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An Examination Of Herding Behavior On Stock Market: An Halal Perspective

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Abstrak

Tujuan dari penelitian ini adalah untuk mengkaji herding di pasar saham dalam perspektif halal agar dapat dipahami sebagai cara berpikir dan dapat menghasilkan keputusan yang tepat bagi investor. Perilaku ini dilakukan investor karena merasa ragu dalam memilih saham, karena tidak ada pilihan lain dalam mengambil keputusan dan menganggap investor lain mempunyai informasi. Di sisi lain, herding dapat mempengaruhi tingkat risiko yang akan dihadapi. Kajian ini menggunakan data primer yang dikumpulkan dari Al-Qur'an, al Hadits, dan ushul Fiqh. Untuk mendukung data juga digunakan teknik analisis mendalam. Selain itu, data sekunder dari artikel jurnal, buku, dan literatur terkait lainnya juga digunakan. Tulisan ini menggunakan metode analisis deskriptif, dan termasuk dalam kategori penelitian kepustakaan. Penelitian ini menjadikan konsep halal berpotensi menjawab kekurangan yang terdapat dalam fenomena pasar saham.

Kata Kunci: Persfektif halal, herding, ushul fikih

Abstract

The objective of this study is examining herding on stock market in an halal perspectivefor understanding as the way of thought and it could result the right decision for investor. The decision can be obtained from herding which is seen as a factor of stock market more volatile and risky. This behavior is done by the investor due to feel doubt in choosing stock, because there are no other choices to make some decisions and they assume that other investors have some informations. On the other hand, herding can affect the level of risk to be faced. The problem being analyzed are; *First*, how the halal perspective about herding behavior. *Second*, what are the criteria of herding base on halal perspective. This study was writed over a month period beginning in August, 2018. The primary data is mainly gathered from Al-Qur'an, al Hadits, and ushul Fiqh. To support the data, an in-depth analyze technique was also used. In addition, the secondary data from journal's articles, books, and other related literatures were also utilized. This paper is using descriptive method of analyses, and include in the literature research category. The findings show that herding in halal perspective is allowed but it must be in accordance with the knowledge of stock analyzing and who person they follow. It could not followed blindly to result decision. This study would make Halal Science Research having a potential to answer the shortcoming found in phenomenon of stock market.

Keywords: Halal Perspective, Herding, Ushul Fiqh

Introduction

There may be a tendency for some investors to mimic the actions of other investors. This tendency is called herding. The tendency of some investors to herd, or act like other investors, has important implications for financial markets because herding implies that investors may be ignoring their private information and driving prices away from their fundamental values (Kimberly, 2003). This behavior is done by the investor due to feel doubt in choosing stock, because there are no other choices to make some decisions and they assume that other investors have some informations. That's why an investor follow other investor for reducing some risks to be faced. (Rajendra, 2014).Iramani in Rajendra explained that investor behavior can be influenced by information received, after obtaining some of informations, investor create different reaction in making decision, it is an action of investor whether they like risk (risk seekers), or they avoid risk (risk averter) or they ignore risk (risk indifference).

The concept of risk is an uncertainty in the Islamic economic which is one of the important pillars in the Islamic risk management process. In business activities, there is no body wants to suffer losses. The Islamic rule about return and risk are "*al ghunmu bil ghurmi*", it means that the risk will always accompany every expectation of return or yield.Risk means the possibility of failure, loss and danger. Risk is also one of investment factors that it must take time to understand the selection of specific investment instrument from new adventures.

In order to face some of risks that might be caused by herding behavior on stock market. The author offers an halal perspective about herding behavior that it could be used as a reference in making decisions on stock market. The halal perspective in herding behavior is necessary because herding could result positive and negative impacts. The positive impact could be a reason for legitimacy in Islam. It will be useful for investors to understand common behavior for better returns. Halal means everything does not contain damage in all aspects. Thus, it is prohibited of doing any action which leads to unknown foundation, so it could result negative impacts. To get the study objectives, some questions are raised during the study. The study is done through answering these following questions:

a. How the halal perspective about the influences of herding on the stock market.
b. What are the criteria of herding based on halal perspective.

