

ANALYSIS OF FIQH MUAMALAH ON THE POTENTIAL FOR GAMBLING IN STOCK TRADING ON THE INDONESIAN STOCK EXCHANGE

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Abstract

This article aims to analyse stock trading activities on the Indonesia Stock Exchange (IDX) according to *muamalah* jurisprudence. The method uses a qualitative with a descriptive-analytical approach, which focuses on an in-depth understanding of the phenomenon by emphasising its meaning and implications. The results indicate that conducting trading practices using only technical analysis can be classified as gambling behaviour. The practice contains elements of gambling and speculation which are strictly prohibited in Islam. This gambling element arises because decisions taken in trading are based on short-term price movements without considering the real conditions of the company, so that it is more similar to a game of chance. Therefore, to avoid elements of gambling and speculation that are not in accordance with sharia principles, capital market players are advised to combine technical analysis with fundamental analysis. Thus, they can understand the condition of the company more comprehensively, including financial aspects, performance and business prospects, so that the decisions taken become more rational and orderly. This step not only minimises potential losses, but also ensures that trading activities remain within the corridor of sharia which is ethical, fair and responsible.

Keywords: Stock Trading, Fiqh Muamalah, gambling, Gharar, and The Indonesia Stock Exchange.



Abstrak

Artikel ini bertujuan untuk menganalisis aktivitas perdagangan saham di Bursa Efek Indonesia (BEI) menurut fikih muamalah. Metode penelitian yang digunakan adalah kualitatif dengan pendekatan deskriptif-analitis, yang menitikberatkan pada pemahaman yang mendalam terhadap suatu fenomena dengan menekankan pada makna dan implikasinya. Hasil dari penelitian ini menunjukkan bahwa melakukan praktik trading dengan hanya menggunakan analisis teknikal dapat diklasifikasikan sebagai perilaku perjudian. Hal ini dikarenakan praktik tersebut mengandung unsur perjudian dan spekulasi yang sangat dilarang dalam Islam. Unsur perjudian ini muncul karena keputusan yang diambil dalam trading didasarkan pada pergerakan harga jangka pendek tanpa mempertimbangkan kondisi riil perusahaan, sehingga lebih mirip dengan permainan untung-untungan. Oleh karena itu, untuk menghindari unsur perjudian dan spekulasi yang tidak sesuai dengan prinsip syariah, para pelaku pasar modal disarankan untuk mengkombinasikan antara analisis teknikal dengan analisis fundamental. Dengan demikian, mereka dapat memahami kondisi perusahaan secara lebih komprehensif, meliputi aspek keuangan, kinerja, dan prospek bisnis, sehingga keputusan yang diambil menjadi lebih rasional dan teratur. Langkah ini tidak hanya meminimalisir potensi kerugian, tetapi juga memastikan aktivitas trading tetap berada dalam koridor syariah yang beretika, adil, dan bertanggung jawab.

Kata kunci: Perdagangan Saham, Fiqh Muamalah, Judi, Gharar, dan Bursa Efek Indonesia.

INTRODUCTION

Islam has rules and guidelines in all aspects of life, including economics and business. These guidelines come from Islamic law, which is sourced from the Qur'an and Hadith. The study of economics includes the relationship of stock business interactions in the capital market.¹

The argument about economic activity is an activity related to social interaction and this refers to the rules of fiqh:

¹ Qamarul Huda, *Fiqh Muamalah* (Yogyakarta: Prenada Media Teras, 2011).

الأَصْلُ فِي الشُّرُوطِ فِي الْمَعَامَلَاتِ الْحَلُّ وَالْإِبَاحَةُ إِلَّا بِدَلِيلٍ

"The basic principle of stipulating conditions in muamalah is that it is lawful and permissible unless there is evidence that prohibits it".²

In fiqh rules, the original law in economics (muamalah) is permissible, unless there are arguments that have prohibited it. Therefore, to engage in muamalah activities, there are things that need to be realised which are allowed and prohibited. In addition, Islam also regulates muamalah activities by taking into account the benefits and harms, with the intention that no party is harmed.³

In the current era, Islamic economic activities are growing. Economic or financial institutions must always uphold the value of Islamic teachings in their business activities. Then, people must also realise the importance of applying Islamic principles, one of which is in the capital market.

The capital market is a mechanism or place where people buy and sell securities in order to fulfil the capital needs of companies.⁴ The capital market in Indonesia has grown rapidly in recent decades, and the public's understanding of investment is growing.⁵ Shares are one of the most traded and popular investment instruments on the Indonesia Stock Exchange (IDX).⁶ There are two types of objectives in purchasing shares, namely investment and trading. Investment is the activity of growing assets over a long period of time. While stock trading is like buying and selling activities, this is because the main purpose of trading is to make a profit from the difference in buying and selling. In addition, trading has a shorter time period than investing.⁷ While stock trading offers a great opportunity to

² Djazuli, *Fiqh Principles: Rules of Islamic Law in Resolving Practical Problems* (Jakarta: Kencana Prenada Media Group, 2011), pp.. 130.

