

CORRELATION ANALYSIS OF SHARIA CAPITAL MARKET GROWTH WITH INDEX SHARIA CAPITAL MARKET PERFORMANCE

Anisya Wulan Purnama

Department of Accounting, Faculty of Economic and Business Universitas Malikussaleh

Abstract

This research is intended for informative purposes and adds insight regarding the capital market, the Islamic capital market, the growth of the Islamic capital market in Indonesia which is analyzed based on its correlation with the Islamic capital market performance index compared to the conventional capital market performance index which is tested through 3 test analyzes using the index Sharpe, Treynor, and Jensen. This research was conducted using data from 2007 to 2019. This study aims to provide information related to the relationship between the performance index of the Islamic capital market and its growth over time (2013-2019).

Keywords: *Capital Market, Islamic Capital Market, Islamic Capital Market Growth, Islamic Capital Market Performance Index*

1. INTRODUCTION

Indonesia is a country with a strong economy today, with a fairly stable economic growth rate in the Asian region, especially Southeast Asia. As well as being a country with a Muslim majority and a country with the largest Muslim population in the world, Indonesia is a big market for Islamic or sharia businesses. The capital market itself is a market for various long-term financial instruments that can be traded, both in the form of debt, equity (shares), derivative instruments, and other instruments. The capital market is a means of funding for companies and other institutions (eg the government) and a means for investment activities.¹As an institution that facilitates the occurrence of financial or investment instrument transactions, the capital market is a vital market that drives the national economy even for global capital markets in the scope of floor-level issuers including multi-national companies.

Then as a country with the largest Muslim population in the world, the Islamic capital market in Indonesia is slowly gaining a place in the hearts of investors. There were 203 thousand investors recorded in the Islamic capital market as of February 2 2018, this figure has increased quite significantly considering that in 2015 the number of investors in the Islamic capital market had only reached 100 thousand investors. With this fairly fast growth of investors, it is hoped that the development and improvement of the Islamic capital market can be further developed. The Indonesia Stock Exchange (IDX) in its performance has several indices for applicable indicators, including the Jakarta Composite Index (JCI) and the Jakarta Islamic Index (JII). Separately, JCI is an index used to measure the performance of all stocks listed on the IDX.

JCI on the IDX includes price movements for each common stock and preferred stock. Meanwhile, JII is a stock index that is also traded on the IDX where the shares traded are treated using sharia principles. The basic distinguishing characteristics JCI and JII are JII only including shares that are in accordance with sharia principles. According to the Financial Services Authority (OJK), the value of JII's stock market capitalization as of April 21 2017 increased 9.25 percent compared to the end of 2016 to IDR 4,408 trillion. Furthermore, the results of an analysis of the growth of the Islamic capital market in Indonesia based on past performance show that the

¹Tjiptono Darmadji and Hendy M. Fakhrudin, *Capital Markets in Indonesia* (Jakarta: Salemba Empat, 2006).

Anisya Wulan Purnama

performance points covering the performance index of Islamic stocks and conventional stock indexes are not significantly different. As stated by Nika Pranata and Nurzanah (2015) that there is no significant performance difference between the Islamic stock index and the conventional stock index for the period January 2006 to November 2015. Regardless of the factors influencing the growth of the Islamic capital market in Indonesia, until the end of 2014, the de facto Islamic capital market had not yet reached a significant portion of the capital market industry. Because the value of products for Islamic capital market financial instruments such as sukuk and Islamic mutual funds is still below 5% compared to the total products in circulation (sharia and conventional products) (OJK)

2. LITERATURE REVIEW

2.1. Capital Market

According to Law Number 8 of 1995 concerning Capital Markets, it is stated that the capital market is an activity concerned with public offerings and securities trading, public companies related to the securities issued and institutions and professions related to securities. It was explained that the notion of the capital market as an activity concerned with public offerings and offerings of securities (securities) and public companies (general) relating to the securities they issue². As bearers of the term 'market', the capital market cannot be separated from the market in general, where there are sellers (issuers) and buyers, namely investors. The capital market has a strategic position in national economic development. The growth of the capital market will depend on

