



Sharia Stock Investment as a Strategy for Strengthening the Economy of the Riau Border Region

Bagas Heradhyaksa* and Umul Baroroh

UIN Walisongo, Semarang, Indonesia

*bagasherah@walisongo.ac.id

Abstract. Border region is an area that should get special attention. This is because it relates to state sovereignty. Therefore, the welfare of the people in the border region must also be considered to prevent social problems. Riau is one of the provinces bordering Malaysia. There are 4 districts in Riau bordering the Malaysian sea, namely Inhil, Rohil, Bengkalis and Dumai. The four districts have a strong Islamic culture that has been passed down from generation to generation. Thus, it is easy to accept an investment system based on sharia principles. Sharia stocks are a form of investment that is safe for the community. Sharia stocks are proven to have an effect on the economy of a country. The greater the capitalization of sharia stocks, the greater the gross domestic product. This article aims to find out opportunities for strengthening the Riau people's economy through sharia stock investment. The research method used is library research. Data from various literatures will be analyzed using qualitative methods. This study found that the opportunity for the development of Islamic stock investment in Riau is still very large. This is because the number of Single Investor Identity in Riau Province continues to increase from the previous year.

Keywords: Border Region, Sharia Stock, Investment, Riau.

1 Introduction

Strategic issues in border areas are sluggish economic growth and minimal basic social services, minimal energy availability in national border areas, isolation of the community due to limited basic infrastructure, minimal telecommunications access, development of ineffective national strategic activity centers, and other activities [1]. This causes weak supervision of national border violations [2]. The main focus of the ASEAN Economic Community global market is the border area, for example in Riau Province there are four districts that are border areas with neighboring countries, namely Inhil, Rohil, Bengkalis and Dumai [3].

The development of border areas can be started by first recognizing the potential and problems of border areas. In the general framework for regional development of the Riau Islands Province, it is stated that the direction of the development of the Riau Islands Province is prepared by taking into account the potential, problems and strategic issues in each region. So that it can reduce disparities between regions and between

income groups. It is hoped that Riau will be able to improve the welfare of the community equally and fairly.

Problems in the Riau border area, among others, are the very wide expanse of the border area. So it requires a large cost in monitoring it. There is still a lack of management of potential and natural resources by both the state and the private sector. So that people cannot feel the welfare. The level of education and welfare is still low when compared to Singapore and Malaysia. There is still a lack of security and defense facilities and infrastructure which can lead to weak supervision of violations of state boundaries [4].

At this time, the Islamic economic system is in great demand by the Indonesian people. This is because of the large Muslim population in Indonesia. The Islamic capital market is one of the Islamic economic products that already has many devotees. The Islamic capital market still adheres to the instruments of the conventional capital market, but the Islamic capital market must also pay attention to and apply Islamic economic principles in carrying out its activities.

The development of the Islamic capital market at this time has increased rapidly. This can be seen from the capital market instruments which are currently experiencing growth and participating in the improvement of the Islamic capital market. Sharia capital market instruments include sharia bonds, sharia mutual funds, sharia stocks and others. These instruments have enabled the capital market to experience a significant increase.

The means of activity from the Islamic capital market that can be done at this time is investment. Investment is an activity recommended by Islam because it can open new jobs and can affect the progress of a country. Because the greater the investment in a country, the greater the creation of jobs. And vice versa if investment in a small country then the creation of jobs will also be smaller, the impact will be a lot of unemployment and crime rates will rise in that country. Therefore, one solution is to invest in stocks.

Another factor that makes people consider investing is in terms of halal and haram shares. Many people are still confused about choosing between the conventional capital market or the Islamic capital market. The Islamic capital market has implemented sharia principles in economic transaction activities and has avoided prohibited cases such as usury, gambling, speculation and others.

2 Discussion

2.1 Overview about Riau Border Region

Riau Province is geographically bordered by other countries as. In the north it is bordered by the Province of North Sumatra and the Malacca Strait; to the south it borders the provinces of Jambi and West Sumatra; in the east bordering the Riau Islands Province and the Melaka Strait; and in the west it is bordered by West Sumatra and North Sumatra. Riau is in a strategic position that has significance in geopolitics and the national and regional economy. Some of the advantages obtained based on this geographical location are in the international trade route of the Malacca Strait, close to Malaysia

and Singapore. In addition, it is located in the economic growth triangle of three countries, Indonesia, Malaysia and Thailand.

