

SPECULATIVE BEHAVIOUR IN ISLAMIC CAPITAL MARKET

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ABSTRACT

The tight screening to determine the appropriateness of a company to be listed in the List of Sharia Securities (DES) allegedly only affects the level of the primary market. When entering the secondary market, *gharar* and *maysir* practices are difficult to avoid due to the high indication of speculation. This study is a case study focusing on the Stock Market in the range of 2008-2012 (the last five years). The researcher has raised a research problem: "Is the Trade in Sharia Capital Market indicated to have speculation?" This research is a quantitative research with an explanatory approach (explanatory research). It examines the relationship among variables or determines whether a variable is associated or not with other variables. Overall, it could be concluded that actually speculative activities were still found in Sharia stock market even though only in short time (a period of 3 to 5 days before and after the announcement of the dividend). Based on these results, the mechanism of minimum holding period is one of concrete alternatives that can be used as a way to reduce the high indication of speculation in the Sharia capital market. The findings and results of this study showed that 7 day period was appropriate as the minimum holding period of the stock.

Key words: speculation, bubble price, minimum holding period and ethical investment

Introduction

Generally, sharia capital market can be defined as the capital market that applies sharia principles in its operational. Cited from Sutedi's opinion (2011:3) that is "The main aspect that has to be honored in the sharia value is fairness and social value with avoiding the forbidden transactions such as *riba*, gambling, speculation and etc".

With the *fatwa* of DSN MUI No. 40/DSN-MUI/X/2003 about The Capital Market and General Guidance of Sharia Principle Implementation, it can be as a legitimate law of investment activity and transaction in capital market. It means that the decision of DSN is the rules have to be applied and abided by the people doing transaction.

One of the primary points in the *fatwa* of DSN No. 40/DSN-MUI/X/2003, then determined in *fatwa* of DSN No. 80/DSN-MUI/III/2011 is "the implementation of the securities trade has to do based on carefulness principle and it is not allowed to do speculations, manipulations, and the other act that contains *gharar*, *riba*, *maysir*, *risywah*, immoral and *tagrīr*, *ḡisyys*, *tanajusy/najsy*, *bai' al-ma'dūm*, *talaqqī al-rukbān*, *ḡabn*, *riba* dan *tadlis*".

The tight company screening to decide the appropriateness of a company which is listed in Islamic Securities Listing (DES) is believed only affecting the primary market level. When it comes to the secondary market level, the *gharar* and *maysir* practices are difficult to avoid because there are still large speculation indication that is shown by the price volatility, which is quite high in the Sharia capital market (Maskur, 2009:84). This thing turns the price of stock, which is not longer decided by fundamental condition and company information. This argument also shows that the orientation of investor is not long investment but it more indicates speculation practice from capital gain.

Metwally (1992: 343) cited Keynes's opinion about the definition of speculation in the capital market is as the practice to create market psychology. Furthermore, according to Achien (2000: 64) explained that the transaction has done by investors who do speculation practice is based on the practice of short selling and margin trading. Then the speculators' tendency is not be an investor but as a trader who hopes the profit from price volatility.

The research has done by Maskur (2009) was the comparative study of price stock volatility in conventional and sharia market which is listed in BEI, 2007-2009 period, proofed that the mobility of stock-share on three indexes in Indonesia in not different. Using ARCH/GARC approach, it showed that stock was studied (both conventional and sharia) have the treatment that tend to be same, and have the high volatility and ongoing. This research becomes the preliminary information on the alleged existence of signs of speculation in the sharia capital market.

Literature Review

The speculation practice in capital market is a common practice and even be an economic motivation in conventional economical doctrine. But on the other side, the speculation activity is a practice which very damage and cause uncertainty. Kumar (2009: 1924) explained that speculation is a practice motivation of stock which has similarities with lottery (gambling). According to Statman (2002: 17), the speculators only use intuition and not much using information to make the decision of trade or stock

practice. The consequence of the speculation practice turns the return stock becomes very extreme (abnormal return) both in return positive or return negative (Vokata, 2012: 5)

Based on the research of Kia (2001: 35), she found the proof of the high speculation in capital market in Canada that indicated by bubble price. This thing makes the stock price does not reflect fundamental information of company anymore. Kia (2012: 12) also explained that speculation in Islamic perspective is related to unstable of the price and inefficient market. It can be examined empirically from the existence of bubble price in price condition to dividend observation.

