

The Role of Institutions in Controlling Digital Investment Market in Indonesia

Ichmi Yani Arinda Rohmah¹

{ichmi.yani@ui.ac.id}

Department of Sociology, Universitas Indonesia, Jakarta, Indonesia

Abstract. The development of the digital investment market in Indonesia is experiencing rapid changes. One of the changes in question is the transformation of the investment market mechanism from a non-digital one to a digital investment market. In this transformation, there is a need for institutions to play a role in controlling the operations of the digital investment market. This research attempts to explore the role of these institutions using an economic sociology perspective. The research method employed is a qualitative research method with data collection techniques that involve interviews with policymakers responsible for overseeing the operations of the digital investment market in Indonesia, observation and documentation in digital platform of investment market. The research results show several roles of government institutions in the digital investment market, including: making regulations and providing supervision on the operationalization of the digital investment market to protect investors from fraudulent practices, apart from that, government institutions also provide outreach and education about investment and digital literacy to the public.

Keywords: The Role of Institutions, Investment Markets, Digital.

1 Introduction

The digital era is characterized by the dynamics of quite massive social change in society. This is characterized by people's social actions that are more rational and lead to more comprehensive goals. Social action itself is interpreted as individual action that has subjective meaning to themselves and others [1]. These rational actions are certainly influenced by the knowledge and experience of each individual, apart from that they are also influenced by social environmental factors, including the influence of quite massive technological developments.

The consequences of modernity [2] become an unavoidable part of people's lives. The concept of modernity itself comes hand in hand with the massive technological developments in the global world. In order to face the consequences of modernity which is characterized by technological development, it is necessary to rationalize the rational action sub-system and rationalize institutionalization [3].

Action and institutional rationalization are two of the many things that can be seen as the starting point for an individual or group in accepting or rejecting a change and then managing it. The consequences of modernity are not only easy to influence changes in people's lives, but sometimes these consequences are also difficult to change people's lives. The thing that can hinder change from modernization in the community is when values and norms have been embedded that are strong enough and have bound the community for a long time, so that these values and norms become the habitus and socio-cultural capital of the community that is difficult to change [4].

The medium of technology has become embedded in people's lives, so that productivity and growing potential cannot be separated from the rationality of technology which can dominate and be dominated [5]. In order to avoid domination by a few groups, society usually has a strategy to be more adaptive and able to understand technology better, so it will be easier to avoid domination. It seems as if society will be required to learn how to use technology in various fields, including the economic field.

The development of digital technology has also had a tremendous influence on various sectors, especially the national and international economic sectors. As with the development of digital technology in Indonesia, it has had a significant influence on the investment market. Currently, the majority of investment markets operating in Indonesia already use digital technology as their main tool so that it is easily accessible to the public.

The development of the digital investment market in Indonesia has also had a significant influence on people's enthusiasm for investing. Many public figures are currently encouraging people to change their habits from saving to investing, so that society begins to move from a "saving society" to an "investing society" [6] Starting from young people to adults, people are now starting to be interested in investing.

Apart from the influence of easy access to information from digital technology, public figures who become influencers also influence people's perspective on starting investments and strategies. Then the role of investment managers [7] by having a strategy to convince potential investors and strengthening literacy about investment, it also has an influence on people's perspective on starting to invest.

Regarding public trust [8], potential investors will invest if they have high trust in investment managers, including certain company investment managers. Usually, trust can be built by investors after they know the performance of investment managers and digital investment market managers, apart from that, based on the valuation they get from investors who are much experienced, it also influences their trust to invest.

Investors' trust tends to decrease if there are inconsistent long-term price fluctuations in the products they buy in the investment market, so that in this case many investors tend to buy products with the lowest risk, such as the money market. Apart from that, the large number of illegal investment markets can also reduce investor's trust in investing, there are concerns about the legality of the digital investment market and the occurrence of fraud.

Meanwhile in Indonesia it is also known that there is an illegal investment market which is also developing and operating through online sites including social media which is widely used by the public. This is certainly very worrying for people who still lack understanding about digital literacy and investment. Based on these problems, this research has two main problem

formulations, namely: (1) What is the role of institutions in controlling the digital investment market, (2) what are the efforts of institutions to protect investors in the digital investment market in Indonesia.

2 Method

This research used qualitative research methods. The qualitative research method is a research method for searching for in-depth information data on a phenomenon that exists in society [9]. Researchers in collecting field data used three types of techniques, namely: interviews with policy makers, observation and documentation on digital investment market platforms. Meanwhile, the research analysis technique uses three stages, namely: data collection, data display, data reduction, and conclusion (drawing/verifying) [10]. This research is focused on examining the development of the digital investment market which uses digital platforms as the main tool to access it. The perspective used in the analysis of this study is the economic sociology perspective.

3 Findings and Discussion

3.1 The Role of Institutions in Controlling Digital Investment Markets

The development of the growing digital investment market in Indonesia is monitored by several government institutions, one of which is the Commodity Futures Trading Supervisory Agency (BAPPEBTI). BAPPEBTI is one of the institutions that has the task of controlling the operationalization of investment market activities which have types of commodity futures trading such as crypto asset investment. In this study the researcher focused his research on the type of digital investment market "crypto". One of the reasons researchers focus on this type of crypto investment market is because it has many investors ranging from young to adult, especially in Indonesia.