³ Wahyu Akbar et al., 'Optimisation of Sharia Banking Regulations in Developing the Halal Cosmetic Industry in Indonesia', *Al-Syir'ah Scientific Journal* 22, no. 1 (2024): 1-12, <https://journal.iain-manado.ac.id/index.php/JIS/article/view/2611>.

⁴ A. Abdurrahman, *Encyclopedia of Economics Finance and Trade* (Jakarta: Pradnya Paramita, 1991), pp. 169.

⁵ Central Bureau of Statistics (BPS), 'Indonesian Capital Market Statistics' (Jakarta, 2003), Access date 24 December 2024, <https://www.bps.go.id>.

⁶ Financial Services Authority, "Indonesia Capital Market Growth Trend," (FSA report, 2023).

⁷ HABIBI IHSAN, 'THE PRACTICE OF SELLING and BUYING AKAD IN SYARIAH SHARE TRADING PERSPECTIVE OF FIKIH MUAMALAH (Study at the

make profits in a short period of time, it also carries a significant risk of loss.⁸ Despite its popularity, there are ethical and sharia issues that require more research, especially in terms of fiqh muamalah.⁹

Muamalah jurisprudence, as a branch of knowledge that regulates social and economic interactions in Islam, provides guidelines for legal (halal) and prohibited (haram) transactions.¹⁰ From an Islamic perspective, not all forms of financial transactions can be categorised as halal. One issue that often arises is the potential aspect of gambling elements (maysir) in stock trading operations, especially those carried out with a speculative approach.¹¹

However, from an Islamic perspective, any economic activity must adhere to sharia principles that aim to uphold justice, prevent exploitation, and protect society from practices that may cause harm.¹² The two main principles in muamalah fiqh that are used to determine the halal haram value of an economic activity are the prohibitions against gahrar (uncertainty) and maysir (gambling).¹³ These elements are a major concern in stock trading, given the speculative nature of the capital market, which is often characterised by a high degree of uncertainty.¹⁴ For example, unpredictable fluctuations in stock prices often lead market participants to make decisions based on speculation rather than in-depth analysis.

Economic activities that are productive and based on the idea of justice are not prohibited by Islam. If stock trading is conducted in accordance with sharia principles, it can be classified as halal in the context

Indonesia Stock Exchange Lampung Representative Office)' (RADEN INTAN LAMPUNG ISLAMIC UNIVERSITY, 2022), pp.. 5.

⁸ Muhammad Syafi'i Antonio, *Islamic Banking: From Theory to Practice* (Jakarta: Gema Insani Press, 2001), pp.. 120.

⁹ Zainul Arifin, *Islamic Financial System: Concept and Implementation in Indonesia* (Jakarta: Gema Insani Press, 2012), pp.. 189-191.

¹⁰ Ascarya, *Akad and Islamic Financial Products* (Jakarta: Raja Grafindo Persada, 2014), pp. 33-36.

¹¹ Quraish Shihab, *Tafsir Al-Mishbah: Message, Impression, and Concordance of the Qur'an* (Jakarta: Lentera Hati, 2004), pp. 290.

¹² Yusuf Al-Qardhawi, *Halal and Haram in Islam* (Jakarta: Al-Kautsar Library, 2007), pp. 45.

¹³ Wahbah Az-Zuhaili, *Al-Fiqh Al-Islami Wa Adillatuhu* (Damascus: Dar Al-Fikr, 1989), pp. 67.

¹⁴ Eduardus Tandelilin, *Portfolio and Investment: Theory And Application* (Yogyakarta: kanisius, 2010), p. 57-59.

of the capital market. Since gambling is considered to be detrimental to one party and relies solely on luck, it is illegal in this situation.¹⁵ Therefore, it is important to determine whether there are aspects of stock trading on the Indonesia Stock Exchange (IDX) that contradict these values.

In the Indonesian economy, the capital market plays an important role in generating capital for businesses and public investment.¹⁶ The number of issuers and investors has continued to increase since the Indonesia Stock Exchange was established in 1977.¹⁷ The majority of the more than 10 million investors active in the capital market in 2023 are Gen Z and millennial generations.¹⁸

While the number of investors continues to increase, it also presents various challenges, one of which is the low level of financial literacy among the public.¹⁹ Many novice investors enter the world of stock trading without sufficient knowledge of fundamental and technical analysis.²⁰ As a result, investment decisions are often made based on sheer speculation, potentially resembling gambling practices.²¹

Any type of transaction that involves speculation or betting and where one party makes money without any real effort or comparable risk is called maysir. Maysir is often associated with gambling, which is expressly prohibited in the Qur'an. This prohibition is mentioned in QS. Al-Maidah verse 90:

يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّمَا الْخَمْرُ وَالْأَنْصَابُ وَالْأَزْلَامُ رِجْسٌ مِّنْ عَمَلِ الشَّيْطَانِ
فَاجْتَنِبُوهُ لَعَلَّكُمْ تُفْلِحُونَ.