The speculation practice in secondary market was done by speculator and it causes the fluctuated price then harms the common people, because of their hope to get the profit. Speculation practice is forbidden in Islamic financial practice because it contains deceit substance (Muhammad, 2004: 162). This thing explains that speculation is a forbidden practice because it is still included in *ġarar* and *maysir*

Iqbal (2006: 26) explained that “when *ġarar* happened in one contract, so *maysir* usually will be the part of those practice”. The principle of transaction in Islam is fairness, but in *ġarar* dan *maysir* practices cause injustice and unfairness.

Ethical investment considered as an important thing and be able to decrease speculation, because ethical investment is the long investment oriented. It means that when the investor commits to invest, it will not be happened the buying and selling stocks on the secondary market in a short time. The investor will not much react when there is any information in market, because the orientation of ethical investment is investment commitment, not only the profit. Velden and Buul (2012: 55) explained that ethical investment can increase the investment commitment in long period on certain portfolio. Through the investment in long period orientation, it can decrease the price volatility, because the investors are not interested to do stock trading in a short time. Balios’s research (2007: 119) studied the effects of ethical investing to volatility shows that the ethical investing has social reason, and it can decrease the price volatilities. This is because the ethical investor sells their stock-share not only because of the profit, but also because social reason, then they prefer to hold the stock-share in long period.

Based on the literature review from the searchers, there are some researches proof the market condition with stable price and bubble negative is the reflection of the high practice of long investment. Kamari et al (2013) examined bubble in Iran market as 2007-2012 period using method duration dependent test on abnormal return found there was negative bubble price on the research period. It is similar with the research by Lehkonan (2010) that explained negative speculative bubble in Hong Kong stock-share market, and a research using different method and media by Dou research in Hong Kong marked showed that there were negative bubble price in stock market.

Furthermore, the other researches in the literature review showed positive effect of bubble in stock, such as Khideval’s research (1012) that examined bubble price in Housing market US with using cointegration technic on rent house and price house in 1986-2005 period showed that there was the explosive of house price. Jardad (2009) also in Jordan stock market proofed there was positives bubble in stock market. It is similar with Mokhtar (2006) in Malaysia stock-share market. All of those researchers proofed that there is a big effect of bubble price in market.

The previous researches still showed the unsuitability between one researcher to another. Although the previous researches used similar measurement and approach, such as bubble measurement on hazard model in the research of Kamari et al (2013) and Dou’s research (2010) compared with Jaradad’s research (2009) and Mochtar (2006), they are in different side. It is same with using approach the ratio of dividend price with cointegration analysis has done by Engsted dan Nielsen (2012) when compared with Kia’s research (2001), the results showed significant differences. On the previous researches, although using similar form, method and measurement, they showed different results then become the main basis of the present research. The different results of the previous researches are evidence that bubble analysis is not only affected by internal market condition, but also by external factors and market regulation which applied by certain country.

Based on the literature review, most of speculative bubble researches in measuring speculation still focus on conventional market that is not a reflection of ethical market condition. The researcher believe there are not previous researchers who analyzed the price behavior in the sharia stock market which is the reflection of ethical market, and the consistency of bubble characteristic that effects probability crash especially which is happened in sharia stock market. In addition, the previous research only focused to proof that there is speculative bubble and not be able to explain the factors causes the speculative bubble, and alternative policy which can be done to prevent speculative bubble occurred in the future.

Data and Methodology

This research is a case study that focuses on Stock Exchange in Indonesia in range of 2008-2012 (the last five years). The researcher takes this period to look the condition of sharia stock market focuses on the investors’ behavior to face global financial crisis in September 2008 and following years to 2012 whether indicated speculation or not. The publication of List of Islamic Securities or *Daftar Efek Syariah* (DES) in periodically since the end of 2007, making the development of sharia capital stock becomes more optimistic and tends to increase significantly. It is shown by the indicator of the total increase of sharia stock capitalization, as at the end of 2008 was recorded only for Rp432,762.1 billion and at the end of December 2012 the capitalization of sharia stock reached Rp2.451,33 trillion, and kept rising in August 2013 amounted to Rp2.657 , 99 trillion, or a half of the total all stock market capitalization.

