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Islamic Economics Perspectives on Investing in Sharia Mutual Funds Using Bibit Applications

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Abstract:

The objective of this study is to examine the regulatory framework governing the implementation of Islamic economics principles in Sharia mutual funds on the Bibit platform. This study employs qualitative research methodologies to conduct descriptive research. The data gathering procedures involve the processes of observation, interviewing, and documentation. The data's credibility is assessed by the method of triangulation. Based on the findings of the research, it has been determined that investing in Sharia mutual funds in Islam is permissible, provided that they adhere to Islamic law without any deviations. According to the current fatwa, the use of Bibit for mutual fund investment is in accordance with Islamic law regulations on Sharia mutual fund products. These products provide investors with a mechanism that ensures their investments are free from usury and undergo a cleansing and screening process.

Keywords: *Islamic Economics; Mutual; Fund; Bibit*

Abstrak:

Tujuan dari penelitian ini adalah untuk mengkaji kerangka regulasi yang mengatur penerapan prinsip ekonomi syariah pada reksa dana syariah pada platform Bibit. Penelitian ini

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menggunakan metodologi penelitian kualitatif untuk melakukan penelitian deskriptif. Prosedur pengumpulan data meliputi proses observasi, wawancara, dan dokumentasi. Kredibilitas data dinilai dengan metode triangulasi. Berdasarkan temuan penelitian, ditetapkan bahwa berinvestasi pada reksa dana syariah dalam Islam diperbolehkan, asalkan mematuhi hukum Islam tanpa ada penyimpangan. Menurut fatwa yang berlaku saat ini, penggunaan Bibit untuk investasi reksa dana sudah sesuai dengan aturan hukum Islam pada produk reksa dana syariah. Produk-produk ini memberikan investor mekanisme yang memastikan investasi mereka bebas dari riba dan menjalani proses pembersihan dan penyaringan.

Kata Kunci: *Ekonomi Islam; Mutual; Dana; Bibit*

Introduction

In the contemporary digital age, characterized by advanced technological improvements, individuals must stay abreast of progress in both the economy and technology. These two domains are intricately interconnected, forming what is now referred to as Fintech (financial technology). As the economic activity business develops and participates in the rapid global financial growth, transactions that were once simple are becoming more intricate and convoluted. The digital financial system is rapidly advancing in the present day, making it the most intricate feature of technological development in the sector. This is particularly evident as technology continues to enhance on a daily basis.

FinTech, the fusion of technology and finance, is a revolutionary development in the field of economics, namely the digital transformation of the financial system. Presently, the finance and trade business is marked by rapid transaction exchange, making digitization imperative for enhancing operational efficiency and effectiveness in the financial system. Adapting the financial service system to comply with Islamic Sharia law is crucial. (Abbas, 2022)

Over the past few years, there has been a notable increase in investment activities among Indonesians, particularly among the younger generation. Consequently, investment is experiencing a steady growth, leading to a rise in the number of individuals who are engaging in investment activities. Nevertheless, the investment appears to have several facets. On one hand, it can be beneficial if the public invests in capital market items that are regulated by the Financial Services Authority. On the other hand, it can be detrimental if the public invests in illegal entities that provide unrealistic returns.

The capital market plays a crucial strategic function in enhancing an economy's capacity in terms of investment scope. The growth of the Islamic capital market is evidenced by the emergence of Sharia-compliant financial products, including Islamic bonds, Islamic banking, and Islamic mutual funds. Investment decisions should adhere to the principles of Islamic finance as outlined in the Qur'an and Hadith. The Qur'an contains multiple verses that suggest Muslims are instructed to make preparations for a more prosperous future.

Mutual funds, also known as unit trusts or investment funds, have become the prevailing investment product in recent years among the Indonesian general population. Prior to this, their knowledge was limited to bank products such as savings accounts, deposits, and current accounts. Mutual funds serve as a vehicle for pooling public assets, which are then invested in various types of securities such as stock mutual funds, bond mutual funds, time deposits, and other similar instruments. The primary goal of these investments is to achieve the same investment objectives. The product is allocated by an investment manager as a mutual fund institution that is controlled by Bapepam oversight, and the funds are held in a custodian bank.

