



MONEY MARKET AND CAPITAL MARKET RECENT DEVELOPMENTS: INVESTMENT OPPORTUNITIES IN THE DIGITAL ERA

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ABSTRACT

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The money market and capital market are two vital components in the global economy which continues to experience rapid development. In this increasingly advanced digital era, technological changes and financial adaptation have created new attractive investment opportunities. In financial markets, recent technologies such as blockchain and smart contracts have changed the way financial transactions are carried out. Improved security and efficiency in payment systems and money transfers have attracted the attention of investors and business people. In addition, technological developments in digital payments, e-wallets and cryptocurrencies have presented new attractive investment opportunities, even though they are still exposed to the risk of high price volatility. The digital era has also opened the door for potential in the startup sector and technology companies. Venture capital and direct investment in innovative technology companies have become a prima donna for investors seeking long-term benefits from changing trends and consumer habits that rely more heavily on technology. However, amid all the opportunities offered by the digital era, there are challenges and risks that need to be considered. Data security and protection is an urgent issue because technological advances also bring more serious potential cyberthreats. In addition, high market volatility, especially in crypto assets, increases investment risk for investors

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A. INTRODUCTION

The money market and capital market have become the main foothold for investors in seeking opportunities to optimize their profits. In this ever-evolving digital era, technological developments and digital transformation

have had a major impact on the way we invest in the money market and capital market. Speed of information, accessibility and innovation have opened the door to a wider and faster range of investment opportunities than ever before.

Along with advances in technology, investors now have access to real-time money and capital markets through online platforms, mobile applications, and artificial intelligence-based technologies. In addition, developments in financial technology, such as blockchain and cryptocurrency, have also provided new alternatives for investing. All of these things have changed the way we understand and take advantage of investment opportunities, which were previously limited to conventional transactions and slower methods.

New challenges arise in dealing with investment opportunities in the digital era. Technological developments must be accompanied by an in-depth understanding of the risks involved, data security and preparedness for higher market volatility. Therefore, investors need to hone their understanding of the increasingly sophisticated money market and capital market, in order to be able to make the right and effective investment decisions.

In this study, we will discuss the latest developments in the money market and capital market in the digital era, as well as explore investment opportunities that arise along with technological transformation. Thus, it is hoped that readers will get a clear picture of how technology plays a role in

B. THEORITICAL FRAMEWORK

1. Money market

The money market is the segment of the financial market where trading in financial instruments with a short term, generally less than one year, occurs. Financial instruments traded on the money market include short-term securities such as Bank Indonesia Certificates (SBI), Government Securities (SBN), Short-Term Corporate Bonds (Commercial Papers), and time deposits. The money market serves as a place for companies, financial institutions and the government to meet short-term funding needs and seek liquid and secure investments.

2. Capital Market

The capital market is the segment of the financial market where trading in financial instruments with a longer term, usually more than one year, occurs. Financial instruments traded in the capital market include stocks (equity), bonds (debt), and derivatives such as options and futures contracts. The capital market functions as a place for companies to obtain capital from the public by selling shares (IPO) or bonds, as well as providing opportunities for investors to invest in companies and benefit from stock price appreciation or bond interest coupons.

3. Investment Opportunities in the Digital Age

Investment opportunities in the digital era refer to a number of investment potentials that have arisen thanks to the development of information and communication technology. The digital era has opened doors for investors to access various sectors that were previously difficult to reach, as well as providing opportunities for innovation and new business growth.

The digital era has brought about major transformations in various sectors,

including the financial market and investment. Several attractive investment opportunities have emerged thanks to the development of information and communication technology.

C. METHOD

The research with the title "Recent Development of Money Market and Capital Market: Investment Opportunities in the Digital Era" can use several research methods of literature study. In this journal, it explains the meaning of the money market, capital market, and investment opportunities with theoretical foundations from journals, books, and research articles.

D. FINDINGS AND DISCUSSION

1. Findings

a. Definition of Money Market and Capital Market

1) Definition of Money Market

Money market (Money Market) is a market where short-term securities are traded, companies that need funds for a short period of time can enter the money market by buying or selling money market securities. (Harahap et al., 2020)

The money market is a place where various short term financial instruments are traded. These tools usually run out in a short time, usually less than a year.

In banking operations, money market transactions are unavoidable, so various Islamic financial instruments have been developed to meet this need.

The money market is defined as the entire supply and demand for funds or securities that have a term of one year or less than one year and can be channeled through banking institutions. The money market is often also called the short-term credit market.

The characteristics and function of the money market as a meeting place between the demand for and supply of funds with a short term, which is mediated by banking institutions, and is often used for short-term credit transactions.