¹⁵ Abdullah Saeed, *Islamic Banking and Finance* (London: Routledge, 2004), pp. 88.

¹⁶ Financial Services Authority, Indonesia Capital Market Statistics 2023," [OJK official report].

¹⁷ Indonesia Stock Exchange, "History of the Indonesia Stock Exchange," [in BEI annual report, 2003].

¹⁸ Central Bureau of Statistics, *Investor Profile of Indonesian Capital Market*, [in BPS report, 2003].

¹⁹ Ridwan Karim, 'Speculation in Stock Trading from a Sharia Perspective', *Journal of Islamic Economics* Vol. 5, No (2020): p. 45-58.

²⁰ Indonesia Stock Exchange, "The Importance of Financial Literacy for Beginner Investors," [BEI article, 2023].

²¹ Yusuf Al-Qardhawi, *Halal and Haram in Islam*, pp.. 67.

"O you who believe, drinking alcohol, gambling, (sacrificing to) idols, and casting lots with arrows are abominable (and) among the deeds of the devil. So, avoid them so that you may prosper."

The maysir factor is present in a variety of economic endeavours that are entirely dependent on chance or lack a solid analytical foundation.²² Maysir often arises in the context of stock trading when investors make decisions without fully understanding the risks involved or rely solely on price forecasts without having a solid foundation.²³

Besides *maysir*, another important element in muamalah fiqh is *gharar*. *Gharar* refers to uncertainty or vagueness in a transaction, which can potentially harm one of the parties.²⁴ In stock trading activities, *gharar* is often found in derivative transactions, such as *options* and *futures*, which have a high degree of uncertainty.

To ensure that stock trading on the Indonesia Stock Exchange complies with sharia principles, an understanding of fiqh muamalah is crucial. Given that the majority of the population is Muslim, Indonesia has a moral obligation to provide clear sharia guidance to capital market participants. Therefore, this research has important practical consequences for advancing the Islamic economy in Indonesia in addition to its academic value.

RESEARCH METHODS

The approach used in this research is a qualitative approach. The qualitative approach aims to understand the phenomenon in depth by focusing on the meaning, value and interpretation of the data collected.²⁵ In this context, the qualitative approach is applied to examine the concept of fiqh muamalah, sharia principles, and their relevance to the mechanism of

²² Yusuf Al-Qardhawi, p. 123.

²³ Ridwan Karim, 'Speculation in Stock Trading from a Shariah Perspective', pp. 47.

²⁴ Ibn Taymiyyah, *Al-Fatwa Al-Kubra* (Beirut: Dar Al-Kutub Al-Ilmiyyah, 1987), pp. 298.

²⁵ Lexy Jennis Moleong, *Qualitative Research Methodology* (Bandung: Teenage Workshop, 2018), pp. 157.



stock trading in the capital market.²⁶ Qualitative methods are considered appropriate for analysing normative issues, such as the potential for maysir in stock transactions, as they involve an examination of religious texts, regulations and relevant literature.²⁷ This approach provides room to explore the meaning behind Islamic legal concepts and adapt them to modern contexts, such as activities in the capital market.²⁸

A qualitative approach is also used to explore the views of scholars and jurists on share transactions who are considered to have an in-depth study of classical and contemporary literature.²⁹ For example, Imam Al-Ghazali's views on gharar and maysir are interpreted and contextualised with modern practices such as share trading.³⁰

The type of research used in this research is descriptive-analytical. Descriptive research aims to provide a clear and detailed description of the object of research. In this research, the object studied is the mechanism of stock trading on the Indonesia Stock Exchange and the potential elements of maysir that may be contained in it.

Descriptive-analytical research not only describes facts, but also analyses and interprets those facts based on relevant theoretical frameworks. In this context, researchers describe stock trading mechanisms, such as margin trading, short selling, and market manipulation, and then analyse them from a fiqh muamalah perspective.

The data used in this research consists of primary and secondary data. Primary data is obtained from official documents, such as DSN-MUI fatwas, OJK regulations, and classical fiqh literature. Secondary data includes journals, books, and articles relevant to the research topic.

The data collection method used is literature study. Literature study is an appropriate method for normative research, because it allows researchers to explore various sources of literature systematically. In this study, researchers studied classical fiqh books, in order to understand the

²⁶ Moleong, p. 158.

²⁷ Sugiono, *Qualitative, Qualitative, and R&D Research Methods*, Revised (Bandung: Alfabeta, 2016), pp. 14.

²⁸ Sugiono, p. 15.

