

# Choosing the Best Investment for Muslims According to Shariah

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Abstract: Investment is owning one or more assets and usually long term with the hope of gaining profit in the future. The return earned must be proportional to the risk of losses on assets. That is, the higher the risk of assets the higher the expected return of the asset. The purpose of this study is to determine the difference of rate of risk on Islamic stock, Islamic mutual fund, sukuk, 3 months of *mudharabah* deposit, gold, and property period 2008-2016. It uses quantitative approach by using Kruskal-Wallis test. The sample collecting method used is purposive sampling. This study used secondary data that was collected from official websites of Indonesia Stock Exchange, PT BNP Paribas, Indosat Ooredoo, Bank Syariah Mandiri, Price Gold, and Residential Property Price Index on Makassar. Data used was historical data. The result Kruskal-Wallis test show that there was significant difference of rate of risk on Islamic Stock, Islamic Mutual Fund, Sukuk, Mudharabah deposit, Gold and Property. The result of this study proved that Islamic Stock is better than another type of investments.

## 1 INTRODUCTION

The development of Islamic finance institutions in Indonesia is also the development of various sharia investments. Caliph Umar once told the Muslims saying: "Whoever has the money, wants him to invest it and anyone who owns the land wants him to plant it" (Hidayat, 2011:24). The foundation is to extend us to meet the wealth and use it in investing. But the wealth must be accounted to Allah SWT listed in the Qur'an Saba':39 which reads:

*Qul 'Inna Robb Yabsut r-Rizqo Liman Yasy 'u Min 'Ib dih Wayaqdiru Lah . Wam 'Anfaqtum-Min Syai'in Fahuwwa Yukhlifuh . Wahuwa Khoir r-R ziq na.*

"Say: Indeed, my Lord extends provision for whom he wills of his servants and restricts (it) for him. But whatever thing you spend (in his cause), He will compensate it and He is the best of providers. (QS. 34:39, Departemen Agama RI, 1971:690).

According to Al-Mahali (2000: 273), the above verse explains that everyone gives sustenance to his family that is sustenance from Allah SWT. That is, every addition of wealth is always dependent on the will of Allah SWT, so what one gets is a result of pleasure given by Allah SWT.

The research used quantitative approach. The variables used are return, risk, and coefficient of variation.

### 1.1 Type and source of data

Type of data in this research is secondary data. The source of data that can be accessed by [www.idx.co.id](http://www.idx.co.id), PT BNP Paribas, sukuk, [www.goldprice.org](http://www.goldprice.org), [www.syariahmandiri.co.id](http://www.syariahmandiri.co.id), [www.bi.co.id](http://www.bi.co.id), several other literature sources related to this research. It make purposive sampling, that analyzed for nine years, so the total data in this research was 54 data (Indonesia Stock Exchange, 2017), (Gold Price, 2017), (PT. Bank Syariah Mandiri, 2017), (Bank Indonesia, 2017).

### 1.2 Operational definition

Rate of risk is a measure of the relative deviation of a distribution as the standard deviation ratio with the estimated value for the value of the distribution. It data can be obtained from the expected return and risk in quarterly investment instrument period 2008-2016 using data ratio and it is time series.

## 2 LITERATURE REVIEW

Table 1: Difference between Islamic Stock, Islamic Mutual Fund, Sukuk Ijarah, Gold, Mudharabah deposit, and Property.

Islamic Stock	Islamic Mutual Fund	Sukuk Ijarah	Gold	Mudha-rabah deposit	Pro-perty
Inclusion of Company	Systematic risk and un-systematic risk	Certificate of ownership proof	Wealth Preservation	Saving	Immobi-lity
No	Yes	3 years	No	3,6,12 month	No
Divdends	NAV	Payable monthly interest on deposits	Profit rising price	Profit Sharing	Profit rising price
Can be traded	Can be traded	Can't, redemption option	Can be traded	Can't be traded	Can be traded
No	No	No	No	Max 2 Bilion	No

\* More literature

The objective of all investment is capital gain, which is the positive difference between selling price and purchase price of the issuer because the company earns a profit (Samsul, 2006: 160). If there are two investments which have the same rate of return but different rate of risks, then the investors prefer the lower risk investment. Similarly, with the same rate of return risk, investors prefer the investment with higher risk that will face the same crisis. However, when encountering two investments that have rate of return equal to the rate of risk, it should be calculated the result of each investment.

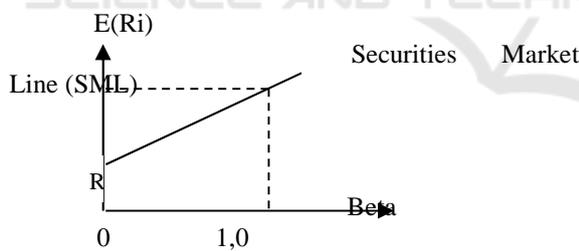


Figure 1: Trade off Return and Risk.

Yusoff, et.al (2010), investments on commercial properties are more attractive compared to investment on banking Institutions. Mensi, et.al (2015), GCC stock market and global investors can realize both risk diversification benefits and downside risk reductions during tranquil and downturn periods by including gold or Dow Jones Islamic Wold Emerging Market (DIJWEM) in their portfolios but not the T-bills. Mansor and Ishaq (2011), Islamic mutual fund portfolios were dependent on the market portfolio of which the former portfolio was closely mirrored to

the market movement in relation to the latter portfolio.