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Materials and methods

In general, researcher starts with the existing theory and logical relationships among concepts. The study starts with reviewing herding behavior theories to get the theoretical and conceptual context as well as empirical findings from previous researches. Then, the questions used.

The collected primary data were Al-Qur'an, al Hadits, and ushul Fiqh (Islamic rules). To support the data, an in-depth analyze technique was also used. In addition, the secondary data from journal's articles, books, and other related literatures were also utilized. This paper is using descriptive method of analyses, and include in the literature research category.

Results and discussion

The definition of herding behavior

Hirshleifer and Teoh state that herding behavior is often occur when many people take the same action, perhaps because some mimic the actions of others. Herding is convergence of behavior, which in financial markets results in investors following each other from security to security and from market to market. Many recent works in the finance literature attempt to explain herd behavior. Some argue that herding behavior is not based on fundamental information and destabilizes security prices. Others argue that herding is driven by fundamental information and it makes security markets more efficient because prices adjust faster to new information.(Nicole&Hilla, 2015).

Herd behavior represents the tendency of an individual to mimic the actions of a larger group, whether that actions is rational or irrational.(Albert Phung). Herding assumes that agents are not making decisions independently, but each agent makes a collective action. Victor and Martin notice also that the instantaneous imitation process may also result when financial agents use similar tools for analysis (and similar know-how). Also, we assume that after an activation event takes place, the information content of the cluster is no longer useful, so all links in the cluster are removed after the order has been placed. (Vıctor & Martın, 2008).

Theories of Herding Behavior

Herding Effects

Base on *Behavior Pattern of Individual Investors in Stock Market*by Luu Thi Bich Ngoc that exploring about herding effect in financial market is identified as tendency of investors' behaviors to follow the others' actions. Practitioners usually consider carefully the existence of herding, due to the fact that investors rely on collectiveinformation more than private information can result the price deviation of the securities from fundamentalvalue; therefore, many good chances for investment at the present can be impacted. Academic researchers alsopay their attention to herding; because its impacts on stock price changes can influence the attributes of risk andreturn models and this has impacts on the viewpoints of asset pricing theories (Tan et al.,2008).

Investors may prefer herding if they believe thatherding can help them to extract useful and reliable information. Whereas, the performances of financialprofessionals, for example, fund managers, or financial analysts, are usually evaluated by subjectively periodicassessment on a relative base and the comparison to their peers. In this case, herding can contribute to theevaluation of professional performance because low-ability ones may mimic the behavior of their high-abilitypeers in order to develop their professional reputation (Kallinterakis et al., 2010).

There are several elements that impact the herding behavior of an investor, for example, overconfidence, volume of investment, and so on. The more confident the investors are,the more they rely on their private information for the investment decisions. In this case, investors seem to beless interested in herding behaviors. When the investors put a large amount of capital into their investment, theytend to follow the others' actions to reduce the risks, at least in the way they feel. Besides, the preference ofherding also depends on types of investors, for example, individual investors have tendency to follow thecrowds in making investment decision more than institutional investors (Goodfellow et al., 2009).

Waweru et al.(2008) conclude that buying and selling decisions of aninvestor are significantly impacted by others' decisions, and herding behavior helps investors to have a sense ofregret aversion for their decisions. However, these conclusions are givento the case of institutional investors; thus, the result can be different in the case of individual investors because,as mentioned above, individuals tend to herd in their investment more than institutional investors.

Mangkunegara (2005) states that there are two factors that influence consumer behavior, (including investors), namely cultural strength and psychological

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strength. This is in accordance with the opinion of Santon (1981) which states, "*sosiocultural and psychological force which influence consumer's buying behavior*" (Fikri, 2011,). Therefore, cognitive abilities, experience, and learning can improve the financial decisions of retail investors.(Kent & John, 2010).

Objectives and Causes of Herding Behavior

Chang et al (1999) in Rajendra, provide some of reasons why did investors make some transactions in the same direction, as follow:

a. Investors process the same information, as happens in emerging market that they have limited micro information and focus on macro information.
b. Investors prefer stocks with general characteristics, they are prudent, liquid or better-known.
c. Investment managers tend to follow the steps that are taken by other managers to maintain their reputation.(Rajendra, 2014).