²⁹ Mustika Zed, *Library Research Methods* (Jakarta: Yayasan Obor Indonesia, 2014), pp.. 36.

³⁰ Al-Ghazali, *Ihya Ulumuddin* (Beirut: Dar Al-Ilmiyah, 1993).

concepts of *gharar* and *maysir*. In addition, the research also examines contemporary literature, such as books by Muhammad Syafi'I Antonio and journals that discuss Islamic capital markets. The data obtained was then analysed descriptively and associated with muamalah theory.

RESULTS AND DISCUSSION

A. Capital Market Transaction Mechanism

A market in its most basic definition is a place where sellers and buyers come together to conduct transactions. This means that buying and selling meet face-to-face at a specific location to conduct a transaction. Market refers to an area or gathering place. But in a broad sense, a market is a place where sellers and buyers can conduct business without having to meet in person. Capital is the funds or financial resources used to start or expand a business.³¹

The capital market dictionary defines the capital market as a tangible or abstract market that brings together parties who provide and need long-term funds, meaning funds that have a term of one year or more. Capital markets are also known as *exchanges*.³²

According to the Capital Market Law No. 8 of 1995 Article 1 Point 14, the definition of capital market is an activity related to the public offering of securities trading, public companies related to the securities that have been issued, as well as institutions and professions related to securities.³³

The Indonesia Stock Exchange (IDX) defines the capital market as a market for various long-term financial instruments that can be traded. The capital market is a means of funding for companies or governments. The funds in question come from the sale of various financial instruments.³⁴

³¹ Soibatul Aslamia Nasution et al., 'The Effectiveness of the Indonesia Stock Exchange Sharia Investment Gallery (GIS BEI) UINSU Medan in Improving Capital Market Literacy', *El-Mal: Journal of Islamic Economics & Business Studies* 4, no. 3 (2023): 548-59.

³² Nasution et al.

³³ Republic of Indonesia, *Law Number 8 Year 1995 on Capital Market Article 1 Item 14* (Jakarta: Ministry of Law and Human Rights, 1995).

³⁴ D Riana, *Investment and Capital Markets* (NEM Publisher, 2022), pp.. 36.

The capital market serves as a forum to connect parties who have *surplus* funds with parties who have a shortage of funds (*deficit funds*). The capital market itself performs two functions at once, namely economic and financial functions that provide considerable benefits to the Indonesian economy. The Financial Services Authority (OJK) supervises and protects the capital market in Indonesia, and the Indonesia Stock Exchange (IDX) facilitates its activities. To facilitate securities trading between parties, the IDX is a party that organises and provides mechanisms and means to bring together offers to buy and sell securities (capital) to other parties. Shares are one of the many financial instruments used in capital market transactions. Shares are a sign of ownership that gives the holder the right to receive dividends and participate in decision making through voting rights at the General Meeting of Shareholders (GMS).³⁵ In the context of muamalah fiqh, it is very important to ensure that the mechanisms and transactions in the capital market are in line with sharia principles.³⁶

The capital market is very important, because it provides a means for companies to raise funds from the general public and a place for investors to make investments. The capital market transaction mechanism has evolved from a traditional system to a modern system in line with technological advances. Here is a detailed explanation of both mechanisms:

a. Conventional share transaction mechanism:

1) Securities account opening

The first step for potential investors before starting a stock transaction is to open a securities account at a securities company that has been registered and supervised by the Financial Services Authority (OJK).³⁷ This securities account is used to record share ownership and funds that will be used in stock transactions.³⁸ At this stage, prospective

³⁵ Fajri Ali, 'Islamic Capital Market', *Financial Services Authority* 3, no. 1 (2016): 1-10.

³⁶ Chairul Fahmi, 'PHILOSOPHICAL TRANSFORMATION IN THE APPLICATION OF ISLAMIC SYARIAT (Critical Analysis of the Implementation of Islamic Shari'at in Aceh)', *Al-Manahij: Journal of Islamic Legal Studies* 6, no. 2 (2012): 167-76.

³⁷ Financial Services Authority (OJK), *Guide to Opening a Securities Account* (Jakarta: Financial Services Authority, 2023).

³⁸ Financial Services Authority, 'Guidelines for Opening Customer Securities Accounts and Customer Fund Accounts Electronically', 2019, Number 6/SEOJK.04/2019, <http://www.ojk.go.id/id/regulasi/Documents/Pages/Pedoman->

investors are asked to submit various documents, such as an Identity Card (KTP), Taxpayer Identification Number (NPWP), and a completed account opening form.³⁹ And, prospective investors must also open a Customer Fund Account (RDN) at a bank that cooperates with securities companies to store transaction funds separately.⁴⁰

2) Initial deposit of funds

Investors must deposit initial funds into the RDN as capital to start stock transactions after successfully opening a securities account and RDN. The amount of initial funds varies depending on the policies of each securities company, but usually ranges from Rp100,000 to Rp10 million. The rest will be used to buy shares on the stock exchange.⁴¹

3) Share vesting

The next step is to choose which stocks to buy. To evaluate a company's performance, investors can perform fundamental analysis using financial statements, business prospects, and macroeconomic variables.⁴² Alternatively, investors can utilise technical analysis to forecast stock price changes by making use of statistical indicators and chart patterns. Usually a securities company's internet trading platform is used for this operation.