The researcher uses quantitative analysis to do this research then it hopefully can explain the relationships and the phenomena based on the data and facts obtained. The sampling technique used is judgment sampling method, which is one form of

purposive sampling. This means that the company will be chosen based on the data need to answer the research problem. The sample characteristics in the present research are;

- a. Companies listed on the Stock Exchange (the Indonesia Stock Exchange) in the period from 2008 to 2012, both companies DES or nonDES and then will be compared each other.
- b. The companies which actively publishes dividend in sequentially as long as research period. The companies publishes dividend in sequentially are chosen to proof the companies are those which have good performance from dividend information, and to avoid random data.

Based on the previous literature review, generally it found at least three approach methods that applied to examine speculation in stock market on bubble price approach and it cover the using log logistic hazard model on duration dependent tests, *Markov Switching-Regime* and Stacioner test (ADF Test) which developed on cointegration analysis. According to the previous some results, ADF test approach has some personal advantages and complete the other analysis. It is believed that ADF test model is the most accurate and able to detect speculation period in the market. Because of that, to answer this research, the researcher use ADF test which is developed in cointegration test and then it will strengthen with different test (T test) on the beginning. The researcher found this model at least six previous researches. The researches have been done by Engsted and Nielsen (2012), and Engsted and Tanggard (2004) proofed that there is no speculation in stock market. While the researches by Kivedal (2012), Naoui (2011), Engsted (2006), and Kia (2001) proofed the there is a big effect of speculation in the market.

The main problem in this research is to see whether there are signs of speculation in the sharia capital market. The variables are used in the present research is the abnormal return, return and dividend yield. Testing on unit root on abnormal return is performed to determine whether the data is stationary or not. To determine whether there is a unit root or not, the present researcher uses Augmented Dickey-Fuller test (ADF test). Starting this analysis begins with a different test analysis include;

- a. Determining average value of *abnormal return* in each T period. The pattern used is:

$$\bar{X} = \frac{\sum X}{N} \tag{3.1}$$

Note:

- X = t data period
- N = the number of companies sampling

- b. Doing significant test in different test analysis one sample t test (on significance level α 0,01, 0,05 and 0,1). The pattern of different test model is;

$$t = \frac{\bar{x} - \mu_0}{s/\sqrt{n}} \tag{3.2}$$

Note:

- t = t values
- x = average values
- s = Deviation standard
- μ_0 = parameter values

- c. Doing graphic analysis from average abnormal return movement and dividend yield of both DES and non DES stock share.
- d. Furthermore, forming the similarity model in ADF test as written as below;

$$\Delta Y_t = \beta_1 + \beta_2 t + \delta Y_{t-1} + \sum_{i=1}^m \alpha_i Y_{t-i} + \varepsilon_t \tag{3.3}$$

The hypotheses used are:

- H0 : $\Delta Y_t = 0$, means data is not stationer (containing unit roof),
- H1 : $\Delta Y_t \neq 0$, means stationer data (not containing *unit root*).

That ΔY_t is abnormal return which are track data in observation period. If the ADF statistic values smaller than MacKinnon table values, so the hypotheses are zero refused. Or it can be also seen from its significance that is smaller than 5 %. It means that ADF test shows data analyzed is stationer (Widarjono, 2007: 330), or it is not proofed that there are no speculation indication. The proofing of whether there is a bubble or no return stock, in seeing investors' behavior, has done to estimate the average of event abnormal return as long as research period become series data in four forms of simulation model, covering three days, five days, seven days and 10 days before and after the announcement of stock dividend.

- e. This test will be completed by different test analysis of paired sample test as the pattern as below:

$$t = \frac{\bar{x}_1 - \bar{x}_2}{\sqrt{(s_1^2 / n_1 + s_2^2 / n_2)}} \quad (3.4)$$

Note:

- t = t sum values
- x₁ = the first average data values
- x₂ = the second average data values
- s₁ = the first deviation standard data
- s₂ = the first deviation standard data
- n = the number of sampling

- f. Beside of it is analyzed by difference test, it is also analyzed by descriptivw data as stated on the pattern 3.1
- g. The proofing of these hypotheses is also done with seeing how the relationship between variable return stock as variable X and dividend yield as variable Y with cointegration test method of *Johansen Cointegration Test*. The form of *Johansen Cointegration Test* similarity is written as below:

$$\Delta y_t = \beta_0 + \pi y_{t-1} + \sum I \Delta y_{t-1} + \epsilon_t \quad (3.5)$$

The similarities integrated if the trace statistic is bigger than critical value. So, the hypotheses are refusing H₀, which means cointegration is happened. This thing shows that there is no any evidence indicated speculation in stock market.

