

The History of Indonesian Capital Market

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Abstract

This paper will primarily talk about the historical development of the Indonesian capital market from colonial, which is the era of the Dutch East Indies (for Indonesia specifically, from the 17th century to 1949) to modern times. It begins by looking at the first stock market in Batavia, which became operational during the Dutch East Indies government, showing its early problems/issues and its collapse. The conversation then follows another historic event for the Indonesian capital market during President Soeharto's New Order era, pointing out important events like major positive impacts of development, such as the reactivation of the Jakarta Stock Exchange and the release of important laws and systems. The research also looks at the changes in institutions that affect transformation in the law/and legislative improvement that took place in the 1990s, as well as what came after the merger of Indonesian stock exchanges. The study uses a historical perspective or the lens of history to show/explain how economic and political developments have a huge impact on regulation changes and the development of Indonesia's capital markets. The paper continues by pointing out the important part of strong legal systems and control for keeping an effective and open capital market.

Keywords: Indonesian Capital Market; Jakarta Stock Exchange; Legal Framework; Financial History; Market Regulation; Economic Development; Investment

A. Introduction

The capital market is the most important to a country's economic development. It is one of the reasons why society these days can move forward and be advantageous enough to become beneficial to people's lives and can move forward to a better future because it allows investors to invest money that will last that creates long-term funding to society then it will become future investment or investment benefits that fits to productive areas of the economy. Its purpose is as a replacement or backup alternative to banks by giving out a variety of financial products, such as stocks, bonds, and mutual funds, that can help or have a positive impact (money benefits) on businesses and governments in raising capital efficiently. In developed economies, a controlled capital market usually has a strong connection with sustainable growth,

innovation, and stability. In ¹Indonesia, a country with a complicated history of colonial rule (By the Dutch and Japanese empires) and an evolving political-economic progression shortly after independence, the capital market has gone through important changes from a colonial trading mechanism to a modern and increasingly beneficial institution governed by modern-day legal frameworks. Indonesia's capital market goes back to the Dutch colonial time to the early twentieth century, probably during the time Dutch East Indies (for Indonesia specifically, from the 17th century to 1949). In 1912, the Dutch East Indies government created its very first stock market in Batavia (now Jakarta). However, there are certain problems with this organisation because the impact creates power and some type of Influence of the organisation that was restricted as it focused on Dutch economic interests (like financial needs, objectives, and goals) and worked within the framework of the colonial economy. The stock market worked with little control or management from the government and mostly served as another way to provide finance for Dutch businesses and landowners. Although it was small in size and restricted, this early stock exchange showed the beginnings of Indonesia's capital market history. Following Indonesia's declaration of independence in 1945 (the year of freedom from the Netherlands colonial rule), the capital market was in silent that there's activity happening (Locals during the time ²called it inactive at work), because of unstable politics that turns into chaos, economic risk tends to happen and a lack of a legal effectiveness that turns into a governmental power problem's. During the first years of independence, national financial planning was mainly focused on the rebuilding process, reorganisation of Dutch assets (like taking control of the Dutch ownership rights and property they left behind), and state-led development approaches that failed to focus on capital market development. Furthermore, regulations and laws from the times of colonialism were unsuitable for the specific requirements of an independent nation going through some type of important changes in society. As a result, the stock exchange was ineffective for decades. For 10 years, there hasn't been any activity or changes that have been made. The Indonesian capital market was officially brought back in 1977, under President Soeharto's New Order government.