Hugh Schwartz in *Heuristics or Rules of Thumb* states that decision makers may not be able to obtain all ofnecessary informations for optimal solutions, or may not be able to do it when a decision must be made. Even if they could obtain all of informations, decision makers may not be able to complete a calculation on the right time(Kent & John, 2010).There is no available data for traders. Therefore, it is difficult for traders to not follow it.(Ciprianiet al., 2012). In addition, with herding actions, investors will shorten their time to analyse. The aim of herding is to get investment decisions quickly and validly without spendingtime and resources for too long (Izza, 2015).

Herding behavior raises a group of investors who trade in the same direction over a period of time. They must create decisions with various types of limitations, such as limited information, time and ability. This is consistent with the findings of Shleifer and Summers who suspect that individual investors do herding by following the same signals, such as recommendations from brokers or forecasters and greater emphasis on current information(Puji, 2015).

Herding assumes some degree of coordination between a group of agents create coordination may arise in different ways, either because agents share the same information, or they follow the same rumor.After an activation event takes place the information content of the cluster is no longer useful, so all links in the cluster are removed after the order has been placed.(Victor & Martin, 2008).

The Impacts of Herding Behavior

Zaghal and Falkenstein stated that herding behavior was seen more clearly in small stocks because there was little information available.(Oehler et al, 2000).
Tan et alinLingesiya dan Navaneethakrishnan statethatacademic researchers also put their attention to herding, because its impacts on stock price changes can influence risk and return. This has impacts on the asset pricing theories. Investors may prefer herding if they believe that herding can help them to extract useful and reliable information.(Lingesiya & Navaneethakrishnan, 2014).

Usually, rational investors will ignore following the flow of masses, and this makes market more efficient. In the opposite, herding causes inefficient market, which is usually recognized by speculative bubbles. In general, herding investors act in the same ways as prehistoric men who had a little of knowledge and information and gathered in groups to support each other and get safety in environment (Caparrelli et al., 2004).

Some of negative effect of herding are that investors may make an investment that they don't understand and take risks that are not needed.(Puji, 2015).Meanwhile, there is also evidence of positive effect of herding in stabilizing market prices. Sias and Choiprovide evidence that an increase in demand of stocks caused by herding of institutional investors was positively correlated with short-term stock return in the US stock market during the past three decades (Ryuichi, 2010).

In contrast, some of the recent literature have found not only stabilizing effects of herding in the short-term, but also destabilizing effects in the long term. Brown et al.,provide the evidence indicating that stocks bought by herding of mutual fund managers experienced increase in price in the short-term and a reversal in price in the longer term. Dasgupta et al., also find a similar reversal effect of herding by institutional investors on stock prices in the US market.(Ryuichi et al., 2010).The opinion of researchers stated that the existence of the herding would stabilize the market, although more people think that the effect will create instabilitymarket, and this phenomenon will create a capital outflow mechanism that causes a country to be vulnerable to changessudden in cashflow(Iman, 2012).

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Choi and Skiba find that herding behavior stabilizes prices. Theyconjecture that institutional investors' herding is more likely tostabilize prices if it is driven by fundamental information and destabilize prices if it is irrational behavior. When investors herdbased on fundamental information, the herd will only buy/sell thesecurity until the security's market value is equal to its fundamentalvalue. As a consequence, there are no price reversals in futureperiods. On the contrary, if herding is driven by non-informationbased reasons, security values may be driven well above/belowtheir fundamental values, which causes future price reversals and thus less stable prices (Nicole & Hilla, 2015).

Traditional economic and financial literature assumes that investors who trade without knowledge of the fundamental information (the noise traders) do not have a material impact on asset prices or market stability and the effect they produce can cancel each other's decisions, without leaving an impact on market. But a theoretical framework to show how the noise traders trade based on rumors rather than information had a big impact on financial markets and asset prices.The noise trading can accumulate and move the asset price away from the overshoot for a long time.Such price movements may not have fundamental support at first but have the potential to change fundamental investor confidence and consequently change subsequent decisions(Delong et al.,1990)

The irrational noise traders with erroneous stochastic beliefs where stochastic is an indicator that describes the buy and sell signals in a stock can affect the price and the higher expected return.Uncertainty in the belief that noise traders create risks to asset prices. As a result, prices can deviate significantly from fundamental values(Delong et al., 1990).