Empirical Result

Based on the observation period which is determined in this research, there are 108 companies listed in sampling criteria. The samples consist of 66 companies listed in DES and 42 companies listed in BEI and not listed in DES (non DES) with total observation 6.600 price period.

The measuring abnormal return in this company uses Market Adjusted Model approach that consider of the best assume to estimate a certain security returns market index return at that time. With using the pattern one sample t test on similarity (3.2), this test has purpose to see significance values of abnormal return stock that is the speculative price indication. On this event analysis, abnormal return counts on Average Abnormal return (AAR). Table 1 below presents the result of statistical analysis:

Tabel 1
Descriptive and significance test analysis
DES Abnormal return Stock
Before and after dividend announcement period

Period	N	Maximum	Minimum	Mean	Significance
T-10	66	0.1524	-0.0931	-0.00181	0,05
T-9	66	0.1942	-0.0815	0.002011	0,6
T-8	66	0.1917	-0.2562	0.000872	0,09
T-7	66	0.2547	-0.2115	0.00029	0,11
T-6	66	0.0811	-0.3074	0.004719	0,15
T-5	66	0.2045	-0.1657	-0.00108	0,40
T-4	66	0.4271	-0.1799	0.000779	0,96
T-3	66	0.2316	-0.2811	0.004145	0,86
T-2	66	0.1195	-0.2905	-0.00291	0,31
T-1	66	0.0961	-0.0891	0.001057	0,91
T 0	66	0.1694	-0.0926	-0.00837	0,24
T+1	66	0.2811	-0.1952	0.000155	0,69
T+2	66	0.5361	-0.2102	-0.001	0,04
T+3	66	0.2182	-0.2107	0.000812	0,07
T+4	66	0.0921	-0.0951	0.000096	0,74
T+5	66	0.2591	-0.2732	0.002691	0,02
T+6	66	0.3011	-0.2199	-0.00405	0,17
T+7	66	0.4109	-0.0981	0.001847	0,29
T+8	66	0.1162	-0.1821	-0.00214	0,05
T+9	66	0.2209	-0.0981	0.002743	0,79
T+10	66	0.0952	-0.2263	0.003218	0,30

Source: processed by secondary data in the pattern 3.1 and 3.2, year 2015.

Based on table 1 above, it showed that there are DES abnormal return stock values after the significance dividend announcement on period of second day, third day, and fifth day. Whereas before dividend announcement period, there are found no significance abnormal return values in short period, range -1 to -5. This thing showed that the investors react to dividend announcement information. On the third and fifth period there are positive reaction from each investors with significant level that are on third day is 0,07 smaller than significance values 0,1 or 10% and on fifth day is with values 0,02 smaller than significant values 0,05 or 5%. But on the second period, there are negative reaction from investor on the values 0,04 smaller than significant value 0,05 or 5%. Those analysis give some assumes that the finding research is suitable with theory that the investors make dividend information as one of information in taking decision of stock trading.

From the data above, it also explains that the investors of DES stock still assume that the dividend information as the proper information to do stock trade process. But on the other hand, this illustration also gives assumption that it has been speculation indication in sharia capital market in short period. Because no matter how investors react to dividend information more than dividend value itself, it will create abnormal return then it is an indication of speculative price. The bigger investors' hope to get abnormal return, then the bigger speculation indication in stock market.

The next explanation will discuss the result found by *AverageAbnormal Return* (AAR) in stockcompanies non DES as the comperation. For more explanation, table 2 gives the result of the data analyzed as follow:

Table 2
The Descriptive Analysis of Abnormal Return Stock non Des
The Before and After Dividend Announcement Periods