Investment from an Islamic perspective, especially Sharia mutual funds, will become more popular, especially because it

implies the faith that investing is also a form of Islamic practice. Islamic mutual funds may be used as an alternative for Indonesians, the majority of whom are Muslims, to participate in the capital market legally under Sharia principles. Therefore, Indonesia is a potential market for the growth of Islamic investment. Islamic mutual funds are Investment from an Islamic standpoint, particularly Sharia mutual funds, is expected to gain popularity due to the belief that investing aligns with Islamic principles and is considered a type of religious activity. Indonesians, who are predominantly Muslims, can legally engage in the capital market according to Sharia rules by utilizing Islamic mutual funds as an alternative. Hence, Indonesia presents a promising market for the expansion of Islamic investment. Islamic mutual funds are publicly traded investment vehicles that adhere to Islamic Sharia standards in their operations, encompassing both the relationship between investors and investment managers. Investor monies gathered in Islamic mutual funds are overseen by investment managers and subsequently reinvested in investment products that adhere to Sharia principles.

As technology becomes more advanced, numerous teenagers have started creating investment applications to promote financial literacy among people. Bibit is a highly popular application, particularly among Generation Z and millennials. The Bibit application is a financial platform that allows individuals to invest in mutual fund products of their choice, with the funds being professionally managed by investment managers. The Bibit app offers a variety of services, one of which is the Bibit Syariah function, exclusively providing Sharia-compliant mutual fund products.

Methods

This study employs qualitative research methodologies to

conduct descriptive research. Qualitative research involves gathering data from a diverse range of real-life situations in order to understand and interpret the events that occur. Qualitative research is conveyed through linguistic expressions, such as words and sentences, as well as visual representations, such as photographs. Qualitative research prioritizes the interpretation of data rather than seeking to make broad generalizations, with the goal of providing a detailed description of the research subject. (Fitrah, 2018)

This research used the descriptive qualitative method because the researcher would like to focus on the discussion related to Sharia economics views on Islamic mutual fund investment in the Bibit application. In this research, the types of data used by researchers are primary data and secondary data.

The primary data collected for this research consist of interviews conducted with the Sharia supervisory board, lecturers specialized in Sharia finance and investment, staff, and users of Bibit who have activated the Sharia Bibit feature. The research employed structured interviews as the primary source of data. The total number of informants to be questioned is 10. One informant originated from the Sharia Supervisory Board, while two informants were financial expert lecturers representing both the Sharia and conventional sides. Additionally, two informants were employees at Bibit, and five informants were Bibit application users who were interviewed directly.

The research will collect secondary data using the Bibit application to monitor the investment performance and gather trustworthy information. Secondary data is acquired from pertinent literature, including reference books and journals, and is used as input, particularly for analysis and discussion.

The Data Collection Techniques

The data collection techniques in this research used observation, interview, and documentation methods.

1. The Observations in this research were conducted as follows:

- a. The focus of this research is the Bibit application.
- b. The researcher examined the products and data within the Bibit application.
- c. The researcher documented their findings during the research process.

2. Job interview

In this study, the researcher employed semi-structured interviews and utilized pre-existing questions. Semi-structured interviews are particularly suitable for qualitative research compared to other types of research. The researcher employed semi-structured interviews with a sample size of 10 informants for this study.

3. The Documentation

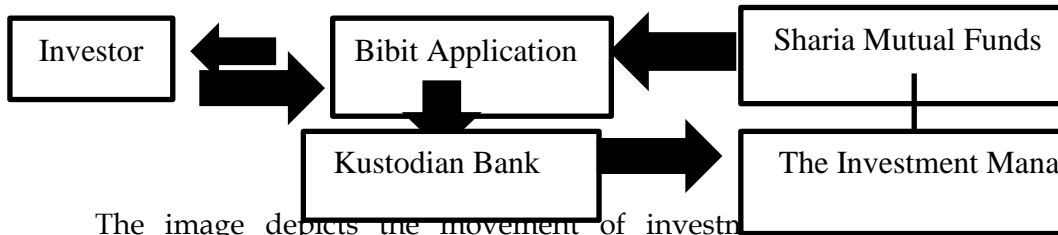
The data gathered in this study employs instruments in the form of interviews and documentation, utilizing essential equipment such as notebooks, stationery, a laptop, and documentation materials. The Documentation utilized essential tools including a notebook, stationery, a laptop, and cell phones.