Money market as financial market generally provide facilities or a network of asset sale and purchase transactions. However, the money market places more emphasis on credit to meet short-term cash. The money market is a mechanism that brings together those who have a surplus of funds with those who experience a deficit. Transactions that occur in the money market are generally short-term in nature. Therefore, the mechanism in the money market is basically designed to reconcile the interests of the two groups. The money market, on the one hand, has the function of meeting the short-term needs of companies, financial institutions and the government, up to a maturity of one year. At the same time the money market provides an investment outlet for those with excess short-term funds who wish to earn income on unspent funds. Thus, the existence of a money market allows lending and borrowing transactions to occur

2) Definition of Capital Market

The capital market (Samsul, 2006) (Arifin, Fakhruddin, 2001) is a market for various long-term financial instruments that can be traded, both debt securities (bonds), equities (stocks), mutual funds, derivative instruments and other instruments. The capital market is a means of funding for companies and other institutions (eg the government), and as a means for investment activities. Thus, the capital market facilitates various facilities and infrastructure for buying and selling activities and other related activities. (Taunay, 2006)

The capital market also has a big role for the economy of a country because the capital market carries out two functions at once, the economic function and the financial function, the capital market is said to have an economic function because the market provides facilities or vehicles that bring together two interests, namely those who have funds (Investor) and parties in need of funds (Issuer). (Sugiatni, 1995)

The capital market plays an important role in connecting parties who have funds to invest and those who need funds to carry out projects or economic activities. On a broader scale, the role of the capital market has a major impact on a country's economic growth and development, because it encourages investment, business growth, and job creation. In addition, the capital market also helps improve the efficiency of resource allocation and facilitates risk management in the financial system.

Meanwhile those who interpret the capital market successively, namely Hugh T. Patrick & U Tun Wai, mention 3 (three) definitions of capital markets; First, in a broad sense, the capital market is the entire organized financial system, including commercial banks and all intermediaries in the financial sector, primary indirect long-term securities/claims. Second, in an intermediate sense, capital markets are all organized markets and institutions that trade credit papers (usually those with a term of more than 1 year) including stocks, bonds, term loans, savings mortgages and time deposits. Third, in a narrow sense, the capital market is an organized market place that trades stocks and bonds using the services of brokers and underwriters (Yafiz, 2008). (Sugiatni, 1995)

The difference between money market and capital market

| No. | differentiator | Money market | Capital market |
|-----|---|-----------------------------------|-------------------------------|
| 1 | Trading instruments | Term securities short | Term securities long |
| 2 | Market place of execution transaction | OTC (Over the Counter) | Stock Exchange |
| 3 | Organizational structure | Not organized | Organized |
| 4 | The purpose of the seller / party that issue securities | Make ends meet short term capital | Company investment/ expansion |

b. Capital Market and Money Market Risks and Challenges

Transaction growth in the secondary market is an obstacle to capital market performance. Shown by the increase in the stock price index, the Indonesian stock market has shown extraordinary performance. For this reason, a sweetener is needed so that the secondary market continues to be enthusiastic in transactions. As one of the countries with the largest population in the world, the increase in local investors is one of the factors that contributes to strengthening market resilience due to the volatility of short-term flows of funds. With a large and strong local capital base, the Indonesian capital market is better prepared to face market 'shocks'(Muklis, F. (2016). The Development and Challenges of the Indonesian Capital Market.) The capital market and money market have risks and challenges that need to be considered before investing. Following are some of the common risks and challenges associated with these two markets:

- 1) Market Risk : Price fluctuation is a risk inherent in the capital market and money market. The value of your investment may increase or decrease as a result of changing market conditions, including economic conditions, interest rates, inflation and other factors that affect supply and demand.
- 2) Credit Risk : Especially in the money market, there is a risk that the debtor will fail to fulfill their obligations. If investing in bonds or commercial paper, the credit risk must be considered.
- 3) Liquidity Risk : Liquidity refers to your ability to sell assets quickly without incurring a significant loss. Some investments may be less liquid than others, and you may face challenges selling or trading your assets easily.
- 4) Inflation Risk: Inflation is a general increase in the price level of goods and services over time. If the rate of inflation is higher than the rate of return on your investment, the purchasing power of your investment may decrease.
- 5) Policy and Legal Risk : Government policies and legal changes can affect the capital market and money market. Changes in monetary policy, tax regulations, or international trade policies can affect investment.
- 6) Knowledge Challenge: Investing in capital markets and money markets requires a solid understanding of financial instruments, market analysis and investment strategies. Knowledge challenges may arise if you do not have sufficient knowledge or do not do enough research before investing.
- 7) Emotional Challenges: Emotional challenges can arise when markets experience volatility or investment performance falls short of expectations. It is important to stay calm and stick to a long-term investment strategy, rather than making impulsive decisions based on emotion.