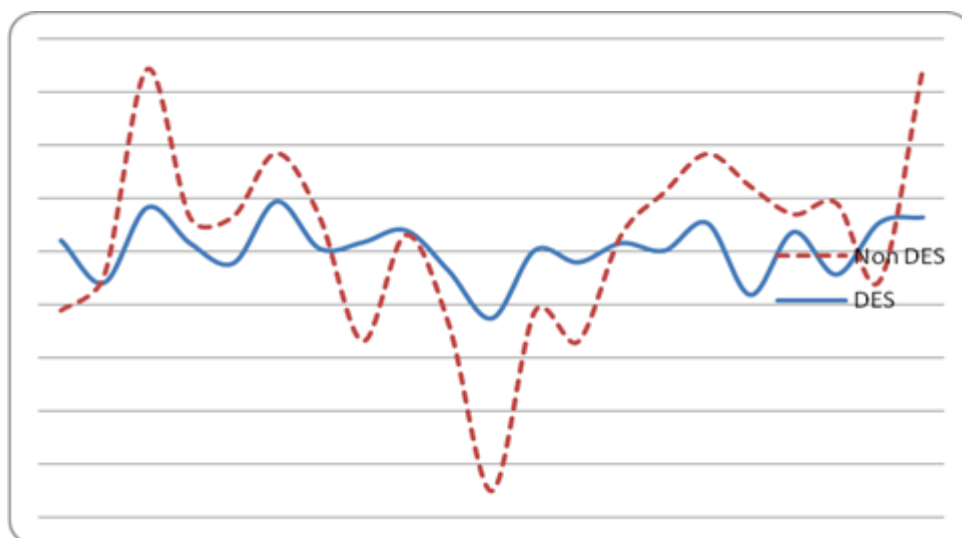
Period	N	Minimum	Maximum	Mean	Significance
T-10	42	-0.112	0.1593	-0.01324	0,14
T-9	42	-0.1531	0.1807	-0.00042	0,06
T-8	42	-0,0615	0.4811	-0.00926	0,20
T-7	42	-0.0468	0.2530	0.003006	0,62
T-6	42	-0.0778	0.2860	0.004575	0,04
T-5	42	-0.1174	0.0909	0.004416	0,22
T-4	42	-0.0778	0.2860	0.002399	0,33
T-3	42	-0.1037	0.2353	0.013033	0,90
T-2	42	-0.2206	0.3714	0.00066	0,07
T-1	42	-0.1573	0.3231	-0.00656	0,51
T 0	42	-0.1492	0.1901	0.00638	0,48
T+1	42	-0.2798	0.2375	-0.00573	0,48
T+2	42	-0.1853	0.0977	-0.00744	0,09
T+3	42	-0.2105	0.4102	0.000759	0,01
T+4	42	-0.1195	0.1265	0.005505	0,10
T+5	42	-0.0971	0.2149	0.00653	0,59
T+6	42	-0.2911	0.1194	0.010206	0,64
T+7	42	-0.3104	0.4172	0.001682	0,86
T+8	42	-0.0985	0.0990	0.006719	0,27
T+9	42	-0.1180	0.1296	-0.00547	0,82
T+10	42	-0.2197	0.2165	0.01392	0,37

Source: analyzed from secondary data on the pattern 3.1 and 3.2 year 2015

According to the table 2, it shows that there are similar patterns with the sample of non DES or investor reaction to dividend information by the company. The reaction period is on second day and third day. On the second day, the significance value is 0,009 smaller than significance value 0,1 or 10% and on third day, it is 0,01 smaller than significance 0,05 or 5%. The result of this analysis gives assumption that the finding research is suitable with theory that the investors make dividend information as one of fundamental information to do investment decision. But it is important to analyze more whether the stocktrade decision will cause speculation indication or not.

The following picture will explain how the average pattern of abnormal returnstock of DES and non DES in research period;

Picture 1



The pattern comparison of Average Abnormal Return of DES and nonDES stock.
The Before and After Dividend announcement period
Source: secondary data analyzed in 2015

Base on the average pattern of abnormal return from picture 1, it is seen that there are fluctuated stock movement both in DES sample and nonDES sample in a period about 10 days before and 10 days after dividend announcement. This thing showed that the investors react dividend announcement information.

Furthermore to proof the first test, the bubble price will analyze which is tested by seeing the data stationery of average stock abnormal return which is in consistently divide dividend as research period. Speculation is the investors' tend to get abnormal return that effect to the increasing of crash probability (Dou, 2010:1). When it is the continuity of probability crash, so the bubble is always there, and on one day, it willexplode (the crisis occurred). The testing of stationary data in this research uses the testing of *Augmented Dickey-Fuller* (ADF Test) approach. A data will be categorized as stationer data when the average and constant variants and covariants are between two track time data and it depends on the how slow it takes between the two time period. It means that the data time series is told not stationer if both the average and variantare not constant, it is always changing all the time.

The first bubble testing is done with estimating the average of abnormal return sharia stock (DES) on the dividend announcement that is tracked in each day as research period. The similarity pattern in ADF test of bubble testing in this research is same with the similarity3.3. Furthermore table 3 will explain the result of test analyzed unit root period three, five, seven, and 10 days before and three, five, seven and 10 days after dividend announcement in DES companies.