4) Transaction order entry

After deciding which shares to buy or sell, investors can use the stock trading platform to enter a transaction order after deciding which shares to buy or sell.⁴³ Investors should select the number of shares, the desired share price, and the type of transaction (buy or sell) in this

Pembukaan-Rekening-Efek-Nasabah-dan-Rekening-Dana-Nasabah-Secara-Elektronik-/seojk 6-2019.pdf.

³⁹ Financial Services Authority (OJK), 'Guidelines for Opening Customer Securities Accounts and Customer Fund Accounts Electronically', 2019, fig. Number 6/SEOJK.04/2019, <http://www.ojk.go.id/id/ regulasi/ Pages/ Pedom an- Pembukaan- Rekening- Efek- Nasabah- dan- Rekening- Dana- Nasabah- Secara- Elektronik-. aspx>.

⁴⁰ Indonesian Central Securities Depository (KSEI), 'What is a Customer Fund Account (RDN)', n.d., access date 24 December 2024, <http://www.ksei.co.id>.

⁴¹ (OJK), 'Guidelines for Opening Customer Securities Accounts and Customer Fund Accounts Electronically', Number 6/SEOJK.04/2019.

⁴² Indonesia Stock Exchange (IDX), 'Fundamental Analysis in Stock Investment', n.d., access date 25 December 2024, <http://www.idx.co.id>.

⁴³ Indonesia Stock Exchange (IDX), 'Trading Hours and Mechanisms', n.d., access date 25 December 2024, <http://www.idx.co.id/id/ produk/ mekanisme- dan- jam- perdagangan>.

order. The Jakarta Automated Trading System (JATS), which is the trading system of the IDX will receive the entered order.

5) Matching order

The JATS system automatically matches buy and sell orders based on the principles of *price priority* and *time priority*.⁴⁴ The *price priority* principle means that the highest buy price will be prioritised over lower buy prices, while the lowest sell price will be prioritised over higher sell prices. Meanwhile, the principle of *time priority* means that orders entered first will be prioritised if the prices offered are the same. A transaction occurs when there is a match between the buy price and the sell price.

6) Settlement of transaction

After a successful transaction, the *settlement* process is done within T+2, which means two working days after the transaction date. At this stage, the shares purchased will go into the investor's securities account, while the funds for the purchase of shares will be deducted from the RDN. This settlement is conducted through Kustodian Sentral Efek Indonesia (KSEI), which acts as a securities depository and settlement institution.

7) Confirm the transaction

Once the settlement process is complete, investors will receive a transaction confirmation from the securities company. This confirmation contains details of the transaction, such as the name of the shares, the number of shares, the price, and the total value of the transaction.⁴⁵ This document also serves as official proof of share ownership.

8) Transaction fees

In every stock transaction, investors will be charged a transaction fee, which consists of brokerage fees, taxes, and other fees set by the IDX. The amount of this fee varies depending on the securities

⁴⁴ Indonesia Stock Exchange (IDX), 'Price and Time Priority Principles', n.d., access date 25 December 2024, <http://www.idx.co.id>.

⁴⁵ Financial Services Authority (OJK), 'Share Transaction Confirmation Details', n.d., access date 25 December 2024, <http://www.ojk.go.id>.

company's policy, but usually ranges from 0.15% to 0.35% of the transaction value.

b. Modern share dealing mechanisms:

Modern share transaction mechanisms are carried out online / digital, meaning that investors do not need to come to the office of a securities company registered with the OJK to transact shares. However, stock transactions can be carried out through an application provided by the securities company. The initial stage for investors who want to transact in the capital market is to register themselves as customers first with the securities company.⁴⁶ After a securities account and Customer Fund Account (RDN) have been successfully opened, customers/investors who have joined a securities company that has become a member of the stock exchange and is registered with the Indonesia Stock Exchange can immediately carry out buying and selling activities on their computer/gadget. When an investor places a buy order, the system will match the order with the sell order available in the market using the Indonesia Stock Exchange's (IDX) electronic trading system known as the Jakarta Automated Trading System (JATS). If the order is successfully matched, the transaction is considered completed, and the investor will receive confirmation automatically through the application. Settlement of the transaction is done within two working days after the transaction occurs, where the shares will move from the buyer's securities account to the seller's account.