Results and Discussion

The Overview of Bibit Application

The Bibit application, launched in 2019, is among the pioneering mobile applications for online mutual fund investments. Bibit has obtained legal rights and holds a license from the Financial Services Authority. Bibit is a highly popular investment application, with a user base predominantly composed of millennials and members of Generation Z. Bibit is a financial company that is owned by PT Bibit Tumbuh Bersama. The creators of Bibit are Wellson Lo and Sigit Kouwagam. Since

2020, Sigit Kouwagam has assumed the position of CEO at PT. Bibit Tumbuh Bersama.



The image depicts the movement of investment within the Bibit applications. Investors acquire sharia mutual funds through the Bibit application, which subsequently offers a portfolio of the purchased goods. In addition, the Bibit application will allocate the investor's cash to the custodian bank, which will then transfer the funds to be supervised by the investment manager. The fund manager oversees the management of the mutual funds within the Bibit application. Subsequently, the Bibit application will release shares of mutual fund participation.

The agreements present in the Bibit application are wakalah and mudharabah agreements. The Mudharabah agreement is a contract between an investor, who provides the cash, and a fund manager, who oversees the investment. The outcomes of the investment are determined by the risks and commitments agreed upon. The wakalah agreement is a contract between Bibit application and the investment management, where Bibit serves as a selling agent for mutual funds (APERD). The Bibit application serves as a mediator between investors and mutual funds, functioning as a sales agent that collaborates with mutual funds to gather investor cash for investment in various financial instruments, as agreed upon with the investors.

The Bibit application serves as the investment manager in the process of commercializing mutual fund securities and assumes responsibility for all activities associated with the selling of mutual fund securities. The wakalah agreement in the Bibit

application involves the Bibit application acting as a representative for the investment manager in the buying and selling of mutual funds.

The accessible types of mutual funds in the Bibit application include:

1. Sharia Money Market Mutual funds
2. Islamic fixed income fund
3. Islamic mutual funds
4. Islamic mixed fund

There exist three categories of investors:

1. Preservation
2. Moderate
3. Aggressive

Islamic economics perspectives on Islamic Mutual Funds

Islamic economics, also referred to as Sharia-based economics, is an economic system designed with the primary aim of fostering societal prosperity. The Islamic economic system is entirely governed by the teachings of the Qur'an and Sunnah. The regulations governing transaction procedures are designed to exclusively serve the interests of society, without causing any harm or disadvantage. In Sharia economics, the evaluation of societal prosperity encompasses not only the material dimension, but also takes into account the social, psychological, and spiritual influence of individuals, as well as the impact on the environment. (Misbach, 2020)

The Qur'an and Hadith of the Prophet S.A.W. serve as the fundamental sources for economic operations, including investment. Furthermore, as investment falls under the category of economic activities (*muamalah maliyah*), it is subject to the principles of *muamalah fiqh*. According to these rules, it is generally permissible to engage in all forms of *muamalah*,

including economic activities, unless there is specific evidence that prohibits them.

According to Islamic economics, investment is a fundamental component of commercial activities. Within the framework of Maqasid Sharia, commercial endeavors serve as an additional means of generating financial resources. Hence, it is imperative to fulfill the need for money by practical measures, as it is unattainable to acquire financial resources and assets without engaging in productive activity. Uninvested assets may be considered as unproductive assets that lack any further value.

Islam discourages the amassing of riches through investments. It is important for Muslims to exercise caution when investing their wealth. It is vital to thoroughly examine and ascertain the company's profile, the transactions conducted, the items or commodities utilized for trading, and all other necessary elements to adhere to the Islamic principles of muamalah. Conversely, Islam promotes not only general saving but also specifically invests in Islamic items, such as the Al-Kharaj al-damam rule. Al-kharaj refers to the concept that any endeavor undertaken carries an inherent element of danger. Furthermore, the term "dhaman" is a subordinate entity.

Islam forbids the practice of asset leasing and promotes the allocation of a portion of any asset for investment in both the tangible and intangible sectors. Both investment sectors are recognized to exist and are considered essential to the national economy. The real sector encompasses small and medium enterprises (MSMEs), micro-enterprises, and both publicly listed and non-publicly listed corporations.

The investment policy of Islamic mutual funds involves the transparent administration of funds in a halal way, making it a vehicle for investing. Halal refers to a situation where the corporation responsible for issuing investment instruments is obligated to refrain from engaging in any activities that go

against the rules of Sharia. For instance, *riba* (money that accrues interest) and speculative investment tactics, such as stocks, bonds, and other securities that are unrelated to alcohol, pork-containing items, immoral entertainment enterprises, gambling, pornography, and similar activities.

