

Definition of Islamic Mutual Funds as an Indicator of the Economy of the Ummah

Annas Syams Rizal Fahmi, May Shinta Retnowati and Muhammad Ilham Amrullah
University of Darussalam, Ponorogo, Indonesia

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Abstract: Islamic mutual funds which are also often referred to as Islamic Investment Fund or Syariah Mutual Fund are intermediary institutions that help surplus units to place funds for further reinvestment. In addition to providing convenience for prospective investors to invest in the capital market, the establishment of the Islamic Investment Fund or Syariah Mutual Fund also aims to meet the needs of groups of investors who want the benefits of clean and religiously responsible sources and mechanisms of investment and do not conflict with the principles of sharia. But the problem in this study is what is the definition of Islamic mutual funds? What are the economic indicators of Islam? And what is the role and function of Islamic mutual funds on people's economic indicators? Method used in writing this essay is a normative legal research method. By collecting data in library studies (library research). The author uses a library research / library research. In this case legal research is carried out by means of library research or referred to as normative research. Based on the results of the study, it was found that the definition of Mutual Funds comes from two vocabulary words, namely "mutual" which means maintaining or maintaining, and "funds" which means (collecting) money. So that when combined, mutual funds are defined as collections that are managed (together for interest). And in other terms, Islamic mutual funds are mutual funds that have management and investment policies that refer to Islamic law, for example not investing in managing company stocks or bonds or products that are contrary to Islamic law. The indicators that we generally know are the number of Gross Domestic Product (GDP), the number of poor people, the number of unemployed, the inflation rate, interest rates, and others. This indicator is important to know how big a country's economic growth is. National sharia mutual fund assets are projected to grow above 10% to around Rp 2.08 trillion. This number is projected to continue to increase with the increasing number of investors who are now beginning to see investments in Islamic mutual funds that are considered more profitable. And In general, the function of Islamic mutual funds is not much different from the functions of the capital market. The capital market has an important position in the economy of a country, as well as mutual funds. Islamic mutual funds have two functions, namely: Economic function, and financial functions.

1 INTRODUCTION

In the midst of the chaos of the national economy, this country has been hit again by global socio-political constraints that hamper any economic recovery efforts. The issue of the war against terrorists, anarchic actions carried out by the elements of society and bird flu, and others, who finally inevitably gave birth to travel brands for foreign tourists is a serious threat to the country's foreign exchange or also an increase in the country's risk index Not to mention the end, the issue of the American and British attacks began to peek to

increase the mistrust of macro conditions conducive to economic recovery in the country, even though globalization had begun at another angle. This is indicated by the increasingly strong nails of economic liberalization in developed countries which are pushed into the era of free markets (cross border markets) through the principles of capitalism. A system of capitalism cannot be separated from the background of life and the way of life of Western society where this system is born and developed. Capitalism is carried out as a stimulation of the liquidity of stock exchanges that can be accessed easily from any country, in the interest of bringing

together investors in a fair, orderly and efficient capital market.

Mutual funds are collections of stocks, bonds or other securities owned by a group of investors and managed by a professional investment company. Funds invested in mutual funds from investors will be put together with funds from other investors to create a purchasing power that is far greater than they make their own investments. Which one Investment comes from English investment from the basic word invest (Sunariyah, 2003) which means planting. In Arabic investment is called with *istitsmar* (Fikriawan, 2018) which means "making fruit, growing and increasing in number. And Islam teaches its people to try to get it a better life in the world and in the hereafter. Get good life in the world and this end can guarantee achievement of physical and spiritual well-being. (Aziz, 2010) in this case, the development of investment in the Islamic economy is growing, so the writer wants to know the definition of Sharia Mutual Funds, Islamic Economic Indicators, The Role and Function of Sharia Mutual Funds Against People's Economic Indicators.

2 LITERATURE REVIEW

Based on the Law of the Republic of Indonesia Number 8 of 1995, the capital market is an activity concerned with public offering and securities trading, public companies related to securities issued and institutions and professions related to securities. Explained that understanding of the market capital as an activity concerned with a public offering and offering of securities (securities) and public companies (general) relating to the securities issued (Anoraga, 2008).