The reopening of the Jakarta Stock Exchange, which locals called "the return action of the stock market in Jakarta, showed an important turning point or a historic event that happened in the history of Indonesia's financial system. The Capital Market Supervisory Agency (Badan Pengawas Pasar Modal, or Bapepam) organised and

¹ "Indonesia Stock Exchange," *Wikipedia*, accessed May 7, 2025, https://en.wikipedia.org/wiki/Indonesia_Stock_Exchange

² "Sejarah Pasar Modal Indonesia," *Otoritas Jasa Keuangan (OJK)*, accessed May 7, 2025, <https://www.ojk.go.id/id/kanal/pasar-modal/Pages/Sejarah-Pasar-Modal.aspx>

carried out the government's attempt to increase investment so that way in can get benefit and a possitive impact on this new and improved direction, They also create new and well advance capital market infrastructure, and create a legal climate supportive to investor and company accountability and opensess The first stage of this new step (revival strageties) best chance, however it was strictly controlled by the state therefore choices and options were setbacks let alone chances or opportunities was always controlled with needs of oversight that created problems, with having little involvement by the public and serious listing criteria that blocked market activity.³

The support for capital market transformation (like new changes that bring benefits and improvement modifications) became bigger and developed increasingly in the late 1980s and early 1990s, which in time with an increasing rate of economic freedom and liberalisation in Southeast Asia. In 1988, the Indonesian government began to execute a massive strategy that process of removing or reducing government rules' influence,, known as the "*Paket Deregulasi 27 Oktober*" (Pakto 27), which designed to target lower entrance challenges, open capital flow, and improve private sector development without the proper authorisation. In this situation, the capital market has grown as an important tool for financing businesses and effect on corporate funding, private ownership of public companies, and foreign investment from other countries, including incoming funds. During this time, the number of publicly traded companies and investments increased a great deal, showing increasing trust in the evolving market system.⁴

To deal with this kind of increased complexity, Indonesia created a new Law No. 8 of 1995 on Capital Markets (Undang-Undang Nomor 8 Tahun 1995 tentang Pasar Modal). This law is an one of the important legal development that led to a turning point since it standardised or approves market operations, provided the roles and duties of companies, investors, as well as the government, and gives out legal penalties or ciminal punishment that turns into criminal activity for example market manipulation, stock abuse, fraud and insider trading. It also laid down rules or gave out legal requirements for licensing, information release, public offerings, and dispute resolution.⁵ With this law, the legal system of Indonesia's capital market has shown an improvement of positive effect, the Indonesian stock market became more compatible and docile, that alignsa with worldwide standard procedures, providing

³ Indonesia: A Hidden Gem," *FTSE Russell*, accessed May 7, 2025, <https://www.lseg.com/en/insights/ftse-russell/indonesia-a-hidden-gem>

⁴ "Why the Indonesian Stock Market is Booming," ASEAN Exchanges, accessed May 7, 2025, <https://www.aseanexchanges.org/content/why-the-indonesian-stock-market-is-booming/>.

⁵ Dea Prasetyawati Wibowo Fajar Sugianto, Felicia Christina Simeon, "IDEALISASI SIFAT ALTERNATIF DALAM PENYELESAIAN SENGKETA MELALUI MEDIASI," *Jurnal Hukum Bisnis Bonum Commune* 3, no. 2 (2020): 253–265.

a strong framework for future growth. However, the 1997-1998 Asian Financial Crisis tended to happen; therefore, it exposed serious weaknesses in Indonesia's financial system, making the Indonesian funding system untrustworthy and unreliable to use.⁶ This gives us bad reputation, particularly in the capital market. Investor trust fell out of favour because the system creates problems instead of a positive effect, capital withdrawals move faster than ever, and stock markets dried up. The financial crisis pointed out the importance of stronger legal oversight by the authorities, risk management, and changes in institutions. After the crisis recovery efforts started to into effect, Indonesia made important changes, such as collecting stock markets and improving legal enforcement actions.⁷

In 2007, the Jakarta Stock Exchange and the Surabaya Stock Exchange joined together and combined (merged to become the Indonesia Stock Exchange (IDX or Bursa Efek Indonesia), which was a huge and important change in structure. This merger was supposed to increase market efficiency, accountability, and cooperation. The IDX became the most important marketplace for all stock and connect activities in Indonesia, thanks to new trading technologies, oversight actions, and involvement from investor activities. The creation of the Jakarta Financial Services Authority (Otoritas Jasa Keuangan or OJK) in 2011 by Law No. 21 of 2011 stood for another historic moment in the legal history of Indonesia's capital market. The OJK followed Bapepam-LK and gained complete power for the supervision and regulation of the financial services sector, including capital markets. The establishment of a single, independent, and integrated regulatory body aims to improve legal certainty, investor protection, and systemic risk management.⁸ The OJK implemented a number of measures to enhance corporate governance, transparency, and digital financial literacy.