c. Investment Opportunities in the Digital Age

As students, we must invest quickly so that the Islamic economy can be relied upon. Islamic economics has finally won the hearts of the people, especially Muslims, so that it can function as an economic ambassador. The capital market is different from the money market, which is an abstract market and deals primarily with short-term financial instruments. Capital markets usually use instruments such as stocks, bonds, and rights teams. (White, E. R. (2022, December)

In this digital era, there are many investment opportunities related to technological advances and digital transformation. Some investment opportunities that are generally considered attractive in the digital age include:

- 1) Financial Technology (Fintech): is an industry that combines technology with financial services. Investments in fintech companies can include digital payments, peer-to-peer lending, digital financial planning and online investment platforms.
- 2) Cybersecurity: Investing in companies that provide cybersecurity solutions, such as cybersecurity, data encryption, and identity security companies, can be a promising investment opportunity given the increasing threat to online security.
- 3) Artificial Intelligence: Investments in companies that develop and apply AI technologies, such as natural language processing, intelligent data analysis, or autonomous vehicles, can provide attractive investment opportunities.
- 4) Internet of Things (IoT): IoT refers to a network of devices that are connected and communicate with each other. Investments in IoT-focused companies, such as smart home technologies, connected vehicles and smart infrastructure, can be investment opportunities in the digital age.
- 5) E-commerce : Investing in an e-commerce company, online payment platform, or logistics and shipping can be an attractive investment opportunity.
- 6) Blockchain and Cryptocurrencies: Blockchain and cryptocurrency technologies have received a great deal of attention in recent years. Investing in cryptocurrencies or companies developing blockchain applications can be attractive investment opportunities, although they are also high-risk.

d. The Impact of Technology on Capital Markets and Money Markets

Digitization is very sexy theme in business world in world since last 10 years. The term that was born from the computing technology revolution (Industry 4.0) refers to technology to change all kinds of information that was originally tangible (such as working papers, receipts, images and sound) into digital form which can then be processed and analyzed by computers for transaction and investment purposes (Terry, 2008). In fact, this technology has been around for several decades, but technological advances have made it possible to use it massively, even beyond what was originally imagined. Bitcoin is the most

revolutionary example, not just a financial assetpaperlessit can even be untraceable (who owns it).

Benefits can also be obtained from the supply side. Securities issuance activities can be greatly simplified and simplified. Current data communication, verification and analysis technologies have actually made it possible to make securities issuance activities a matter of days (from currently requiring at least 3 months). Furthermore, the instruments traded on the exchange are no longer only long-term (such as stocks and bonds) but also short-term (commercial paper dan bills). Thus the capital market has become one with the money market. It is conceivable that there will come a time when companies can take funds from the market as easily as banks offer time deposits.

On the other hand, there are also examples of the company's stock market value being negatively affected due to social media. The stock market tends to be very reactionary. The slightest disturbance in the market can cause shareholders to sell shares en masse. Social media complicates this matter.

Because the information on social media spreads very quickly, and usually reaches millions of people before they can be verified and contextualized, allowing impulsive shareholders to react faster than ever.

E. CONCLUSION

Recent developments in the money market and capital market, along with the increasingly advanced digital era, have opened doors for attractive and innovative investment opportunities. Technologies such as blockchain, smart contracts, e-wallets and cryptocurrencies have changed the way financial transactions are carried out, increasing efficiency, security and accessibility for investors. E-trading platforms, trading algorithms and robo-advisors also provide opportunities for individual investors to participate in the capital markets more easily and smarter.

Investment opportunities in the digital age are not only limited to the traditional financial sector, but also extend to investing in startups and innovative technology companies. Venture capital and direct investment in technology companies offer long-term profit prospects for investors who can identify evolving consumer trends and habits.

However, in the midst of attractive opportunities, risk remains a factor that must be taken into account. High volatility in the money market, especially in crypto assets, can cause significant fluctuations in investment values. In addition, data protection and security are becoming urgent issues due to increasingly complex cyberthreats.

Successfully taking advantage of investment opportunities in the digital age requires an in-depth understanding of market developments, technology trends and associated risks. Investors should use a balanced approach between technology and prudent investment policies to achieve long-term financial goals.

In order to optimize investment opportunities in the digital era, collaboration with experts, financial consultants and investment managers can provide more in-depth guidance and analysis. In addition, continuous

monitoring of regulatory changes and technological developments is important so that investors can adapt quickly and make the right investment decisions.

Overall, recent developments in the money market and capital market in the digital era offer attractive investment potential, but also present challenges and risks that need to be watched out for. With the right approach and thorough understanding, investment opportunities in the digital era can provide profitable returns for investors who dare to take a step forward in taking advantage of the ever-changing market dynamics.

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