Islam promotes and advocates for individuals to engage in investment activities. The concept is rooted in the fundamental principle of providing *zakat* instructions to individuals with idle riches. Unlike unproductive funds, which are not eligible for *zakat* deductions, productive funds are only subject to *zakat* on their investment gains.

Islamic mutual funds are a financial product that operates under the principles of Islamic financial law, specifically through the use of *mudharabah* agreements. Islamic investment funds incorporate the notion of *al-wakalah*, which refers to an approved entity responsible for managing public monies. Islamic investment funds, in addition to being regulated by Bapepam, also require oversight from the National Sharia Council.

Under Sharia law, companies that offer Islamic mutual fund products are prohibited from participating in gambling and similar activities, operating in financial institutions, producing or distributing illegal food and beverages, as well as providing goods or services that are morally offensive and harmful. If an entity's debt capital structure depends on debt financing, it is considered ineligible to invest in Islamic mutual funds. Particularly in the case of interest-bearing finance, it is required that the issuer's debt ratio exceeds 45%, while the capital should be at least 55%. Additionally, it is imperative that the issuer's management adheres strictly to Shariah Business Principles. Sharia screening methods are utilized in both Sharia product investing operations.

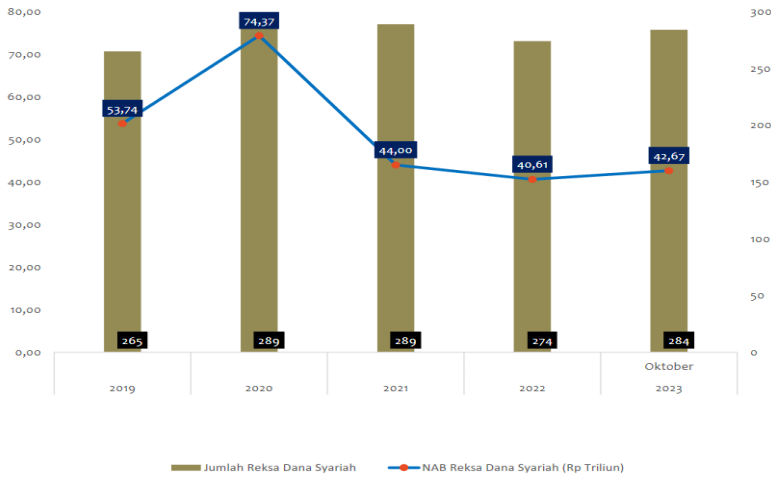
Through observations and interviews with Sharia finance expert lecturers, researchers have identified several indicators

associated with Islamic mutual fund investment. These indicators include adherence to Islamic values (both in terms of law and principles), economic activity, economic growth, digitalization, profitability, risk, online investment, and trust. This declaration is from the Sharia Supervisory Board, namely H. Arif Rahmatillah Ja'far, Lc. Dipl. M. EI. :

"Investment is derived from the term "invest," which refers to the act of planting or *istathmara* in Arabic, signifying profitability, growth, and multiplication. Investment, according to Islamic beliefs, refers to the allocation of funds or participation in the ownership of a certain economic sector that adheres to Sharia rules in both its operations and procedures. Investing is highly promoted in the Islamic world. The investing activities done by Prophet Muhammad SAW are the reason behind this".

The researcher conducted an interview with Mrs. Lia Safrina, a lecturer specializing in Sharia finance. According to her, in Islam, investing is not only permitted but also strongly encouraged, as long as the terms of the agreements are transparent and in accordance with Islamic principles. In addition, she disclosed the Islamic perspectives on investing in Sharia-compliant mutual funds. She affirmed that, to the best of her knowledge, it is permissible to utilize it, provided that it adheres to Sharia law. In Islam, every action is permissible as long as it does not conflict with Sharia law".