According to Enni Savitri in his research, that: To provide evidence of the influence of the issuance of Islamic bonds (sukuk) the author uses a micro-structural approach, namely: Sukuk Equity Ratio and conversion rating of issuance of Islamic bonds (sukuk). And to provide evidence of capital market reactions, the authors use cumulative abnormal return calculations. The results of the study indicate that the independent variable does not have a significant effect on the dependent variable. This is evidenced by the magnitude of the influence of Islamic bonds issuance on the capital market reaction that is equal to 11.8% while the other 88.2% is influenced by other factors not measured in the study (Savitri, 2015).

Research studied by Ahmad Dahlan Malik in his thesis by analyzing the factors influencing investor interest through the UIIS investment gallery stock exchange in the form of risk factors, income level, motivation, knowledge, perception, and learning in investing in Islamic capital markets. From the results of the research conducted, the model $Y = 0.011 + 0.386 X_1 + 0.380 X_2 + 0.290 X_3 - 0.016 X_4 - 0.045 X_5 - 0.005 X_6$. From this model, the significant role is the risk, income and motivation variables that are important to pay attention to respondents or investors in BGIU (Bursa UIIS Investment Gallery) compared to others because these variables have a positive regression (Malik, 2017).

Majid, M. Shabri Abd, Maulana, and Hartomi they concluded on their research. This study empirically assesses the relative efficiency of mutual funds in Indonesia during the period 2004 to 2007. To measure their efficiencies, the output-input data consisting of a panel of 23 mutual funds are empirically examined based on the most commonly used non-parametric approach, namely, Data Envelopment Analysis (DEA). The study finds that, on average, the mutual funds experienced a decrease in total factor productivity (TFP) growth. It is mainly caused by a declining in both efficiency and technical efficiencies, where the efficiency change is largely contributed by the changes in pure efficiency rather than scale efficiency. The findings of the study suggest that the mutual funds' industry in Indonesia has a great opportunity to promote its TFP by constantly optimizing and upgrading the educational and training programs intended to improve managerial ability and to speed up the adoption of new technologies (Shabri, 2010).

Economic growth is the development of activities in the economy which causes the goods and services produced in society to increase and prosperity society increases. The problem of economic growth can be seen as a macroeconomic problem in the long run. Development of the ability to produce goods and services as a result the increase in the factors of production is generally not always followed by an increase in the production of goods and services of the same magnitude. Increased potential to produce is often greater than accretion actual production. Thus, economic development is slower than its potential (Sukirno, 2011).

This research belongs to the type of literature study research by finding reference theories that are relevant to the case or problem found. The theoretical references obtained by means of research literature studies serve as the basic foundation and the main tool in this research.

Then to collect data or sources related to the topic raised in a study. Literature study can be obtained from various sources, journals, documentation books, internet and literature.

Furthermore, the data that has been obtained are then analyzed using descriptive analysis methods. Descriptive analysis method is done by describing the facts which are then followed by the analysis, not merely describing, but also provides sufficient understanding and explanation.

3 RESULT AND ANALYSIS

Judging from the origin of the word, Mutual Funds come from two vocabulary namely "mutual" which means keep or maintain, and "funds" which means (collection) of money. So that when combined, mutual funds are defined as collections that are maintained (Widayanti, 2013).

In other terms, sharia mutual funds are those with management and investment policies that refer to Islamic law, for example not investing in stocks or bonds of companies that manage or products that are contrary to Islamic law. According to Iyuk Wahyudi, the difference in Islamic mutual funds with conventional mutual funds is in two stages of the process that must be passed, namely:

- a. Screening process, namely filtering of investment instruments based on sharia guidelines.
- b. The process of cleansing, which is to cleanse income that is considered to be obtained from activities that are unlawful according to sharia guidelines.