This digital trading platform also ensures transparency by presenting price information, transaction volumes, and related data openly to the public. In addition, the implementation of security technologies such as encryption and two-factor authentication ensures optimal protection for investor data and transactions. These measures not only improve efficiency, but also provide convenience for investors to access the capital market at any time.

⁴⁶ Chairul Fahmi, 'The Impact of Regulation on Islamic Financial Institutions Toward the Monopolistic Practices in the Banking Industry in Aceh, Indonesia', *Peuradeun Scientific Journal* 11, no. 2 (30 May 2023): 667-86, <https://doi.org/10.26811/peuradeun.v11i2.923>.

Capital market participants should be aware of the dangers associated with digital trading, just as they are aware of other types of investments. Market risk, credit risk, liquidity risk are some of these dangers. Therefore, before embarking on digital transactions, traders should gain sufficient knowledge and training, as well as have a solid understanding of the financial goods they are trading.

B. Trading Practices on the Indonesia Stock Exchange

Before discussing further the practice of stock trading on the Indonesia Stock Exchange, the author feels the need to explain the definition of stock trading. The word trading comes from the English language with the root word "*Trade*", which means trading or buying and selling.⁴⁷ Meanwhile, the word shares comes from the Arabic word "*sahm*" which means part or portion. Thus, stock trading can be defined as the activity of buying and selling shares of companies listed on the stock exchange for profit.⁴⁸

Over time, the use of the term stock trading has shifted to a more specific activity, namely as a method used by capital market participants in buying and selling shares and making profits in the capital market. Actors who use this method are known as traders.

The Indonesia Stock Exchange has recorded 740 listed companies and there are still 24 companies that are being evaluated and queued to prepare for an Initial Public Offering (IPO) this year. There are two commonly used stock analysis methods, namely:

1. Fundamental analysis

Fundamental stock analysis is an analysis that aims to study matters related to the financial condition of a particular company. The goal is to be able to know the basic properties and operational characteristics of public companies. There are 2 types of fundamental approaches, namely the *Top-down* fundamental analysis approach and the *Bottom-up* fundamental

⁴⁷ J Darmadi, *Trading is Easy* (JD Recommendations, 2015), pp.. 1.

⁴⁸ Chairul Fahmi, *INDONESIAN TRADE LAW* (Banda Aceh: Bandar Publishing, 2023), <https://bandarpublishing.com/hukum-dagang-indonesia/>.

analysis approach. The author will not elaborate further on fundamental analysis because it is not related to this discussion.

2. Technical analysis

Technical analysis is not only dynamic but also applicable and requires diligence to learn. In general, there are two methods used which are the classical and modern methods. As the name implies, technical analysis involves a technical approach with the use of two methods. The classic method uses stock price charts while the modern method uses indicators with algorithms or statistical formulas to draw the charts.

Through technical analysis, investors can engage with current market conditions based on past price history. In addition, they can also get an idea of future stock price movements.

This analysis is very helpful for those who want to invest in the long term, investors can determine the right time to buy stocks. *Traders* can use technical analysis as a reference when determining stocks that have the potential to provide profits in the short term. This analysis is more often used by *traders* because it is technical in nature with faster movements.⁴⁹

There are several methods that can be used in technical analysis, namely:

a. *Relative Strength Index*

Relative Strength Index is one of the indicators in technical stock analysis that is used to measure the amount of price volatility of an asset . Thus, we can evaluate whether the asset is in an overbought or oversold position.

It can be inferred that the market is in an overbought condition if the line is above the 70 scale. On the other hand, the market can be considered oversold if the line is below the 30-point scale.

Furthermore, a moving chart with values between 0 and 100 is used to show the RSI, or Relative Strength Index, between two extremes. In his 1978 book, *New Concepts in Technical Trading System*, J. Welles Wilder Jr developed this indicator. For daily charts, it tracks changes in the value of an asset over a 14-day period for hourly charts, it measures changes over a

⁴⁹ Dr Rulyanti Susi Wardhani et al. *MENGENAL SAHAM* (K-Media Publisher, 2022), pp.. 1-3.

14-hour period. Technical analysts and traders are the ones who use this indicator.

b. *Moving Average Convergence/Divergence (MACD)*

Another indicator of technical analysis of a stock is MACD or *Moving Average Convergence/Divergence*. This indicator provides an overview of the relationship between two *moving averages* or price averages in an asset's price trend.

Due to its flexibility and ease of use, more and more *traders* are favouring this indicator. *Traders* in the stock, commodity, foreign exchange, or bond markets use this indicator not only to spot trends but also momentum.

c. *Crossover*

We can say *crossover* as the art of seeing the trend of the *Moving Average Convergence/Divergence* or MACD line when compared to its signal line. If the line crosses below the signal line, then the asset price is in the bearish zone. This means that the *trader* should offload the asset immediately.