Here is the model of the return realized, expected return, risk, and coefficient of variation equation of each investment instrument:

1. Return Realized

$$R_i = \frac{P_{t-1} - P_{t-2}}{P_{t-2}}$$

2. Expected Return

$$E(R_i) = \frac{\sum_{j=1}^n R_j}{n}$$

3. Risk

$$\sigma_i = \sqrt{\frac{\sum_{j=1}^n [(R_{jt} - E(R_i))]^2}{n - 1}}$$

4. Coefficient of Variation

$$CV = \frac{\sigma_i}{E(R_i)}$$

## 3 METHOD, RESULTS AND DISCUSSION

### 3.1 Research Methodology

The research used quantitative approach. The variables used are return, risk, and coefficient of variation.

#### 3.1.1 Type and Source of Data

Type of data in this research is secondary data. The sources of data that can be accessed are [www.idx.co.id](http://www.idx.co.id), PT BNP Paribas, [sukuk.org](http://sukuk.org), [www.goldprice.org](http://www.goldprice.org), [www.syariahmandiri.co.id](http://www.syariahmandiri.co.id), [www.bi.co.id](http://www.bi.co.id), several other literature sources related

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### 3.1.2 Operational Definition

Rate of risk is a measure of the relative deviation of a distribution as the standard deviation ratio with the estimated value for distribution value. The data can be obtained from the expected return and risk in quarterly investment instrument period 2008-2016 using data ratio and it is time series.

### 3.2 Results

Non-probability sampling method with purposive sampling category between JII, NAV per unit BNP Paribas Pesona Syariah, profit's sukuk Ijarah Indosat IV Seri B, gold price, *mudharabah* deposit with 3

months rate of return, and residential property price index (RPPI).

Table 2: Descriptive Statistic Rate of Risk.

Investment Instrument	N	Min	Max	Mean
JII	9	-52,846	1,295	-6,616
Islamic Mutual Fund	9	-3,577	18,078	3,061
Sukuk	9	0,000	0,000	0,000
Gold	9	-12,065	2,172	-0,406
Mudharabah deposit	9	0,021	0,081	0,046
Property	9	0,271	1,579	0,693

\*Data processed

The result of calculation above, the smaller the rate of risk, indicates smaller risk and greater expected return from investment. The statement refers to JII which is the most profitable investment choice.

Table 3: Kolmogorov Smirnov Normality Test.

Investment Instrument	Significant	Explain	Examination
JII	0,001	Not Distributed Normaly	Kruskal-Wallis
Islamic Mutual Fund	0,001	Not Distributed Normaly	Kruskal-Wallis
Sukuk	0,000	Not Distributed Normaly	Kruskal-Wallis
Gold	0,001	Not Distributed Normaly	Kruskal-Wallis
Mudharabah deposit	0,200	Distributed Normaly	ANOVA
Property	0,200	Distributed Normaly	ANOVA

\*Processed Data

The table shows not normally distributed test result, except Mudharabah deposits and property. It

can be concluded that further risk testing need to use Kruskal-Wallis test.

Table 4. Kruskal-Wallis Test.

Investment Instrument	Mean Rank	Chi-Square	Df	Significant	Explain
JII	23,44	16,492	5	0,006	Ho is rejected
Islamic Mutual Fund	34,56				
Sukuk	13,00				
Gold	36,33				
Mudharabah deposit	22,00				
Property	35,67				

\*Processed data

The applied significance level is 0,05 which is greater than the risk level of 0,006. This suggests that there are significant differences (H0 rejected). The decision can be seen from the value of bigger statistical calculation and statistical table (16,492>11,070).

### 3.3 Discussion

*Comparison of Rate of Return on Islamic Stock, Islamic Mutual Fund, Sukuk, Gold, Mudharabah Deposit, and Property Period 2008-2016*

There is a significant difference in investment instruments in according with the above statement that Islamic stocks are at risk both systematically and

systematically without any intervention from investment managers (Tandelilin, 2010: 104).

In Islamic mutual funds, the risk that occurs in NAV is influenced by the price of securities that are arranged in its portfolio (decreasing unit value) and liquidity risk that can complicate the company's management in providing its fund (Achsein, 2000:82).

There are risks that must be faced on Sukuk Investment, one of them is the risk of sharia compliance (Wahid, 2010:296). The risk is due to differences in understanding relating to *fiqh* and affect the implemented sukuk contract.

According to Oei (2009:65) gold, which is likely to experience a decline in prices, potentially in the case of theft, there will be potentially different price between the selling price and the purchased price.

Based on Financial Authorities Regulation Number 65/POJK.03/2016 clause 1 number 15 which states that rate of return risk is a risk due to changes in the yield rate received by the bank from funds channeling from costumers, that may affect the third party's behavior.

The requirement of property investment is to have a considerable initial capital. It also requires maintenance costs. It will take a considerable amount of time to gain a profit from reselling the investment. (Salim, 2011:6).

## 4 CONCLUSIONS

There were significant difference between rate of risk of islamic stock, islamic mutual fund, sukuk, gold, mudharabah deposit, and property. The significant rate is 0.05.

Based on the average results in terms of rate of risk, Islamic stock is the best investment instrument among gold, Islamic mutual funds, sukuk, deposit, and property.

Using Kruskal-Wallis test, it can be concluded that rate of risk in Islamic stock, Islamic mutual fund, sukuk, gold, mudharabah deposit, and property is different from each other ( $H_0$  rejected).

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