In the present day, the Indonesian capital market has moved forward then fully supported by technological improvements and increased public involvement (more like society participation), especially from private individuals and business investors.⁹ The growing number of internet trading systems, mobile apps, and digital securities in the present day, where modern technology is well advanced enough to make human lives beneficial and have a positive impact on the present day, has changed

⁶ Shintaro Tokuyama Fajar Sugianto, "Efficient Punishment for Insider Trader In Merger : Interjected Values of Economic Analysis of Law" 3, no. December 2023 (2024): 327–355.

⁷ "Indonesia Investments," *Indonesia Investments*, accessed May 7, 2025, <https://www.indonesia-investments.com/finance/item6>.

⁸ Fajar Sugianto and Tomy Saragih, "Intercalating Law As a Tool To Promote Economic Efficiency in Indonesia," *Arena Hukum* 6, no. 2 (2013): 152–167.

⁹ Laurenzia Luna Fajar Sugianto, Yuber Lago, "STATE LAW, INTEGRAL ECONOMIC JUSTICE, AND BETTER REGULATORY PRACTICES: PROMOTING ECONOMIC EFFICIENCY IN INDONESIA," *Global Legal Review* 3, no. 2 (2023): 91–108.

the way Indonesians connect with capital markets. During the COVID-19 pandemic, accounts for individual investors grew rapidly, helped by offers from the IDX and OJK that supported market education and involvement. Nonetheless, legal issues keep happening, including ensuring data security, preventing fraudulent investment projects, and aligning regulations with rapidly evolving fintech advances. This history course shows how Indonesia's capital market has grown and evolved from a colonial financial location to a challenging, legally advanced, and nationally relevant organisation. Economic crises, like problems or challenges, political changes, and changes to regulations, like improvement modification, have changed the progress rather than being a linear one. To be knowledgeable and understanding of the history allows legal scholars and policymakers to see the important role that the law has played and continues to play in shaping the path, integrity, and adaptability of Indonesia's capital market.¹⁰ This study will look at the stages of capital market development in Indonesia, analyse the changing legislative frameworks, and estimate the socioeconomic consequences of this shift.¹¹

B. Research Method

In writing this journal, the author uses normative legal research methods, using secondary data, consisting of data from books, journals possible international results of outcomes from the internet that have been published then further analyzes the content by literature study. The normative legal approach is also known as an approach that refers to the prevailing laws and regulations and is relevant to the topic at focus in the research. It explains the history of the topic and the involvement or Impact on society of how the story has evolved from time to time to the present-day situation.

On top of that, a historical approach is used talk about the historical progression of Indonesia's capital market, its pointing out important events that creates significant turning points such as the creation of the first stock exchange under Dutch colonial rule in 1912 then moved on to the market's activation again(reactivation) in 1977, the approval of the Capital Market Law in 1995, as well as the creation of the Financial Services Authority (OJK) in 2011. The historical approach proves to be an important approach for this research for understanding the political and economic situations that have affected the legal basis of Indonesia's capital market throughout time.

The data sources used in this research consist of:

¹⁰ Fajar Sugianto, "Efisiensi Ekonomi Sebagai Remedy Hukum," *Refleksi Hukum: Jurnal Ilmu Hukum* 8, no. 1 (2014): 61–72.

¹¹ "Indonesia Stock Exchange," *Wikipedia*, accessed May 7, 2025, https://en.wikipedia.org/wiki/Indonesia_Stock_Exchange.