Meanwhile, if the MACD line crosses above the signal line, the asset price is in the *bullish* zone. This is a clue that *traders* should buy the asset immediately.

d. *Divergence*

Divergence is another type of MACD in technical analysis. When the *Moving Average Convergence/Divergence* line forms highs and lows that are opposite to the highs and lows of an asset's price, this is a divergence.

If the two lows on the *Moving Average Convergence/Divergence* or MACD line correspond to the two bottom lines on the asset's price, it is a *bullish* condition.

e. *Oscillator*

In general, technical analysis of stocks has two indicators, namely *overlays* and *Oscillators*. Examples of *overlays* are MA or *Moving Average* and BB or *Bollinger Bands*. While examples of *oscillators* are MACD or RIS.

Unlike the price movement chart, the *oscillator* itself is displayed *independently*. It is also the defining or ending bar of a trend. So, *oscillators* are technical analysis tools that build high and low bands between two extreme values. Not only that, *oscillators* are trend indicators with limited

fluctuations. This indicator is used by traders to identify long-term *overbought* or *oversold* situations.

f. Bollinger bands

In trading, *Bollinger bands* are quite a popular indicator. Traders recognise that this indicator is the key basis for them to always make a profit.

This indicator shows the relative limits of the value of price drops in the form of a line drawn in and around the structure of the price movement of the traded stock.

Bollinger bands consist of 3 lines that will always move with the price movement, namely: *upper band*, *middle band*, and *lower band*.⁵⁰

Technical analysis is an analysis that is often used by a trader when trading in the capital market. Sometimes traders combine technical analysis with fundamental analysis. But in practice, it is very rare for a trader to use fundamental analysis and look at the intrinsic value of a company. They only focus on *candle sticks*, news, rumours, market behaviour, and historical stock price movements, sometimes even using astrological analysis, or even clairvoyant/mystical things. A trader tries to find every gap in the price movement. If the price is going to move up, the trader will go long. Conversely, if the direction of price movement looks like it will go down, a trader will take a short position. In fact, if a trader sees that the price is still going down for a long time, they may take a *short selling* or cut loss position, which is a selling position on a stock at a loss.⁵¹

Thus, the analyses used by traders look irrational. They do not use analytical tools whose theories are commonly learnt in Economics faculties from either Economics (economic analysis) or Management/Accounting (financial statement analysis). A trader will use any means as long as it is within the limits of capital market rules. In addition to the usual methods used by ordinary traders (buying and selling based on *news*), a trader can also do *short selling* strategies, take positions based on rumours, or use various techniques and analytical tools that are sometimes also difficult for

⁵⁰ Dr Rulyanti Susi Wardhani et al., pp. 6-8.

⁵¹ Chairul Fahmi and Wira Afrina, 'Analysis of Legal Aspects on Debt Transfer from Conventional Bank to Sharia Bank Post the Application of Qanun Aceh No. 11 Of 2018', *Al-Mudharabah: Journal of Islamic Economics and Finance* 4, no. 1 (2023): 28-39, <http://journal.ar-raniry.ac.id/index.php/mudharabah/article/view/3047>.

a layman to understand. The profit is the main goal that must be pursued. The maximum profit in the shortest possible time.⁵²

There are two behaviours that often arise, namely *herding behaviour* and *Fear of Missing Out* (FOMO). *Herding Behaviour* refers to the actions of investors or *traders* who buy and sell stocks for no apparent reason, simply following the actions of others. They do not consider fundamental analysis or basis, but are only influenced by emotions and the desire to go with the flow, without regard to potential risks and returns. Meanwhile, *Fear of Missing Out* is a phenomenon where investors or *traders* feel anxious about missing opportunities and buy stocks for fear of missing out, often triggered by market *euphoria* or developing information, either in the form of crowded transactions or issues circulating related to certain stocks. As a result, stock price movements become unstable or distorted. Although the Indonesia Stock Exchange (IDX) has made various educational efforts to reduce the impact of such behaviour, great challenges remain, especially since FOMO actions often cause losses for both parties, both for the issuing company and the investors or traders.

C. Analysis of Gambling Potential in Stock Trading on the Indonesia Stock Exchange According to Jurisprudence of Muamalah

Gambling in Arabic is known as *al-Maisir*, which means easy or wealth. Meanwhile, according to fiqh terms, gambling is a form of game played by two or more people using bets and the person who wins the game is entitled to get part or all of the bet.⁵³ Islamic law clearly and explicitly prohibits gambling practices. In Surah al-Ma'idah verse 90) Allah says:⁵⁴

يَا أَيُّهَا الَّذِينَ آمَنُوا إِنَّمَا الْخَمْرُ وَالْأَنْصَابُ وَالْأَزْلَامُ رِجْسٌ مِّنْ عَمَلِ الشَّيْطَانِ
فَاجْتَنِبُوهُ لَعَلَّكُمْ

⁵² S Utomo, *Stock Trading Using Fibonacci Retracement* (Elex Media Komputindo, 2016), pp. 3-7.