There are several roles for BAPPEBTI in carrying out its duties in the developing investment market in Indonesia, namely: (a) The role of BAPPEBTI as a regulator, namely regulating matters relating to commodity futures trading, and other derivative matters in line with the development of science and technology and market needs and business actors. Including things that are permitted or prohibited or prohibited in the field of PBK, (b) BAPPEBTI's role in providing guidance, namely granting and canceling permits for business actors, developing tradable commodity contracts (PBK), restrictions on promotional materials, (c) Role BAPPEBTI in carrying out supervision, namely supervising the implementation of commodity futures trading, physical markets (including crypto assets) which must comply with applicable regulations [11].

As a strategy in controlling the operationalization of digital investment markets such as crypto asset trading, BAPPEBTI has collaborated with several parties or other government agencies, namely: First, BAPPEBTI collaborates with Indonesian cyber and state code (BSSN) to do several things, namely (a) Determine standardizing aspects of Bappebti's information system, (b) Preventing and handling potential cyber attacks on Bappebti, (c) Providing training and sharing information and knowledge related to cyber security. Second, BAPPEBTI collaborates with POLRI. Third, BAPPEBTI collaborates with the Indonesian Corruption Eradication

Commission (KPK) in tracking corruption defendants. Fourth, BAPPEBTI collaborates with the Financial Transaction Reports and Analysis Center (PPATK): carrying out audits, being active in mutual evaluation review activities. Fifth, BAPPEBTI collaborates with Google Indonesia to block illegal sites and applications on Playstore. Sixth, BAPPEBTI collaborates with the Directorate General of Population and Civil Registration (Dukcapil) to track population data in the context of harmonization and transparency of implementation within the scope of BAPPEBTI's duties [11].

BAPPEBTI as an institution that is part of a social system cannot be separated from trading activities such as crypto assets that it supervises. As it should be in a social system, there is a division of tasks and roles for each individual in the group [12]. In this case, BAPPEBTI has a duty and role in supervising every commodity futures trade. However, in carrying out its duties and roles, BAPPEBTI continues to collaborate with several government institutions to maximize its performance in providing supervision.

3.2 Institutional Efforts to Protect Digital Investment Market Investors

Investors in investing have various goals, including preparing retirement funds, education and health, and some even aim to build a positive image among their family and friends [13]. Discussing the formation of a positive image which is one of the goals of people investing in the same way someone builds a culture and even becomes a habitus as an effort to form a new social status [14]. However, when investing, it is not uncommon for people to think of it as contemporary culture or more modern than saving.

Habitus can produce social practices that tend to have order and are immanent (always there) [15]. The habitus referred to is not only in rural communities but also in cities, and not only in uneducated communities but also in educated or intellectual groups. For example, in an intellectual group, the values and norms conveyed by that group will be easily accepted and used by society. Intellectuals are one group that has a subaltern function of social hegemony [16]. As is the case, if there is a desired change in a society that has high trust in intellectuals then the main agent or pioneer is the intellectual group.

Like the development of digital technology which is currently widely used by society, much of it was created and introduced by intellectual groups. Even products that are sold at quite high prices as long as those producing them are intellectuals, people who have trust will still buy them. Likewise, when discussing the digital investment market, some of those who provide understanding and convince the public to participate in investing are intellectual groups.

Discussing the digital investment market certainly cannot be separated from the risk of fluctuations in the prices of investment products which are always changing. The existence of this risk is sometimes a factor that influences investor's decisions to invest, both in the decision to choose a product and the number of purchases of investment products. At least potential investors should have goals that must be set before taking steps to invest.

There are several things that must be considered before starting to invest, namely (1) recognizing investment objectives, (2) recognizing the risk profile, (3) determining the desired time period for investing, (4) studying investment instruments well, (5) having a strategy diversification or concentration [17]. For beginner investors, usually in understanding these five things, they often access references from influencers on various social media, apart from that, there are also those who ask for help from digital investment market platform managers.

There are several goals for someone to invest, including increasing long-term income, preparing education funds, health funds, preparing for retirement and others [18]. This goal is of course in accordance with the needs of each investor, so that there are different tendencies between one investor and another. As the next step after deciding on the purpose of investing, investors must know the risk profile in investing, usually this risk profile can be checked via the digital investment market platform used.

Another important thing for investors to choose is the investment instrument. There are two investment instruments, namely liquid and non-liquid. The explanation of liquid instruments is that investment instruments are easy and relatively quick to disburse investment returns, while non-liquid instruments are more difficult and take a lot of time to disburse investment returns [18]. Usually, novice investors tend to choose liquid instruments which have lower risk compared to non-liquid instruments.

Talking about the formation of a new social status for investors in their immediate environment, of course this is also related to the individual's position in a societal structure. The structure of society in Indonesia is characterized by two characteristics, namely horizontally characterized by social unity in differences in ethnicity, nation, religion, customs and differences related to regional characteristics. Meanwhile, vertically, the structure of society is characterized by the existence of quite different layers or social classes [19]. If you look at the new social status that is formed because someone makes an investment, then this includes the structure of society which is seen vertically.