Indonesia, which borders 10 countries, has 92 Outermost Small Islands that require special handling. There are 10 Outermost Small Islands which are priority handling. Administratively, the Outermost Small Islands are located in 13 provinces, in 41 regencies/cities and in 187 sub-districts which are Strategic Locations. The 10 priority locations are located in six regencies and cities in Riau Province, namely Rokan Hilir Regency, Dumai City, Meranti Islands, Bengkalis Regency, Indragiri Hilir Regency, and Pelalawan Regency [5].

Based on the 2010-2035 Indonesian Population Projection by the Ministry of National Development Planning of the Republic of Indonesia, Statistics Indonesia Government bureau, and United Nations Population Fund as well as demographic experts, the population of Riau Province is 6,657,911 people consisting of 3,416,307 males and 3,241,604 women. This shows that it has human resources that have the potential to develop its economy.

One of the characteristics of developing countries is that people's savings rates are still low. So that the funds for investment become insufficient. The most effective means of accelerating the development of a country is the capital market. This is because the capital market is the right place to mobilize funds from the public in the long-term estimation to be channeled to productive sectors. If the activation of public funds through financial institutions and through the capital market is well regulated, then development funds originating from abroad will decrease over time so that it can promote financial independence from within the country [6].

2.2 Border Region Economic Strengthening Strategy

The border area is often seen as the periphery of a country because it is located far from the provincial capital, let alone the national capital [7]. Periphery can also be referred to as hinterland or areas around growth centers, which describes the highly unequal power relationship between the center of government and the periphery [8].

According to Indonesian Law Number 43 of 2008 concerning State Territory, the border area is part of the territory of a country which is located on the inside along the territorial boundary with other countries based on the boundary line separating the sovereignty of a country under international law. State border areas include land borders and sea borders including the outermost small islands.

Presidential Regulation Number 7 of 2005 concerning the National Medium-Term Development Plan 2004-2009 stipulates the direction and development of the National Border region as one of the priority national development programs. The paradigm of border area development is carried out by changing the direction of development policies that are inward looking, to outward looking. The approach used is the prosperity approach combined with the security approach, by not leaving the environmental aspect while maintaining the sovereignty of the Unitary State of the Republic of Indonesia.

The Government of Indonesia has designed a National Medium-Term Development Plan which will serve as a reference for district and city governments to make Regional

Medium-Term Development Plans starting from 2010-2015 and continued with the 2016-2021 Regional Medium-Term Development Plans.

The Riau Archipelago contains regional strategic issues related to border areas. The issue is that there is a high disparity in development between regions, both between regions, the capital and its satellites, as well as the center and its hinterlands. Optimizing the handling of border areas, leading islands and small islands in the Riau Archipelago Province as a center of growth as well as defense and security.

The Regional Medium-Term Development Plan 2016-2021 Riau Islands Province has included regional strategic issues related to border areas. These issues are the disparity between regions is quite high, the development of border areas is not optimal, maritime and tourism development, connectivity between islands and between districts/cities.

The master plan for the development of border areas in the Riau Islands Province is to spur increased welfare and empower border communities that are synergistic with the regional economy of neighboring countries and other regions. The next plan is to increase the effectiveness of border area development through empowering economic, social and community institutions, developing human resources as a driving force for border area development, opening up the isolation and underdevelopment of border areas by building adequate infrastructure, managing marine resources for community welfare, developing a development cooperation system. between government and local government as well as between business actors.

2.3 The Role of Sharia Stocks

The presence of the capital market in a country is considered very important related to its role as a driver of the national economy. Based on Law Number 8 of 1995 concerning the Capital Market, all capital market activities can be carried out with Sharia or conventional principles. The Islamic capital market plays a role in funding sources for companies in developing their business through the circulation of Sharia securities. The Islamic capital market serves to provide facilities to make it easier for companies and issuers to get funds. In addition, for investors, the capital market functions to channel their funds in the hope of getting profit sharing for the funds they distribute. As a reciprocal relationship between the national economy and finance [9]. This makes the Islamic capital market an investment medium and a capital allocation system for companies to increase their trading activities. The Islamic capital market is expected to encourage infrastructure funding and the progress of the halal chain. In addition, the Islamic capital market can also increase creative products and become a choice for the community. Its universal nature makes the capital market an option and can be useful for all people. Sharia capital market activities are included in the muamalah category where capital market transactions are allowed as long as there are no prohibitions in sharia.