⁵³ Ibrahim Hossen, *What is Gambling?* (Jakarta: IIQ Institute of Science Studies, 1987), pp. 19.

⁵⁴ QS. Al-Ma'idah: 90, *Strict Prohibition of Behaviours Prohibited by Allah SWT, Such as Drinking Khamar (Intoxicating Drinks), and Gambling*, n.d.

"O you who believe, drinking alcohol, gambling, (sacrificing to) idols, and casting lots with arrows are abominable (and) among the deeds of the devil. So, avoid them so that you may prosper."

The fiqh scholar, M. Quraish Shihab argues that gambling is named *Maisir*, because the results of gambling are obtained easily without effort but only accompanied by the factor of luck.⁵⁵ It can be understood that any activity that has an element of luck (speculation) can be categorised as a form of gambling activity.

Stock trading activities have an element of speculation in them. That's because traders when taking a position to *buy* stocks only consider technical analysis through the indicators described earlier. They use these indicators to look at historical price movements with the aim of projecting future stock prices.

Sometimes stock price movements that occur in the future do not match the projections that have been made by traders before. This results in a trader experiencing a loss because the price of the shares that have been purchased by expecting an increase in price according to the projections that have been made does not match the reality of future market prices. Instead of the profit obtained, it is a *loss* because the stock price drops or even drops dramatically. if this happens, then a trader is forced to take a short position in a state of loss (*cut loss*)

According to a study conducted by the *Securities and Exchange Commission* (SEC) of the United States, technical analysis has a success rate of 50-60%.⁵⁶ The percentage is fairly low if a trader does technical analysis and does not combine it with fundamental analysis.

Thus, it is clear that the practice of stock trading has an element of gambling in it and is prohibited in Islam as mentioned in Surah al-Ma'idah above.

The Indonesian Ulema Council (MUI) also does not condone speculative behaviour in the Indonesian capital market. This can be seen in

⁵⁵ M. Quraish Shihab, *Tafsir Al-Misbah: Message, Impression, and Concordance of the Qur'an*, vol. 1 (Jakarta: Lentera Hati, 2000), pp. 437.

⁵⁶ Securities and Exchange Commission (SEC), 'Technical Analysis and the Securities Markets. U.S. Securities and Exchange Commission', n.d., <http://www.sec.gov>.

Article 5 of the DSN-MUI fatwa Number 40/DSN-MUI/X/2003.⁵⁷ However, in that article MUI does not explicitly prohibit the practice of trading in the capital market. The prohibition in the article is only against transactions that contain elements of speculation and gambling. Speculative behaviour as explained above is very visible in stock trading activities that only rely on technical analysis alone and do not combine with fundamental analysis.

Stock transactions must be free from prohibited elements such as *gharar* and *maysir* from the perspective of muamalah fiqh. Any type of transaction that relies on chance and speculative activity without a clear basis and has the potential to cause harm to one of the parties is considered *maysir*.

Capital market participants are advised to combine adequate fundamental analysis and technical analysis before making transactions to prevent the occurrence of the *maysir* component in trading shares. Evaluating a company's performance, including its financial statements, management, and industry outlook, is known as fundamental analysis.

By not practicing stock trading using speculative technical analysis, capital market participants can participate in the capital market without falling into practices that contain elements of *maysir*, so that the transactions carried out are in accordance with the principles of muamalah fiqh and get blessings.

CONCLUSION

Stock trading is an activity in the capital market that focuses on the use of technical analysis through certain instruments to predict future stock prices, *candlestick* patterns, technical indicators and other statistical tools. The main objective of stock trading is to seek maximum profit in a relatively short period of time.

Practicing trading using only technical analysis can be classified as gambling behaviour. This is because the practice uses elements of gambling and speculation which are prohibited in Islam. When a person trades only based on price movement patterns without paying attention to the

⁵⁷ DSN-MUI, *Fatwa DSN-MUI Number 40/DSN-MUI/X/2003 Article 5 About Prohibited Transactions* (Central Jakarta, 2003), pp.. 7.

fundamental conditions of the company, the action becomes similar to a game of chance. The risk of huge losses due to unmeasured decisions becomes very likely.

To identify elements of gambling and speculation that are contrary to Shariah principles, capital market behaviourists are advised to combine technical analysis with fundamental analysis. Fundamental analysis allows *traders* or investors to know the real condition of the company, including the financial aspects, business performance, management, and prospects of the industry in which the company operates. By combining these two approaches, market participants can make more rational and measured decisions, reduce the risk of loss, and ensure that trading activities are in accordance with sharia ethics

In addition, the combined approach can also increase market participants' awareness of social responsibility in investing. By understanding the company's overall condition, they are not only pursuing personal gains, but also contributing to sustainable economic growth in accordance with the principles of justice taught in Islam.

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