- Primary Legal Material(The legal system or certain types of law), including legislation such as Law No. 8 of 1995 on the Capital Market and Law No. 21 of 2011 on the Financial Services Authority.
- Secondary materials, including textbooks, journal articles, and official reports from the internet or institutions such as the Indonesia Stock Exchange (IDX) and the OJK

C. ANALYSIS AND DISCUSSION

C.1 Colonial Foundations and Legal Exclusion

The Indonesian capital market goes back to the colonial era, which is the period of the colonial Dutch East Indies (for Indonesia specifically, from the 17th century to 1949), when the Dutch East Indies government created the Batavia Stock Exchange in 1912. This was the first ever stock market or capital market activity that ever happened on Indonesian soil. To be more accurate,, this was the origin of the capital market in Indonesia his market was created after European arket exchanges happen, but somehow it had a restricted and limited purposes, mainly allowing supplying or finacing money for Dutch-owned businesses, as well as plantations, and colonial facilities that was happening in the forieng lands like Indonesia. Legally, the market followed Dutch commercial laws (Wetboek van Koophandel), which blocked and prevented (prohibited) local Indonesians from joining in the market activity.¹² There was no oversight or proper power of authority to make sure that markets were fair or to defend local interests, which reflected the colonial system's overall legal segregation. This early capital market, while operational, lacked inclusivity and did not serve as a national economic organisation.¹³

C.2 Dormancy and Lack of Legal Development (1945–1977)

After World War 2 happen,whichat ended the Colonial Netherlands era following Indonesian independence, Indonesia went through a period of economic nationalism and central planning throughout President Sukarno's rule, during which the capital market was quiet and Inactive. During that time, back in the day,yhe capital market was vacated and there was no stock exchange or capital market activity ever hhappeningHence, forth Locals during the time called it not active at work), because of unstable politics that turns into chaos, economic risk tends to happen and

¹² Peter van der Eng, "Securities Trading in an Emerging Market: Indonesia 1890s–1940s," *Financial History Review* 21, no. 1 (2014): 1–24, <https://doi.org/10.1017/S0968565013000244>.

¹³ Kahlil Rowter, "Indonesian Capital Market Developments and Challenges," *Nomura Journal of Asian Capital Markets* 1, no. 1 (2016): 9–15, https://www.nomurafoundation.or.jp/en/wordpress/wp-content/uploads/2016/10/NJACM1-1AU16-05_Indonesia.pdf.

a lack of a legal effectiveness that turns into a governmental power problem's. The lack of operational stock exchanges at that time shows the failure of a legal framework that supports and helped capital market operations happening.¹⁴ Instead, the government mainly put its focus on turning Dutch corporations and supporting private companies (SOEs) that were left in Indonesia because of the country's Independence through direct state funding and overseas assistance. This created a legal void in the area of securities control, and investment has been affected more by political ideology than market structure.¹⁵

C.3 Reactivation and Legal Formalization (1977–1995)

In 1977, the Capital market became revival. Therefore, the stock market exchange became engaged and productive. The rebirth of the Capital market in Indonesia became active, showing progression and activity happening, led by President Suharto, which formed an important turning point or created a historic event in the legal history of Indonesia. The revival of the Jakarta Stock Exchange, which is being supervised by the Capital Market Supervisory Agency (BAPEPAM), was meant to expand business finance or create more funding for corporations, and attract foreign investment. However, throughout the very first years of reactivation, the legal system remained weak therefore, businesses were creating problems, certain challenges, or investors were unresponsive, and opportunities became insignificant. A good deal of laws went into effect as governmental laws, which were unclear and challenging to enforce.¹⁶ Furthermore, the Ministry of Finance's strict control reduced the autonomy of market institutions.

The 1988, here is a financial liberalisation program (Pakto 27) that greatly opened up the financial sector, resulting in a more active capital market, which leads to Increased Investment Opportunities, economic growth, and possibly better liquidity. The rise in Initial Public Offerings (IPOs), the growing number of brokers, insurance companies and increased involvement of investors needed a more consistent legal system.¹⁷ This led to the creation of comprehensive capital market legislation.¹⁸

¹⁴ Fajar Sugianto, Stevinell Mildova, and Felicia Christina Simeon, "Increasing Economic Performance Through the Rule of Law in Indonesia: Law and Economics Perspective," *Advances in Economics, Business and Management Research* 140, no. International Conference on Law, Economics and Health (ICLEH 2020) (2020): 92–99.