Along with the development of the Indonesian economy, investment in the financial sector is also increasing. Investments are highly recommended to be done so that the funds invested can be productive and can be useful for others. In Islam it is emphasized that hoarding of wealth is strictly prohibited [10].

Sharia stock investment is one of the most popular choices today for the people of Indonesia. This can be seen from the number of sharia shares listed on the Exchange. Based on IDX data, from 2011 to 27 October 2020, the number of Sharia shares increased by 90.3% from 237 shares to 451 shares, this number is equal to 63.6% of the total shares listed on the IDX based on point Sharia stock market capitalization covers 51.4% of the total market capacity. So, the total market capitalization of Islamic stock reaches Rp. 3,0616, 6 trillion of the total market capitalization of Rp. 5. 956. 7 trillion, the transaction value of Sharia shares reached 53.7% Sharia volume 56.9% transaction frequency 61.9% of the total share transactions on the IDX.

Stocks are securities issued by a company as proof of ownership of the company and a tool for the company's business expansion in the future. Stocks themselves have their own magnet that can trigger investors, namely because when they plant stocks, investors get a dividend and capital gain. Dividend is a gift by the company issuing stocks to investors for the income earned by the company and usually the amount of dividends given refers to the book value in the previous year. Usually, this dividend is given after getting an agreement from investors at the General Meeting of Shareholders [11].

Capital gain is the difference between the price when buying and selling price. And of course the selling price is higher than the selling price, in accordance with the general investment principle of "Buy when the price goes down and sell when the price goes up." Generally short-term investors or commonly called traders expect profits from these capital gains.

Sharia stocks are included in the ISSI Index (Indonesian Sharia Stock Index). There is a more special index, namely the JII Index (Jakarta Islamic Index) whose contents are the classification of Sharia stocks totaling 30 issuers that have the largest market capitalization in Indonesia. This JII Index is a blue chip or LQ 45 Index for Sharia Stocks [12].

The selection made for the stocks integrated in Sharia stocks can be both normative and financial. This normative selection is a sorting of issuers who are screened based on business activities against sharia principles. While financial selection is the screening of issuers who are assessed based on financial performance [13].

This screening is usually carried out every six months with the selection of index elements at the beginning of the year in January and mid-year in July. Supervision of issuers is monitored regularly based on public and media data. Issuer's data is public so its movement can be monitored by anyone.

In Sharia shares there is a derivative product, namely Rights and Sharia warrants. Right is a new share issued by the issuer and offered to existing shareholders. Issuance of Rights in the Indonesian Capital Market is called limited securities offering with pre-purchase rights. Usually before being offered to new investors, it is offered first to old investors who have held the shares under certain conditions. This event occurs when a company wants to add new capital or funds to the public. If the old investor of the stock does not want to buy the right, it will result in the value of his share ownership in the company decreasing in value [14].

Sharia warrants are securities listed in the List of Sharia Securities issued by the issuer to be offered to investors at a certain price within a period of at least six months

or more since the issuance. Warrants are usually called bonuses to investors because they have given effect to the company.

There are 4 cities in Riau which are located in the border region, namely Inhil, Rohil, Bengkalis and Dumai. Based on the ownership of Single Investor Identification obtained from the Financial Services Authority data [15], the number of investors in Bengkalis until April 2021 is 4098 stock investors. While in the city of Dumai, there are 3271 stock investors. While the number of share transactions until April 2021, in the city of Bengkalis amounted to 142 billion. While in Dumai, amounting to 115 billion. There are 186 shares in Bengkalis and 186 shares in Dumai. From these data, it is known that the number of public interest in Bengkalis and Dumai is still much lower than other cities in Indonesia. This shows that the Riau border region still has enormous potential to invest using sharia shares. This is because the population in Bengkalis is 573,003 people and in Dumai as many as 308.812 people [16,17].