According to M. Antonio Syafi'i, the existing conventional mutual fund activities still contain many elements that are not in accordance with Islamic sharia, both in terms of contracts, investment objectives, technical investment, income, and in terms of profit sharing. For this reason, the existence of Islamic mutual funds that follow sharia principles in mu'amalah maliyah is indeed very necessary.

The existence of Islamic mutual funds is an effort to provide a way for Muslims not to worship and eat property by vanity. In addition, Islamic mutual funds provide a means for Muslims to participate in national development through investments in accordance with Islamic sharia. Experience in Muslim countries shows that sharia mutual funds provide better benefits than conventional mutual funds, even though they have succeeded in elevating the economic welfare of the community.

However, the most important thing from the experience of some countries that already have sharia mutual funds is the existence of a Sharia Supervisory Board that makes a list of instruments and types of businesses that can be entered into. This forces the issuers to follow Islamic business ethics, such as transparency, halal products, do not disturb the environment, not speculation, etc.

Sharia mutual funds in Indonesia which are widely issued today are open-ended mutual funds in the form of Collective Investment Contracts (KIK), such as: PNM Syariah, Danareksa Syariah Berimbang, Rifan Syariah, and Amanah Syariah mutual funds. In Islamic mutual funds, investment managers and custodian banks enter into contracts under the Capital Market Law which are referred to as Collective Investment Contracts.

In the KIK contract, investment managers and custodian banks bind themselves to the interests of the capital community to open a forum where investors can place their funds in mutual funds and obtain participation units. The funds will be placed in the securities portfolio by the investment manager in accordance with the mandate stated in the contract.

Funds which are joint assets owned by mutual fund investors, or commonly referred to as unit holders, will be held by the custodian bank. In mutual fund operations, the custodian bank will receive instructions from the investment manager to complete the investment activities decided by the investment manager. So, the important thing in mutual funds and sharia is the contract problem. Because, although the practical considerations of investors do not bring KIK directly, but because before investing in mutual funds, investors must read the prospector and sign an application form for participation in a mutual fund, so that investors can be bound in the contract.

3.1 Economic Indicators of the Islamic Ummah

The economic growth of a country is often measured by using certain indicators. The indicators that we generally know are the amount of Gross Domestic Product (GDP), the number of poor people, the number of unemployed, the inflation rate, interest rates and others. This indicator is important to know how big a country's economic growth is. Where the state actually encourages economic growth so that the people reach "prosperity".

Efforts to reduce the number of poor people and the amount of unemployment must be the dream of

all parties, but often the reduction in the number of poor people and unemployment is not done through steps aimed at the problem. In general, to solve this problem, the state often relies on GDP. Often thrown out, if GDP rises by a percentage, unemployment decreases by a percentage or poor people decrease by a percentage.

The fact is that for years, the GDP indicator has no effect on the indicator of the number of poor people and the number of unemployed. As a result of these failures, there was a new flow among economic thinkers, namely developing the economic science concept of Welfare State. Where the economic concept focuses on welfare measures which are the main indicators of a country's economic success. (Gianfranco, 1992)

How about Islam? Economic indicators for countries that implement Islamic economic systems are quite simple. By looking at how many poor people are filled with basic needs by the state, how much land is unemployed and how many unemployed people do not want to try. These three simple indicators should be a measure of the success of a government in a country. Why is that? Because in the Islamic economic system the principle is first, having the economy to fulfill basic needs so that they can worship and give thanks to Allah SWT. And second is the movement of the real sector so that money rotates between them so that no one collects as much wealth as possible.

Poor people do not need to be burned, because there really is and must be there. If not, where should we pay zakat? The most important thing seen from poor people is to provide opportunities to improve their quality of life, but that does not mean we aspire to no poor people in this world. The obligation to improve the quality of life of the poor is how they are able to try to fulfill one's basic life needs in order to worship Allah SWT.