¹⁵ Hadi Siregar, "Development of the Indonesian Capital Market: An Overview," *Bulletin of Indonesian Economic Studies* 39, no. 3 (December 2003): 321–334.

¹⁶ Claresta Devina Sugianto, Fajar; Indradewi A, Astrid; Valencia, "BETWEEN VALUATION AND MONETIZATION OF EFFICIENCY IN ECONOMIC ANALYSIS OF LAW : IS IT POSSIBLE ?," *Journal of International Trade, Logistics and Law* 10, no. 1 (2024): 286–294.

¹⁷ Alexander Wibowo, *Indonesian Capital Market: Instruments, Actors, and Regulations* (Jakarta: Gramedia Pustaka Utama, 2012).

¹⁸ Dendy Darmawan, "The Role of Financial Services Authority (OJK) in Building Investor Trust in Indonesian

C.4 Law No. 8 of 1995 on Capital Market: A Legal Breakthrough

The 1988 there is a the signing into law of Law No. 8 of 1995 on Capital Markets was an important point in Indonesian capital market law. For the first time in the history of the capital market in Indonesia, the capital market had a specific legal framework that provided or stated key ideas, including investments in assets (buying property and ownership rights), public offerings, insider trading, and market manipulation.¹⁹

The law also specified the roles and duties (how it works or functions) of issuers, investors, capital market supporting institutions, and the supervisory body, which is the oversight authority (BAPEPAM). Most importantly, it imposed legal fines for violations that can be classified as crimes, showing a shift towards legal accountability and investor protection.²⁰

This law is often seen as Indonesia's recognition of international legal standards and worldwide legal requirements in capital markets, providing legal clarity, promoting openness, and showing credibility and trustworthiness, and creating a structure or a system for corporate governance rules.²¹ It also supported the selling off of state-owned firms by establishing laws and regulations for initial public offerings (IPOs) and securities issues.²²

C.5 Post-Crisis Reform and Institutional Consolidation (1998–2011)

Then a huge problem suddenly happened, the Asian Financial Crisis (1997–1998) showed significant flaws, like it shows major weaknesses, significant defects, and major flaws in Indonesia's financial and legal systems. The capital market experienced massive losses in capital, investment flight, a loss of investor confidence, meaning making the Indonesian funding system untrustworthy and unreliable to use, and financial problems caused issues and negative impacts to clients, customers, buyers,, employees. In response, the government and authorities, like agencies and organisations, carried out important law changes, including improvements to institutions. These involved more openness requirements, tougher accounting rules, and the removal of the Jakarta Stock Exchange (JSX) and Surabaya

Capital Markets,” *Jurnal Hukum & Pembangunan* 44, no. 1 (March 2014): 22–37.

¹⁹ Shintaro Tokuyama Fajar Sugianto, “False Transaction vs Wash Trading: Addressing the Gap to Rebuild Market Confidence (Legal Implication in Indonesia Nad United States Capital Market Law),” *Journal of Law and Legal Reform* 5, no. 1 (2024): 1–14.

²⁰ Indonesia Stock Exchange, “Overview and History of IDX,” accessed May 2025, <https://www.idx.co.id/en/about-idx/overview-and-history-of-idx>.

²¹ Sugianto, “Efisiensi Ekonomi Sebagai Remedy Hukum.”

²² indonesia SIPF, “History,” accessed May 2025, <https://indonesiasipf.co.id/en/history>.