Before the researcher explains the development of Islamic mutual fund investment in the Bibit application, the researcher would like to describe the development of Islamic mutual funds from 2019 to October 2023:



The researchers cited the data obtained from the official website of the Financial Services Authority. In 2019, there was a surge in the quantity of Sharia-compliant mutual funds, resulting in a total net asset value (NAV) of 53.74 trillion across 265 funds. In recent years, 2020 has witnessed a significant increase in the number of Islamic mutual funds and the overall net asset value (NAV) has reached its peak. The pandemic crisis did not deter investors from investing, but it did heighten people's awareness of their financial situation amid catastrophes. As a result, investment has become a new lifestyle and habit, with assets being managed by investment managers. In 2020, there were 289 Islamic mutual funds, collectively valued at 74.37 trillion in terms of Net Asset Value (NAV).

In 2021, the net asset value (NAV) of Islamic mutual funds had a decline of 44.00 trillion. This loss occurred despite the fact that the number of Islamic mutual fund products

remained the same as in 2020, with a total of 289. As of October 2022, there was a decline in both the quantity and net asset value (NAV) of Islamic mutual funds.

The number of Islamic mutual funds decreased to currently have 274 products with a total NAV value of \$40.61 trillion. By 2023, there would be an additional 284 Islamic mutual fund products with a total NAV value of \$42.67 trillion. Based on the graph, the number of Islamic mutual funds and the NAV of Islamic mutual funds from 2019 to October 2023 fluctuated.

The researcher interviewed application users regarding the development of Sharia mutual fund products they had invested in through the Bibit application. "The product development that I own has been consistently increasing".

In the interview, the user stated that the product she owns is very nice and always goes up because it uses Sharia money market products and has a conservative risk profile (the owner of a low-risk profile).

The following is a statement from a user of the Bibit application who has a moderate risk profile: "The growth of my Islamic mutual fund product has an upward graph, which makes me glad because it brings me closer to my investment goals".

Although the owner of moderate risk, the Sharia mutual fund products used by informants have performed well.

Further statements from application users who had aggressive risk profiles (the type of investor who has a high tolerance for fluctuations in existing products) "I think it's going well. Although I'm an aggressive investor, the graph of all the products I owned was quite stable with a reasonable return".

As stated by application users, the investment performance of Sharia products has been stable and increasing compared to non-Sharia products. Owners of any risk profile, whether conservative, moderate, or aggressive, have benefited. Although not as much as non-Sharia mutual fund products, it is

unfortunate that the contribution of Islamic mutual funds to the investment economy is relatively lower than that of overall mutual funds.

Conclusion

Based on the research conducted by researchers, who collected data from interviews and existing data on the Bibit application, the following conclusions can be drawn:

Islamic mutual funds are defined as mutual fund products that function in accordance with the rules and regulations of Islamic law, both in the agreements between investors as property owners (Sahib al-mal) and investment managers as representatives (mudharib), as per the National Sharia Council (DSN) Fatwa number 20 (DSN-MUI/IX/2001).

To buy mutual funds, investors and investment managers can use the Bibit Application as a middleman. By gathering investor funds to be invested in a variety of investment instruments in accordance with the investors' preferences, the Bibit Application serves as a selling agent. In the Islamic mutual fund transaction, Bibit application will operate as the investment manager's representative and take full responsibility for all decisions pertaining to the distribution of Islamic mutual fund instruments.

Islamic investments can only be made using financial instruments that adhere to Sharia law. Islam forbids investing in holders of Islamic mutual funds whose liability structure primarily depends on debt financing or usury financing, and whose management deviates from Sharia rules of investment is prohibited. According to the findings of research journals and financial expert interviews, investing is permitted, lawful, and strongly advised in Islam because Qur'anic passages mentioning saving for a brighter future encourage it. Investing is one of the many strategies to get ready for a better future. As a result, there

is no poverty, crime, or harm, and Muslim society in particular is shielded from the negative effects of the economy for future generations.

As long as it adheres to Islamic law and the prescribed purchasing and selling mechanism, the Islamic economic perspective on investing in mutual funds online using the Bibit application is usually accepted in Islam. Islamic Sharia regulations apply to Islamic mutual fund investments made through the Bibit application, based on the relevant fatwa. In contrast, even if the data in regular mutual fund products are transferable, they are not under Islamic law. In typical mutual fund products, the investment manager has complete control over the distribution and management of funds; there is no mutual fund purification procedure.

In summary, there has been some growth in the development of Islamic mutual funds over the past five years, but demand is still erratic due to fluctuations in investor interest. Sucorinvest, an Islamic mutual fund product from the Islamic money market, is the most popular product in the Bibit application, but investors appear to be very interested in utilizing Islamic mutual fund products on a regular basis.

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