Moving the real sector through empowering dead lands and providing opportunities and assistance to unemployed people to open up new businesses. The government's duty should be to create new entrepreneurs rather than save or build new financial-financial institutions. Financial institutions are supporting institutions for moving the real sector, not the main ones. The main thing that drives the real sector is the entrepreneurs themselves. By giving vacant land to unemployment, soft capital, and assistance is one effort to create new employment opportunities that will absorb new workers. Some of these steps are carried out by many countries today, but they only help entrepreneurs who are already ready and do not

provide services and assistance to prospective and / or new entrepreneurs. Why? because the current government is held by many established entrepreneurs, they must secure their position from competitors and try to enrich themselves because the state can be managed in such a way as to support the development of their own business.

3.2 The Role and Function of Sharia Mutual Funds against the Economic Indicators of the Ummah

The Islamic mutual fund market is currently showing promising growth. Since sharia banking and investment activities have only emerged in recent years, the growth of sharia mutual funds continues increased. National sharia mutual fund assets are projected to grow above 10% to around Rp 2.08 trillion. The number is projected to continue to increase with the increasing number of investors who are now starting to look at investing in Islamic mutual funds which are considered more profitable.

In Indonesia, the development of sharia mutual funds as a capital market as well has experienced rapid progress, as an illustration of at least some developments and advancements which should be noted, among them, are the issuance of six Fatwas of the National Sharia Council of the Indonesian Ulema Council relating to the capital market industry. The six fatwas in question are:

- a. No. 05 / DSN-MUI / IV / 2000 concerning Share Buy and Sell.
- b. No.20 / DSN-MUI / IX / 2000 concerning Guidelines for Implementing Investment for Sharia Mutual Fund.
- c. No.32 / DSN-MUI / IX / 2002 concerning Sharia Bonds.
- d. No.33 / DSN-MUI / IX / 2002 concerning Mudharabah Syariah Bonds.
- e. No.40 / DSN-MUI / IX / 2003 concerning Capital Markets and General Guidelines Application of Sharia Principles in the Capital Market.
- f. No.41 / DSN-MUI / III / 2004 concerning Ijarah Syariah Bonds (Hidayah: 2019).

With the issuance of fatwas relating to Islamic mutual funds or the Islamic capital market, it has provided an impetus to develop alternative sources of financing while simultaneously adding alternative halal investment instruments. The current development of Islamic mutual funds is marked by the rise of companies listing in the Jakarta Islamic Index, public offering of Sharia Bonds and Sharia Mutual Funds.

The performance of sharia shares listed in JII has experienced quite encouraging developments. In order to accommodate the needs of people who have investment motives based on sharia principles and are based on confidence in the prospect of developing Islamic mutual funds that will become one of the pillars supporting the Indonesian capital market industry, BAPEPAM-LK has compiled the Indonesian capital market Master plan. In it there are two strategies main development of sharia-based mutual funds, namely:

- a. Preparation of a legal framework that can facilitate development sharia-based capital market and encourage its development.
- b. Encourage the development and creation of capital market products sharia based. (Annisa: 2017)

Of the two main strategies described by Bapepam to seven strategy implementations, namely:

- a. Arrange the application of sharia principles;
- b. Arrange accounting standards;
- c. Developing the profession of market participants;
- d. Socialization of sharia principles;
- e. Developing products;
- f. Creating new products; and
- g. Increase cooperation with the MUI National Sharia Council.

From the concept to the prospect of Islamic mutual funds, the most important thing that must happen in Islamic mutual funds is that every transaction (sale and purchase) of shares must be with intention and purpose to obtain additional capital, obtain liquid assets, and expect dividends by having them until maturity, so that it becomes halal as long as its business is not in the case of illegitimate.

However, when the sale and purchase of shares is misused and becomes a speculative tool to pursue profits over the loss of other parties, the law is forbidden because it changes into stock gambling. In addition to these prospects, according to Mangasa Simatupang Islamic mutual funds aimed at meeting groups of investors who want and obtain investment income that do not contain speculative and religiously responsible elements that are in line with sharia principles have very prospective development opportunities, this in line with the stronger conviction of most Muslim communities in Indonesia, which is estimated to reach more than 78%, it is argued that the practice of the conventional financial sector contains usury and is not in accordance with Islamic principles.