Table 3
Unit Root DES Test
Three, Five, Seven and 10 Days before andThree, Five, Seven and 10 Days After Dividend Announcement

	t-Statistic	Prob.*	Note
Augmented Dickey-Fuller test statistic	-2.688914	0.894	Test D3
Augmented Dickey-Fuller test statistic	-2.233787	0.1976	Test D5
Augmented Dickey-Fuller test statistic	-3.302538	0.0185	Test D7
Augmented Dickey-Fuller test statistic	-4.679270	0.0002	Test D10

Source:Secondary Data analyzed from the similarity 3.3, EViews 6, 2015

Based on the whole analysis for research period of DES stock shows that there are bubble price on three and five days before and after dividend announcement, that means in this period, there are fast speculation indication (three and five days) which has done by DES trader. But for seven and 10 days before and after dividend announcement in sharia capital market, there is no any evidence of bubble or it is not identified in this period.

The further analysis as a support is also directed to proof there is bubble in sharia capital market, which is done by doing testing of Johansen cointegration. Furthermore in table 4 below, there are the analysis results of Johansen cointegration between stock return variable with dividend yield:

Table 4

Johansen Cointegration Test
DESStock

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.027827	202.9010	15.49471	0.0001
At most 1 *	0.002541	16.77743	3.841466	0.0000

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

Based on cointegration analysis in table 4 above, it shows that the value of trace statistic bigger than critical value. This thing gives an evidence that the variable of stock return with dividend yield cointegrated or related in a long time. Then in long period, it is not proofed that there is any speculation indication in DES stock.

The following analysis has done in stock categorized not listing in Sharia Security List (NonDES). This is intended to see the characteristic of bubble possibility in the stock and then it will be a comparison of stock listed in DES.

The testing of bubble in stock nonDES also did by the similarity pattern in ADF test that also written in the similarity 3.8. For more understanding, there is an explaining of the result of data test analyzed unit root in period of three, five, seven, and 10 days before and after dividend announcement as on table 5 below:

Table 5
Unit Root nonDES Test
Three, Five, Seven and 10 Days Before and Three, Five, Seven and 10 Days after Dividend Announcement

	t-Statistic	Prob.*	Note
Augmented Dickey-Fuller test statistic	-2.031498	0.2723	Test D 3
Augmented Dickey-Fuller test statistic	-2.942262	0.0483	Test D 5
Augmented Dickey-Fuller test statistic	-3.150303	0.0277	Test D 7
Augmented Dickey-Fuller test statistic	-4.291107	0.0008	Test D 10

Source: Secondary Data Sekunder analyzed from the similarity 3.3, EVIEWS 6, 2015

Based on whole analysis in research period, it is shown that there are bubble in stock of nonDES period three days before and after dividend announcement. But for the period of five days, seven days, and 10 days before and after dividend announcement of nonDES stock it is not proofed that there are bubble or it is not indicated any speculation in this period.

Based on the result analysis, it is shown that it is identified speculation in sharia stock in short period that is three days and five days period before and after dividend announcement. This result research supports the other result research by Engsted (2012) with cointegration-VAR test in abnormal return which explains there is bubble in American stock market in short period, but in long period, it neither is nor proofed significantly. So do in Kia's research (2001) with using ADF Test stated that there is a bubble speculative which dominate Toronto stock market in research period. Or in the research by Khideval (2012) that examined bubble price in Housing market, US, with using cointegration technic in rent house and price house that explains there is an insignificant relationship for long period in house price with rent value.

The other researches that also found the result of speculation indication in stock market are Jaradad's research (2009) in Jordan stock, or in Qin and Tans' research (2003) that proofed there is bubble price in China, and Mokhtar (2006) that explained how big speculation in Malaysia stock market, focused on before crisis in 1998 in Southeast Asia

On the other side, those researches are different with the previous research that have been done by Kamari et al. (2013) proofed that there is no bubble in Iran stock market. With estimating abnormal return for five years (2007-2012) with the duration dependent test, it is proofed that the stock market is not affected by rational speculation bubble for research period. So do the research by Dou (2010) that proofed stock market in Hong Kong is not affected by rational speculation bubble for research period.