2.2. Sharia Capital Market

Sharia is a system of God's rules that regulates human relationships with God, human relationships with fellow human beings, as well as human relationships with all of God's creation in this universe. The Islamic capital market itself is one of the economic products implemented using Islamic principles. And in general today, the Islamic capital market can be regarded as one of the business lines in the Islamic finance industry. The Islamic capital market in Indonesia is regulated by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) number 40/DSN-MUI/X2003. Based on the DSN-MUI fatwa regarding the application of Sharia principles in the capital market includes several things, including: First, the type of business, goods products, services provided and contracts and how the management of issuers or public companies that issue Islamic securities may not conflict with the principles - sharia principles and must follow the recommendations and directions from the DSN-MUI then furthermore, the implementation of transactions on the sharia capital market must follow the precautionary principle and are not allowed to carry out baseless speculation and manipulation containing elements of dharar, gharar, usury, maisir, riswah and tyranny. The Islamic capital market in Indonesia continues to experience significant developments. This growth was marked by an increase in the number of sharia investors to 12,238 in 2016 or a growth of 150% compared to sharia investors in 2015 of 4,908 investors. Currently, there are two indexes in the Indonesian Islamic capital market, namely Jakarta Islamic Index (JII) and the Indonesian Sharia Stock Index (ISSI). As of May 2017, there were 333 sharia shares with a market capitalization value of IDR 3,385 trillion.

2.3. Index Sharpe, Treynor, and Jensen

In measuring the performance of the capital market which will determine the growth analysis of the Islamic capital market, the performance measurement used to view the performance of the Islamic capital market can use the Sharpe index, Treynor index and Jensen index. The

²Pandji Anoraga, Business Management (Yogyakarta: Rineka Cipta, 2009).

Sharpe index was developed by Sharpe in 1966 to measure market performance by considering the standard deviation of returns. The Sharpe index uses the standard deviation of the return obtained from total risk to look at risk. The calculation of the Sharpe index refers to the concept of the capital market line as a benchmark, namely dividing the portfolio risk premium by its standard deviation. Then, the treynor index is used to measure the portfolio performance index using the volatility ratio based on systematic risk. Please note, systematic risk is the risk that persists even though diversification has been carried out optimally. This approach assumes that the portfolio is well diversified so that the relevant risk is systematic risk (beta). In practice, this Beta is then used to measure the market risk of a portfolio relative to market risk. Treynor index calculation is done by reducing the risk-free return on the portfolio and dividing it by the portfolio beta. Another capital market performance that is often used to measure capital market performance is Jensen Alfa. This index provides an illustration of the difference in the rate of return obtained against the expected return. In other words, the Jensen index can be defined as a measure of how much the portfolio quantity is expected to be better than the market portfolio. A positive index indicates that the portfolio performance is better than market portfolio performance, meaning that the portfolio has a relatively higher return for its systematic risk level.

3. RESEARCH METHODS

3.1.Data

The data used are statistical growth data on Indonesian Islamic capital market shares from 2013-2019, JII performance index data compared to JCI in the 2007-2015 period.

3.2.Data Collection Method

The data in this journal uses secondary data taken from several sources and official literature such as OJK, DSNMUI, related journals, and book references.

3.3.Analytic Techniques

β = market risk of the portfolio or

The analysis technique used is systematic portfolio risk (market beta coefficient) in this study, among others

Islamic capital market are as follows:

R_p = portfolio return in the period

R_f = return on risk-free investment $S_p = R_i - R_f$ in period t
(#) σ

$R_m = b_p$ = market beta coefficient.

the three performance measurement indices a_p = jensen index

Sharpe Index, Treynor Index, and $a_p = R_p - [R_f + b_p (R_m - R_f)]$

Information:

S_p = Sharpe performance index.

R_i = portfolio return or market rate of return in period t.

R_f = risk-free return risk-free interest rate in period t. σ = total risk, namely the sum of the results

systematic risk and risk

.....

(#) β

Information:

T_p = Treynor performance index.

R_i = portfolio return or market rate of return in period t.