Stock Exchange (SSX) from the government's oversight.²³

In 2007, the JSX and SSX combined to become the Indonesia Stock Exchange (IDX), which ended in a major legal and structural settlement that improved market efficiency and exchange.²⁴ This merger was supposed to increase market efficiency, accountability, and cooperation, lower law duplication, and improve trading systems. This merger had been supported by a wave of supporting laws created by BAPEPAM-LK (which had taken over the insurance and pension monitoring roles).²⁵

C.6 Establishment of the OJK and Legal Modernization

The second major legal change that happened has a huge impact on the Capital market law, as it created a historic turning point is The Authorities created a new law, Law No. 21 of 2011, which created the Financial Services Authority (Otoritas Jasa Keuangan/OJK). This brand new act of law merged the banking oversight activities of BAPEPAM-LK and Bank Indonesia into a single, independent body so in way it can create a better system with worldwide requirements and international standards.²⁶ For example, because of this merger, to this day, the market system has increased efficiency, ensured stability, and supported accountability across the entire financial system. The OJK has been charged with managing and controlling the whole financial services industry, which includes banks, insurance, pension funds, and capital markets.²⁷

Since then, the OJK has passed many kinds of laws and regulations (POJKs) with a certain purpose, and that would be improving investor protection, supporting corporate governance, requiring capital market education, and increasing private investor access.²⁸ In away the OJK wants to create an openness, welcoming and resilient financial system that supports economic development while protecting the

²³ CPT Corporate, "The Rise of the Indonesian Stock Exchange," accessed May 2025, <https://cptcorporate.com/the-rise-of-the-indonesian-stock-exchange/>.

²⁴ Fajar Sugianto, "The Nature of Hedging Risk in Derivative Contract : Modeling an Enforceable Risk-Shifting Contract in Indonesia," *Journal of Law, Policy and Globalization* 72 (2018): 97–106.

²⁵ Mondovisione, "Indonesia Stock Exchange," accessed May 2025, <https://mondovisione.com/exchanges/sample-exchanges/indonesia-stock-exchange/>.

²⁶ Fabian Jonathan, Fajar Sugianto, and Tomy Michael, "Comparative Legal Analysis on the Competence of the Indonesia'S Financial Services Authority and Monetary Authority of Singapore on the Enforcement of Insider Trading Laws," *Journal of Central Banking Law and Institutions* 2, no. 2 (2023): 283–300.

²⁷ Chambers and Partners, "Capital Markets 2023: Indonesia," accessed May 2025, <https://chambers.com/content/item/4055>.

²⁸ Herlina Waluyo, Irene Putri A.S.Sinaga, and Fajar Sugianto, "Perlindungan Hukum Otoritas Jasa Keuangan Terhadap Penyelenggara Layanan Urun Dana Berbasis Efek Berdasarkan POJK Nomor 16/POJK.04/2021," *DiH: Jurnal Ilmu Hukum* 18, no. 2 (2022): 131–146.

public. The OJK's legal merger serves as a step towards improved coordination and proactive control, which is in line with the complex rules of modern financial markets.²⁹

C7. Establishment of the OJK and Legal Modernization

In recent years, over the past few years, and to the present day, the benefits of modern technology are so advanced and bring a positive impact that digital transformation has importantly changed Indonesia's capital market situation. It creates now capital market system where advanced technology is part of the change and turns into a digital market exchange.³⁰ The COVID-19 pandemic caused the use of online trading platforms, leading to an important rise in the number of individuals who invest instead of business and organisations mainly because In Indonesia COVID-19³¹ transformed investing from a small time activity for business to grow to a new market phenomenon through online platforms, many of whom are under the age of 30. Teaching teenagers to make a lot of money fast without the suffering of a 9-5 experience and benefiting small-time businesses to profitable companies.³² While this democratic change of market access is beneficial, it presents new challenges/problems to the law, including:

- Laws about digital investment platforms and influencers.³³
- Preventing fraudulent schemes and illegal offerings (So it won't be criminal activity that takes the benefits).³⁴
- Data privacy and cybersecurity for investment accounts.
- International trade, the foreign exchange using digital currency or money from another country, can be used as a viable option for payment.