There are some new things from this finding research when compared with the previous research. The test result is able to see and proof that there is bubble price period, that is three days before and three days after dividend announcement for stock market of DES and nonDES and five days before and five days after dividend announcement for DES stock. It means that it identify there is speculation practice in stock market in a short time, this research method can proof it and at once support the theory of Metwally (1992), the effort to minimize speculation in stock market with determining the minimal limit of stock holding in sharia transaction for one period that is seven days. It is suitable with unit root test that proof by the fifth day, the stock abnormal return is still tend to volatile that is a reflection of speculation indication and it causes the bubble price, but in the seventh period, the price of stock become normal again and the price has been corrected.

The test result is also able to prove the condition in financial market, when it is compared between abnormal return DES and nonDES stock characteristic, the DES stock is more identified by speculation characteristic than the nonDES stock. This result proves that the screening mechanism is not able to decrease speculation in sharia stock market. All this time, the Islamic Financial doctrine make the judgment of companies work ability in both quantitative and qualitative is the main point to categorize sharia stock and non-sharia stock. In that screening mechanism application is only one of alternatives of application to categorize the sharia stock and non-stock. But in practice, the sharia and non-sharia stock are integrated in one stock market mechanism, then the companies listed in DES are not only the companies which have the high market capitalization, but also the companies which have the tendency high price volatility.

Refer to Kia's opinion (2001) that one of alternatives that can be done to minimize the speculation is with applying efficient market. In this application, dividend information is one of fundamental information as the judgment of company work ability. Beside of that, according to La Porta et al (2000) stated that on a country that follow civil law and has weak investor protection concentrated on some big investor. In this situation, the dividend considered as efficient mechanism to solve agency (expropriation). It means that this theory is a support of stock trader with seeing dividend information. The dividend information is a hope to create efficient market.

But on the other hand, it should be expected when the investor invests in sharia capital market, they will have Islamic ethical investment principle. The practice of Islamic ethical investment means the income from interest form and forbidden transaction are not allowed in Islam (including speculation), Atta (2000:16). The ethical investor should have different orientation than conventional investor; they not only see the risk and portfolio profit, but more on ethical values, social necessity and religion values. Wilson in 1997 empirically stated one of ethical investor criteria has the tendency to invest without more attention in fundamental information and company work ability. Because of their information is not only for profit but also in ethical values, and long investment oriented.

Balios (2007) stated in this thing, the ethical investor sells their stock not only to care about the profit but also social reason, then in the practice, the ethical investor be able to decrease price vitality. Or the reaction of dividend information is not too extreme. Beside of that, the ethical investment is able to increase investment commitment in long time in certain portfolio. Then the reaction given is not too high. But in this finding research, the DES investor exactly has a tendency for longer bubble period. This finding proof that there is a higher speculation indication than investor of nonDES stock. Even though this information explains that DES investor do speculation based on dividend information, it means trading decision is done based on fundamental information. Based on the speculation theory, this decision is a speculation practice is the rational speculation practice (rational speculative). That means speculation indication by DES investor more based on fundamental information from company information.

This result is at once on the other hand with Velden's result and Buul (2012) found that ethical investment be able to increase the investment commitment in long period on certain portfolio. There are also in Balios research (2007) explained that ethical investing be able to decrease price vitality. The Islamic law in speculation prohibition is very clear. But it can be deviate when the speculation returns in modern financial practice. Because the speculation's meaning itself in fatwa terminology DSN MUI is not followed yet with the mechanism clarification and the forbidden form in the application in stock market.

The result of speculation indication in sharia stock market is a reflection that ethical investment that the spirit to apply sharia stock market is not applied totally by investor in secondary market. The speculation practice is not the object of issuer (companies), then the mechanism of sharia screening only be able to select the companies without be able to give limitation and the rule of game for the investors who have a deal in stocks market. Because of that the investors becomes vulnerable for speculation.

The alternative offered in western economic theory to decrease speculation in stock market is with explain the information and to create efficient market (Kia, 2001:34). But this application is only become a bubble that happened fast in giving information period that cause the high abnormal return in this period. From this analysis explains that efficient market theory and market information is not able to decrease speculation indication in a whole, but it is only create fast speculation based on the information (rational speculative bubble).

Speculation is the forbidden practice in Islam because this practice effects price that become volatile that tend to give advantage in one side with overwhelm a loss to other side (zero sum game). Based on the finding in the field there found that speculation indication is done by DES stock investor with a hope to get abnormal return that shown by the stock trading practice in a short time. In one side, investors' act to do stock trading transaction based on fundamental information (dividend) is a wise decision, but on the other side, the investor orientation is only to get profit from margin trading and, or capital gain with using volatility stock volatility, in Islam point of view this is a part of speculation practice.