3 Conclusion

Border region is an area that must receive special attention from the government. This is because the border region is related to the security and sovereignty of a country. One of the strategies to maintain the border region is to improve the welfare of its population. One of the border regions owned by Indonesia is located in Riau. The area is directly adjacent to Malaysia and Singapore. One strategy to improve the welfare of the population in the Riau border region is to introduce the community to sharia stock investment. The number of Single Investor Identity in Riau, especially in the cities of Bengkalis and Dumai, is still very small. Thus, the Riau border region still has enormous potential to increase the number of investors.

Acknowledgment

The author expresses his deepest gratitude to the Association of Indonesian Sharia Economic Law Teachers and Researchers who have supported the writing of this article. The author would also like to thank Pasundan University for being a committee in this event. Last but not least, thank you to UIN Walisongo Semarang as a place for writers to learn and teach.

References

1. Herdiansyah, H., Soepandji, B.S., Seda, F.S., Dewi, O.: Conflict management of renewable natural resources in the border of Indonesia-Malaysia: Sustainable Environmental Approach. *Procedia Environmental Sciences* 20, 444-450 (2014).
2. Hendrayady, A.: Strategi Pembangunan Wilayah Perbatasan Provinsi Kepulauan Riau. *Jurnal Ilmu Administrasi Negara (JUAN)* 6(1), 1-10 (2018).
3. Mardianah, N.: Pemberdayaan Masyarakat Di Wilayah Perbatasan Melalui Lembaga Keuangan Syariah Non-Bank; Sebuah Upaya Membumikan Ekonomi Islam. *Syariah* 2(3), 1-16 (2015).

4. Hendrayady, A.: Membangun Wilayah Perbatasan di Provinsi Kepulauan Riau (Mencari Solusi Untuk Peningkatan Kesejahteraan Masyarakat Di Pulau-Pulau Terdepan). KEMUDI: Jurnal Ilmu Pemerintahan 4(1), 34-49 (2019).
5. Bakce, D., Syahza, A., Asmit, B.: Pembangunan Ekonomi Wilayah Perbatasan Antar-Negara di Provinsi Riau. In Unri Conference Series: Agriculture and Food Security, vol. 1, pp. 182-189 (2019, January).
6. Nurafiati, N.: Perkembangan pasar modal syariah dan kontribusinya terhadap pertumbuhan ekonomi di Indonesia. Inklusif (Jurnal Pengkajian Penelitian Ekonomi Dan Hukum Islam) 4(1), 65-75 (2019).
7. Setiadi: Konsep Pusat-Pinggiran: Sebuah Tinjauan Teoritis. Working paper on Regional Development Studies Nomor: KKI-01/KBP-PW/2009. Universitas Indonesia, Jakarta (2009).
8. Todaro, M.P., Smith, S.C.: Pembangunan Ekonomi, edisi 9, jilid 1. Erlangga, Jakarta (2006).
9. Ardana, Y., Maya, S.: Determinasi faktor fundamental makroekonomi dan indeks harga saham syariah internasional terhadap indeks harga saham syariah Indonesia. Cakrawala: Jurnal Studi Islam 14(1), 1-15 (2019).
10. Hanif, H.: Perkembangan Perdagangan Saham Syari'ah Di Indonesia. ASAS: Jurnal Hukum Ekonomi Syariah 4(1), (2012).
11. Heradhyaksa, B.: The Jurisdiction of Sharia Supervisory Board in Indonesia Sharia Capital Market. Jurnal Lembaga Keuangan Dan Perbankan 1, 197-210 (2016).
12. Wahyudi, I., Sani, G.A.: Interdependence between Islamic capital market and money market: Evidence from Indonesia. Borsa Istanbul Review 14(1), 32-47 (2014).
13. Nasution, M.E.: Pengenalan Eksklusif Ekonomi Islam. Kencana, Jakarta (2006).
14. Pakpahan, K.: Strategi investasi di pasar modal. The Winners 4(2), 138-147 (2003).
15. OJK Homepage, <https://www.ojk.go.id/id/kanal/pasar-modal/data-dan-statistik/statistik-pasar-modal>, last accessed 2021/07/29.
16. BPS Homepage, <https://riau.bps.go.id/linkTableDinamis/view/id/6>, last accessed 2021/07/29.
17. Fauzan, M., Suhendro, D.: Peran Pasar Modal Syariah Dalam Mendorong Laju Pertumbuhan Ekonomi Di Indonesia. Prosiding SENDI_U (2018), ISBN: 978-979-3649-99-3.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