Herding institutions on the stock market have shown that there is a tendency for investors to be in the same market at the same time.Institutional investors rely on interpersonal, fashion and rumor communication. Herding can affect the strength behind stock price movements(Oehler et al., 2000).

Every price formed on the market represents the consensus of the trading crowd.The market can move swinging from an optimistic and pessimistic situation forming price fluctuations.It is this crowd behavior or market behavior that finally forms a mutually agreed price (Desmond, 2017).

If market participants do herding, then the behavior will cause changes in stock prices that it will have implications forrisk and return of asset. It will cause price of an asset to be over-priced or under-priced, or different from its fundamental value and not reflect information from actual condition of the company's fundamentals.Herding can also increase the volatility of a stock or market.

Risk in Islam

Ibnu Taymiyyah (1328), the risksare divided into two categories, commercial risk (*khathar al-tijarah*) which is when someone buys a commodity to sell to make a profit and then put his trust in God for the results. This risk is a type of risk that must be taken by traders and although a trader can lose money, it is the nature of commercial business. The other type of risks is gambling (*al-maysir*).

Damage or negative impacts of herding behavior are that investors may make an investment that they don't understand and take risks that are not needed.If market participants do herding, it will cause changes on stock prices and implications for risk and return of asset. Islam has directed men about how to manage risk.Risk means a failure, loss and danger.This is also one of the investment factors where one must spend time to understand the selection of specific investment instruments from new adventures.

We may just plan a business activity or investment, but we can't make sure what will we get from the results of investment, whether profit or loss. This is the sunnatullah or the provisions of Allah as stated by the Prophet Muhammad in surah Al-Hasyr verse 18, Allah says, "*O you who have believed, fear Allah . And let every soul look to what it has put forth for tomorrow - and fear Allah . Indeed, Allah is Acquainted with what you do*."(QS. Al Hasyr: 18).

The concept of uncertainty in Islamic economics is one of the important pillars in the Islamic risk management process.Naturally, in business activities, in this world no one wants a business or investment to suffer losses. Even at the macro level, a country also expects a positive trade balance. The Islamic rule of return and risk is "*al ghunmu bil ghurmi*", meaning that the risk will always accompany every expectation of return or yield.

Risk management in Islam is included in the *ta'aqquli* group,namely legal actions that can be punished by humans. He can change and develop(Nasrun, 2000).

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The scholars have agreed that there are two important rules that must be considered in business transaction, they are the rule of *al-kharaj bidh dhaman* (income is a reward for the burdentaken)and*al ghunnu bil ghurmi*(profit is a reward to bear losses).Both rules are derived from the hadith of the Prophet: "From aisyah ra. that a man buys a male slave. Then the slave lived with him for some time.One day the buyer got a defect in the slave. Then the buyer complained to the Prophet and He decided that the slave should be returned. Then the seller said "*O Messenger of Allah. Did he really employ my slave?*". Then the Messenger of Allah said: "*profit is a reward for loss*." (HR. Ahmad, At-Tirmidzi, Abu Dawud, An-Nasai and agreed al-Bani).

The Islamic perspective in managing risk can be assessed from the story of Yusuf in interpretingthe king's dream as stated in Yusuf's verse 43 as follows: "*And (subsequently) the king said, "Indeed, I have seen (in a dream) seven fat cows being eaten by seven that were lean, and seven green spikes (of grain) and others (that were) dry. O eminent ones, explain to me my vision, if you should interpret visions*." (QS. Yusuf. 43).

The story of Yusufinterprete the dream of the king as described in Qur'an surah Al-Yusuf: 46-49 as follows,

> [*He said], "Joseph, O man of truth, explain to us about seven fat cows eaten by seven [that were] lean, and seven green spikes [of grain] and others [that were] dry - that I may return to the people; perhaps they will know [about you]."Yusuf said, "You will plant for seven years consecutively, and what you harvest leave in its spikes, except a little from which you will eat". Then will come after that seven difficult (years) which will consume what you saved for them, except a little from which you will store. Then will come after that a year in which the people will be given rain and in which they will press (olives and grapes)."*

From paragraphabove, the risk management process is implemented by Yusuf through understanding, evaluating, measuring and managing risk. Al-Qur'an and Hadith teach us to carry out activities with calculations in dealing with risks.