The OJK and IDX have responded by creating educational programs to influence new traders of individual investors to trade without the creation of criminal activity, but numerous legal confusions continue to linger. There is an urgent need

²⁹ CFA Institute, "Indonesia: Capital Markets Brief," *Research Foundation Briefs*, 2021, <https://rpc.cfainstitute.org/sites/default/files/-/media/documents/article/rf-brief/rfbr-apac-capital-markets-indonesia.pdf>.

³⁰ Shintaro Tokuyama Fajar Sugianto, "The Extended Nature of Trading Norms Between Cryptocurrency and Crypto-Asset: Evidence from Indonesia and Japan," *Lex Scientia Law Review* 8, no. 1 SE-Research Articles (September 22, 2024): 193–222, <https://doi.org/10.15294/lsr.v8i1.14063>.

³¹ ASEAN Exchanges, "Why the Indonesian Stock Market is Booming," accessed May 2025, <https://www.aseanexchanges.org/content/why-the-indonesian-stock-market-is-booming/>.

³² Trading Economics, "Indonesia Stock Market," accessed May 2025, <https://tradingeconomics.com/indonesia/stock-market>.

³³ Corporate Finance Institute, "Jakarta Stock Exchange (JSX)," accessed May 2025, <https://corporatefinanceinstitute.com/resources/equities/jakarta-stock-exchange-jsx/>.

³⁴ FTSE Russell, "Indonesia: A Hidden Gem," London Stock Exchange Group, accessed May 2025, <https://www.lseg.com/en/insights/ftse-russell/indonesia-a-hidden-gem>.

for regulatory progress, including possible changes to Law No. 8 of 1995 to allow for digital securities, fintech-based offers, and decentralised finance (DeFi) processes.³⁵

D. Conclusion

The historical path of Indonesia's capital market shows a complicated path of history, but it is a complex mix among legal evolution, economic policy, and changes in institutions. The capital market has gone through important transformations and changes, from a relatively institution-focused to an underdeveloped system into a digitally modern technology system, an accessible, efficient, and regulatorily tough financial ecosystem, guided by OJK, the Indonesia Stock Exchange (IDX), and the Ministry of Finance. From its early roots during Dutch colonial control in 1912, through a long period of weakness following independence, to its renewal in the New Order era and continuing growth into the digital age.

Each legal milestone, such as the reactivation of the Jakarta Stock Exchange in 1977, the passage of Law No. 8 in 1995, and the establishment of the Financial Services Authority (OJK) in 2011, represented a strategic step towards creating a more transparent, efficient, and investor-friendly capital market environment. These revisions not only filled previous legal gaps but also brought the Indonesian capital market law in line with international standards.

Today, in modern days, the capital market is an important part of Indonesia's financial ecosystem because the market stock exchange gives/shows the results of benefits to certain individuals or profits to organizations. For example, the capital market system gives alternative financing choices to become fortunate and preventing poverty to effect people's lives or a positive impact for enterprises and chances to invest for the public. However, increasing developments create new changes such as digital trading platforms, private investor grows, and the impact of financial technology grows, creating new legal problems. Their involvement in controlling digital investment goods (e-commerce), protecting data, and maintaining market credibility in the face of online financial false information.

To keep up with technology improvements and global financial trends so in a way it could be beneficial and not at being disadvantaged/fall behind, Indonesia's capital market laws must be improved progressively. So, in a way, it can support long-term economic growth and financial inclusion. It is critical to strengthen legal stability, improve investor education, and foster public trust in the capital market.

³⁵ Prezi, "History of Indonesian Capital Market," accessed May 2025, <https://prezi.com/p/pe0sxde0n0r9/history-of-indonesian-capital-market/>.

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https://www.researchgate.net/publication/331173908_Stock_Liquidity_and_Market_Capitalization_Investment_Challenges_in_Indonesian_Capital_Market_s

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Crypto-Asset: Evidence from Indonesia and Japan." *Lex Scientia Law Review* 8, no. 1 SE-Research Articles (September 22, 2024): 193–222.
<https://doi.org/10.15294/lslr.v8i1.14063>.

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