In addition, the Islamic finance industry including Islamic mutual funds is one of the fastest growing industries globally, averaging 10% to 15% per year. Another thing that is also very supportive and more optimistic about the growth of Islamic finance in the world and in Indonesia in the future is that there is data that shows that currently there are very large funds available in Arab countries that have funds reaching \$1,3 trillion, of which according to the research results Merryll Lynchs will be placed at \$800 billion to be managed by the Islamic finance industry, so the Islamic mutual fund industry in Indonesia has a great potential to absorb some from the fund.

In general, the function of the Islamic mutual fund is not much different from the function capital market. The capital market has an important position in the economy a country, as well as mutual funds. Islamic mutual funds have two functions, namely:

- a. Economic function
 - 1) Providing facilities or vehicles that bring together two interests, namely those who have excess funds (investors) and those who need funds.
 - 2) Facilitating directly for the owners of capital to participate in achieving investment benefits.
 - 3) Facilitating entrepreneurs or public companies in obtaining additional capital to stabilize the level of liquidity of their companies through the sale of shares through IPO procedures or debt securities.
 - 4) Facilitating the efforts of various companies to increase the company's financial capacity in the context of business expansion.
- b. Financial functions

Means for fund owners to get compensation by investing in financial instruments such as stocks, bonds, mutual funds, and others. Thus, companies or communities can place their funds in accordance with the characteristics of the advantages and risks of each instrument. So, it is expected that with the existence of capital market economic activity become increasing because the capital market is a funding alternative for companies to be able to increase company revenues ultimately providing prosperity for the wider community. While the functions of the capital market in Indonesia include:

 - 1) As a means of business entities to get additional capital.
 - 2) As a means of equalizing income.

- 3) Enlarging production with capital gained so productivity increase.
 - 4) Accommodating workers; and
 - 5) Increasing tax revenue for the government.
- Benefits of the Capital Market In general, the benefits of the existence of a capital market are:
- 1) Providing financial resources for the business world while enabling optimal allocation of funds.
 - 2) Provide a diverse investment vehicle for investors so make it possible to diversify.
 - 3) Provide a leading indicator for the development of an economy Country. That is, if the capital market develops it is expected the economy will also develop.
 - 4) Distribution of company ownership to the community level middle class.
 - 5) The spread of ownership, openness and professionalism creates healthy business climate and encourage the use of professional management.

The capital market is a source of financing for the business sector and as a vehicle for investment for investors who have a strategic role to play support the implementation of national development. So that the position of the capital market considered important in a country.

4 CONCLUSIONS

Islamic mutual funds are mutual funds that operate according to the provisions and the principles of Islamic law. Both in the form of contracts between investors as owner of treasure (shahib al-mal) with investment managers as representatives, or between investment manager as a representative with investment users. Shariah can accepting business such as mutual funds as long as things do not conflict with sharia. Zuhaily said: And every condition that does not conflict with the basics the basis of the Shari'a and can be equated with the law with the conditions legitimate.

Sharia mutual funds forms include: law-based mutual funds, mutual funds based on the nature of operations, mutual funds based on the type of investment. There are two choices in mutual funds, namely financial aspects and non-financial aspects. Islamic reclamation investment activities: In carrying out activities Islamic mutual fund investments can do anything as long as they do not conflict with sharia, contracts made by sharia mutual funds with issuers can done through mudarabah (qiradh) or musyarakah.

Sale and purchase of Islamic mutual funds as mudarib, it is also permissible to make share trading, Transaction Mechanism. The advantage in investing through mutual funds is as the following: Good level of liquidity, Professional managers, Diversification, Costs low. While the risks in investing through Islamic mutual funds are among others: Risk of changes in economic and political conditions, Risk reduced value of participation unit, risk of default by parties related, liquidity risk, risk of losing opportunity to investment transactions on when filing an insurance claim

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