R_f = interest rate risk free return

CORRELATION ANALYSIS OF SHARIA CAPITAL MARKET GROWTH WITH INDEX SHARIA CAPITAL MARKET PERFORMANCE

Anisya Wulan Purnama

4. RESULTS AND DISCUSSION

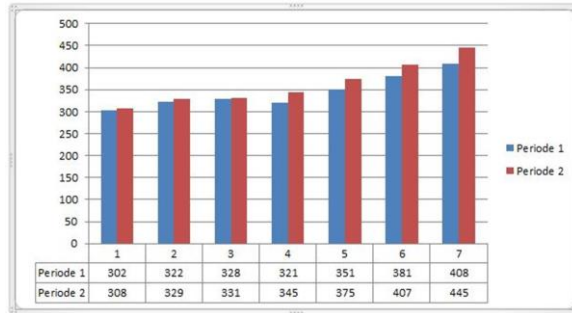


Figure 1. Sharia Stock Statistics (OJK) $T_p=R_i-R$

Year	Period 1	Period 2
2013	302	308
2014	322	329
2015	328	331
2016	321	345
2017	351	375
2018	381	407
2019	408	445

Figure 2, Table of Growth of Sharia Shares (OJK) is free

The Sharpe index calculation illustrates that JII has a much lower index than JCL.

Information	Treynor	
	JII	JCI
Before Crisis Subprime Mortgage	0.00031	0.00033
During Crisis Subprime Mortgage America	- 0.00068	-0.0002
All Periods Study	0.00028	0.00022
Maximum	0.00031	0.00033
At a minimum	- 0.00068	-0.00058
Average	- 0.00003	0.000117

Table 2, Treynor's Index³

In calculating the Jansen index, JCI has the same maximum performance as JII. And on average JII has a higher performance than JCI.

5. CONCLUSION

1. From the 2 main data about the performance index and the growth of sharia stocks. With the performance index obtained from the calculation of the 3 Sharpe, Treynor, Jensen indices, it can be concluded that JII or the Islamic capital market has quite a good performance. And tend to approach the performance of conventional capital markets which have the largest portion in the capital market industry.
2. With good Islamic capital market performance data, this then becomes relevant to Islamic stock statistics which continue to increase from 302 in period 1 2013 to 445 in period 2 2019.

CORRELATION ANALYSIS OF SHARIA CAPITAL MARKET GROWTH WITH INDEX SHARIA CAPITAL MARKET PERFORMANCE

Anisya Wulan Purnama

REFERENCES

- Alrifai, Tariq. *Islamic Finance and Financial System*. 1st ed. Singapore: John Willey and Sons, 2015.
- Anoraga, Panji. *Business management*. Yogyakarta: Rineka Cipta, 2009.
- Cizacca, Murat. *Islamic Capitalism and Finance*. 1st ed. Massachusetts, USA: Edward Elgar Publishing Ltd., 2011.
- Darmadji, Tjiptono, and Hendy M. Fakhruddin. *Capital Market in Indonesia*. Jakarta: Salemba Empat, 2006.
- Este, Lestari. *Comparison of Islamic and Conventional Capital Markets in Indonesia: Volality Approach*. Yogyakarta: Yogyakarta Discourse Creation, 2008.
- Huda, Nurul, and Mohamad Heykal. *Institution Islamic Finance Theoretical Review And Practical*. 1st ed. 1. Jakarta: Kencana Prenada, nd Huda, Nurul, and Mustafa E. Nasution. *Investment in the Islamic Capital Market*. Jakarta: Graphic Media, 2008.
- Husnan, Suad. *Fundamentals of Portfolio Theory & Securities Analysis*. 5th ed. Yogyakarta: UPP STIM YKPN, 2005.
- Rokhmatussa'dyah, and Suratman. *Investment Law And Capital Markets*. Jakarta: Sinar Graphics, 2009.
- Setiawan, Budi. "Comparison of the Performance of Islamic and Conventional Capital Markets: An Empirical Study of the Indonesian Capital Market" 08 (2017).
- Sumitra, Andri. *Islamic Banks and Financial Institutions*. Jakarta: Prenada Media Kencana, 2009.
- <https://www.ojk.go.id/id/kanal/syariah/datadan-statistik/sahamsyariah/default.aspx> accessed on 21 May 2020 23.20
- <https://investasi.kontan.co.id/news/ojkmenebut-rata-rata-perumbuhpasar-modal-syariah-di-atas-30per-tahun> accessed on 21 May 2020 22.00
- <https://www.bps.go.id/> accessed on 21 May 2020 21.00