Islam also teaches rules "*la darara wa la dirara*", we are not allowed to involve ourselves in a crime that will harm or destroy ourselves without any effort to minimize the danger. Even in surah Al-Baqarah verse 195,God says:"*do not throw (yourselves) with your (own) hands into destruction (by refraining*)*"*.This rule encourages us to be more careful in managing business, so that every risk can be minimized and managed properly.

According to Rosly, Islam supports decision makers to take risk because of the principle "*al ghurmu bil ghunmi"*. Profits can be recognized in Islam if it produces added value (*kasb*), done with business work, and there is an element of risk (*ghorm*) that must be borne.(Rosly, 2005). In the hadith also told, one of companions of the Prophet Muhammad who leaves his camel without being tied to something, like a tree, a pillar, etc., then leaves.He asked "*Why don't you tie it*?" He replied, "*I have put my trust in God*".The Messenger of God can't approve the person's thinking, then says, "*tie it first then trust in God*". In short, tawakkal without prior effort is wrong in Islam.The purpose of tawakkal is to surrender to God after trying and working properly. The meaning of tawakkal is defined as risk management.Thus, Islam gives a signal to manage the risk as well as possible, as the Qur'an and Hadith teach us to carry out activities with very mature calculations in risks.

Halal perspective about herding behavior

The principal meaning of halal does not contain damage in all aspects. Thus, it is prohibited of doing any action which leads to unknown foundation, so it could result negative impacts. The halal perspective in herding behavior is to explore how the concept of herding behavior can have an impact for investors and how the herding behavior criteria in halal perspective, so investors can avoid these negative effects generated.

Herding behavior is a behavior that follows a crowd. If herding is done blindly, without knowledge, the level of risk might arise will tend to be higher. From Aisha ra. Indeed the Messenger of God. said, "*Indeed, God loves someone, when working, does it professionally*". (Reported by Thabrani, No. 891, Baihaqi, No. 334).

Responsibility in Qur'an, "*And do not pursue that of which you have no knowledge. Indeed, the hearing, the sight and the heart - about all those (one) will be questioned.*" (QS. Al-Isra': 36).

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Islam teaches to do things professionally, earnestly, and let us have sufficient knowledge in them. Of course, when Islam forbids something, it means that there is a danger to be avoided. Indirectly, impacts of herding behavior in hadith, "*the example of a good companion (who sits with you) in comparison with a bad one, is like that of the musk seller and the blacksmith's bellow (or furnace), from the first you would either buy musk or enjoy its good smell while the bellows would either burn your clothes or your house, or you get a bad nasty smell thereof.*" (Reported by Bukhari, No. 2101).

From Abu Hurairah ra, Rasulullah saw. say: "*Someone will match the habits of his best friend. Therefore, pay attention to who will be your best friend.*" (Reported by Abu Daud, No. 4833, Tirmidzi, No. 2378, and Ahmad 2,344).

The above argumentsare illustration of how the impact of following others.If an investor follows a professional investor in a stock transaction, he will get benefit.Vice versa. So that an investor who wants to follow the transaction behavior of other investors must make sure who will be used as model.In stock investment, the behavior of following investors' transactions is not optimal behavior. Moreover, if an investor does not understand well what he is following, as a result he will be trapped at a certain price that it will eventually cause losses.However, if an investor really wants to make a transaction but does not have a direction, he should be sure to ascertain who investor thathe follow, and how about his cognitive abilities, experience, knowledge, and track record of the results of transaction owned.In addition, herding behavior in investment should be supported by a number of fundamental information that supports every decision made.Thus, herding behavior by referring to investors who have capability is a good thing and of course these investors must also learn a number of knowledge about stock investments so that later they will get positive returns and avoid a loss.