There are various objectives for investors in investing, apart from those mentioned above, another objective is to pursue profits from investment results [13]. This is one of the causes that influences the high number of investors among youth and adults. The increasing investment activities carried out by people in Indonesia have turned out to be an opportunity for bad actors who open investment opportunities with the aim of fraud, so in this case BAPPEBTI has a strategy to protect investors [11].

In an effort to protect investors in crypto asset trading from fraudulent practices, BAPPEBTI has implemented several rules that must be obeyed, namely: (a) Business actors must have a registration certificate, (b) Prospective physical traders of crypto assets have the obligation to report all wallets they own, (c) Prospective physical traders of crypto assets are required to carry out Know Your Customer (KYC) with customers, (d) Prospective physical traders of crypto assets are required to provide periodic reports (transaction, financial and annual activity reports), (e) Types of crypto assets traded must be determined by BAPPEBTI, (f) BAPPEBTI has opened a complaint service for the investing public, namely through call tenders and onsite complaint services [11].

4 Conclusion

The development of the digital investment market in Indonesia is experiencing very rapid development. Investors in Indonesia are also dominated by young people rather than adults and old people. This shows that the existence of the digital investment market has begun to be widely accepted among society, especially young people. Various digital platforms have been developed by investment market owners to make it easier for people to invest online. Apart from its convenience, the digital investment market provides opportunities for people from young to

adult to take advantage of great opportunities in investing. However, along with the very rapid development of the digital investment market, it is necessary to gain control from the government as the policy maker. One of the functions of government control is to protect investors from the crimes of individuals who try to commit fraud in the digital investment market. Apart from providing control over the operationalization of the digital investment market, the government also provides facilities to the community that are inclusive, one example is facilities for educating the public to better understand digital literacy and the concept of the digital investment market. Based on the explanation of the research results, it can be seen that this research places more emphasis on the role of government institutions in providing control over the operationalization of the digital investment market from the perspective of the government and investors, so the researcher recommends to future researchers to enrich the information data from the point of view of several other parties including investment managers on the digital investment market.

References

- [1] Damsar and Indrayani. *Pengantar Sosiologi Perkotaan*. Jakarta: Kencana (2017)
- [2] Giddens, Anthony. *Konsekuensi-konsekuensi Modernitas*. Bantul: Kreasi Wacana (2017)
- [3] Habermas, Jurgen. *Ilmu dan Teknologi sebagai Ideologi*. Jakarta: LP3ES (1990)
- [4] Harker, Richard, dkk. (Ed.). *(Habitus x Modal) + Ranah = Praktik*. Yogyakarta: Jalasutra (2009)
- [5] Marcuse, Herbert. *Manusia Satu Dimensi*. Yogyakarta: Narasi – Pustaka Prometheus (2016)
- [6] Riawan, Nofiandi. *Cuan dari Investasi Saham & Reksadana*. Jakarta: aPOPmedia (imprint penerbit PT. Agromedia Pustaka) (2021)
- [7] Perkumpulan Wakil Manajer Investasi Indonesia (PWMII). *Pengelola Investasi Indonesia (Menjadi Pemimpin Lokal dan Menembus Pasar Global)*. Jakarta: PT. Elex Media Komputindo, Gramedia Team (2022)
- [8] Fukuyama, Francis. *Trust (Kebajikan Sosial dan Penciptaan Kemakmuran)*. Yogyakarta: Qalam (2010)
- [9] Denzin, Norman K. and Yvonna S. Lincoln. *Handbook of Qualitative Research*. Yogyakarta: Pustaka Pelajar (2009)
- [10] Sugiyono. *Metode Penelitian Kuantitatif, Kualitatif, dan R&D*. Bandung: Alfabeta (2013)
- [11] Interview Bappebti, Juli 2023
- [12] Wirawan. *Teori-teori Sosial dalam Tiga Paradigma (Fakta Sosial, Definisi Sosial & Perilaku Sosial)*. Jakarta: Prenadamedia Group (2015)
- [13] Wawancara Investor. Jakarta (2023)
- [14] Suyanto, Bagong. *Sosiologi Ekonomi (Kapitalisme dan konsumsi di Era Masyarakat Post-Modernisme)*. Jakarta: Kencana (2014)
- [15] Riawanti, Selly. *Teori tentang Praktik: Saduran Outline of a Theory of Practice karya Pierre Bourdieu*. Bandung: Ultimius (2017)
- [16] Gramsci, Antonio. *Sejarah dan Budaya*. Yogyakarta: Narasi dan Pustaka Prometheus (2017)
- [17] Hery, Alexander. *Analisis Fundamental (Trading dan Investasi Saham)*. Bandung: Yrama Widya (2022)
- [18] Amsi, Mang. *Saham Syariah Kelas Pemula (Meretas Jalan Investasi di Pasar Modal)*. Jakarta: PT. Gramedia (2022)
- [19] Nasikun. *Sistem Sosial Indonesia*. Jakarta: PT. RajaGrafindo Persada (2018)