUSION

In strengthening sharia compliance on the Indonesian stock exchange, high levels of transparency and accountability are required. Companies that apply sharia principles must meet predetermined standards and criteria, and must be transparent in reporting their performance and activities. This can strengthen investor confidence in companies that apply sharia principles and open up opportunities for companies to access a wider capital market. In addition, it is also important to increase public financial literacy regarding the Islamic capital market. The public needs to be given a better understanding of Islamic principles, the types of investment products available, and how to invest safely and profitably in the Islamic capital market. The government

and related agencies can carry out campaigns and outreach to the public to increase their financial literacy.

In the long term, increasing interest in investing in the Islamic capital market in Indonesia can open up great opportunities for economic growth and social welfare. However, keep in mind that the application of sharia principles is not a guarantee of investment success, but rather a way to minimize risk and provide legal certainty for investors. Therefore, before investing, people need to conduct in-depth research and analysis first, and choose investment companies and products that suit their risk profile and needs. For investors who wish to invest sharia in the Indonesia Stock Exchange, here are some helpful suggestions and recommendations: 1. Learn the principles – principle Islamic investment, 2. Find information about the company, 3. Use Islamic stock index, 4. Consult with Islamic investment experts, 5. Pay attention to stock performance, 6. Portfolio diversification, 7. Monitor market developments, 8. Be patient and have a long term perspective.

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TABLE

Table 1. The differences between Islamic and conventional investments

No.	Based on	Sharia Investment	Conventional Investment
1.	Investment Principle	Based on Islamic sharia principles that uphold moral and ethical values	Own moral and ethical boundaries in investing.
2.	Funds Processing	It is done on a mudharabah or musyarakah basis, meaning that the investment is carried out jointly between investors and fund managers.	Fund managers work to generate profits for investors.
3.	Fund Management	Performed by experts who understand sharia principles	Finance which is more focused on high returns.
4.	Allowable Investment	Only allow investment in the halal sector	Has limitations in terms of investment types.
5.	Income	Divided based on the principle of profit sharing between investors and fund managers	Investors receive a return on their investment.