It is a big speculation indication in DES stock when compared with non-DES stock, because there is no any clear and assertive rule has been applied by authority side (Authority Financial service) in decreasing speculation practice, focus on sharia stock. The rule and prohibition of speculation is only as a summons without followed by an assertive regulation mechanism to decrease this practice. The effort to avoid and minimize speculation should be done by authority side (OJK) and have to be able to make the pattern of speculation prohibition which is a fatwa by DSN-MUI in one special wise, not only related to market mechanism, investment system, but also in transaction mechanism, tax, and the others.

The limitation of holding period's one of the main characteristics of ethical investment application. The longer investors hold the stock shows the higher their commitment to invest. With the high investment commitment that is proofed by long investment, it makes the secondary market transaction does not find the extreme abnormal return, the price is more stable and not volatile (Ballios, 2007:109). Investors become not affected by market information, not only the profit from capital gain which is hoped but it is more hope in investment commitment in developing economic with keeping social necessity (Wilson:1338).

Refers to Islamic ethical investment, the speculation cannot decreased by only to make clear information, but to minimize speculation with increase investment commitment in long investment. Islamic ethical investment is them who not only see the portfolio risk and profit, but them whom applied ethical values, social necessity and religion values. Although in this thing the investor is not reasonable, but they will not do stock trading in a short time and also based on the information although they get the profit from that transaction.

Based on the finding research of minimum holding period (MHP) mechanism, it is one of concrete alternative that can be made a way to decrease the high speculation indication in sharia capital market. This finding research shows that seven days is an accurate period as the minimal basic of stockholding period. This is the concrete form and investors' commitment to invest in long investment that is the identity of Islamic Ethical Investment. It is important to Authority Financial service (OJK) to make market mechanism which requiring investor in sharia stock market to hold their stock in seven days.

Refers to Kia (2001: 35), the other alternative can be taken to decrease the high speculation indication is how the OJK arranges asset assessment mechanism with transparency and clarity in each companies, and normal stock values than will be informed in market, beside of that, it can be with applying the high tax, 20 % minimum for each month or for each transaction in capital gain income.

Conclusion

This research has purpose to analyze whether sharia capital market has speculative indication. Based on the finding research, it can be concluded that there is proofed speculation indication in sharia stock market in short investment period. It can be seen from the proof of bubble price in three days period and five days period before and after dividend announcement.

This research is important to complete and proofs the theory of minimum holding period (MHP) which is formulated by Metwally (1992: 345) to decrease speculation indication in sharia capital market empirically can be reached. Based on the finding research, it is found that speculation indication in sharia capital market still exist in short investment period that is three and five days after dividend information. It means that the minimum holding period as an effort to decrease speculation practice is one of the accurate alternatives. With the policy of holding period as one week becomes the price volatility can be pressured then affects to the decreasing abnormal return as a character of speculative price.

The fact is the Islamic economic especially in Islamic Ethical investment is a solution to decrease speculation indeed. Because, however the investors commit to invest in long investment, the investor will not be interested to trade in a short time, and it is not affected by any kind of information in the market. Then it is automatically will be able to decrease how high the stock price volatility in market, because the process of stock trading in secondary market is not run so fast and extreme. Return to the main purpose of Islamic financial that is to apply safe investment which is able to create equality and development in real sector at once.

The fact is the screening mechanism is only able to select the companies listed in sharia stock. But with this mechanism, it cannot decrease or avoidspeculation practice in sharia invertor. One of the aspects which is not allowed in transaction is speculation practice which is related to *gararand maysir*. The fatwa of DSN-MUI related to transaction mechanism in sharia capital market that prohibit speculation, *garar dan maysir* should be proceeded in the more concrete policy to mute the fast fluctuation, margin trading and extreme abnormal return in one period, not only by DSN-MUI itself but also by The Authority Financial Service (OJK).

Based on this finding research, the mechanism of minimum holding periodis one of concrete alternatives that can be used as a way to decrease the high speculation indication in sharia capital market. The finding of this research shows that seven days is an accurate period to be the minimum limitation of stock period. This is a concrete form and investor commitment to invest in long investment whis is an identity of Islamic Ethical Investment.

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