Herding's behavior supported by a number of fundamental information can be classified in the *Sadd Az Zhariah* rules, it means closing the road to damage. According to scholars of ushul fiqh, "*Prevent everything (words or deeds) that convey to something that is prevented/prohibited that contains damage or danger*". So, *sadd az zariah* is a method of extracting Islamic law by preventing, prohibiting, closing roads or making sure a job. They are initially allowed because that can cause damage.

We can determine that work could convey benefit, it is required to do. While work could conveys damage and neglect is prohibited.The rule of fiqh states that rejecting damage is preferred than attracting benefit.

The number of scholars put*maslahat* (benefit) and *mafsadat*(danger) factors as a consideration in establishing a law, one of them in this method of *sadd az-zhariah*.If the dominant maslahat is permissible, while if the mafsadat is dominant, it must be abandoned.However, if both are strong, we must take principles"*Refusing damage takes precedence than attracting benefit*" (Amir, 2011).

Based on the explanation above, fundamental information in herding behavior can be classified in *sadd az zhariah*. Because this information can avoid the risk of loss on stock investments.

Conclusions

The author summarizes the following points in studying herding in Islamic views:

1. Al-Qur'an

   Surah Al-Baqarah verse 195, God says: "*Do not throw (yourselves) with your (own) hands into destruction (by refraining*)". Surah Al-Isra' verse 36, "*And do not pursue that of which you have no knowledge. Indeed, the hearing, the sight and the heart - about all those (one) will be questioned.*"

2. Hadith

   From Aisha ra. Indeed the Messenger of God. says, "*Indeed, God loves someone who, when working, does it professionally*". (Reported by Thabrani, No. 891, Baihaqi, No. 334). Islam views herding behavior in a hadith, "*The example of a good companion (who sits with you) in comparison with a bad one, is like that of the musk seller and the blacksmith's bellow (or furnace), from the first you would either buy musk or enjoy its good smell while the bellows would either burn your clothes or your house, or you get a bad nasty smell thereof.*" (Reported by Bukhari, No. 2101). From Abu Hurairah ra, Rasulullah saw. say: "*Someone will match the habits of his best friend. Therefore, pay attention to who will be your best friend.*" (Reported by Abu Daud, No. 4833, Tirmidzi, No. 2378, and Ahmad 2,344).

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3. Kaidah Ushul Fiqh
   Islamic rule :"*La darara wa la dirara*", we are not allowed to involve ourselves in a crime that will harm or destroy ourselves without any effort to minimize the danger. This rule encourages us to be more careful in managing business, so that every risk inherent can be minimized and managed properly. By knowing the level of risk needed to minimize potential losses. "*Al ghurmu bil ghunmi*". Profits can be recognized in Islam if it produces added value (kasb), done with business and there is an element of risk (*ghorm*) that must be borne. The *sadd az zhariah* rules, it means closing the road to damage. It is a method of extracting Islamic law by preventing, prohibiting, closing roads or making sure a job is initially allowed because it can cause something that causes damage. "*Prevent everything (words or deeds) that convey to something that is prevented / prohibited that contains damage or danger*".

4. Theopinions of experts in literature about negative impacts of herding behavior.
   Investors may be ignoring their private information and in the process driving prices away from their fundamental values. Herding is not based on fundamental information and destabilizes security prices. Herding impacts on stock price changes can influence the attributes of risk and return models. Herding causes inefficient market, which is usually recognized by speculative bubbles. Investors may make an investment that they don't understand and take risks that are not needed. Stocks bought by herding of mutual fund managers experienced increase price in the short-term and a reversal price in the longer term. Herding can increase the volatility of a stock or market.
5. Theopinions of experts in literature about positive impacts of herding behavior
   Investors may prefer herding if they believe that herding can help them to extract useful and reliable information. Herding is driven by fundamental information and actually makes security markets more efficient and stabilize prices because prices adjust faster to new information. Investors that follow the expert can increase an high return.

Herding behavior is a behavior that follows a crowd. If the behavior is done blindly, without the knowledge, the level of risk that might arise will tend to be higher. Islam teaches to do things professionally, earnestly, and let us have sufficient knowledge in them. Of course, when Islam forbids something, it means that there is a danger to be avoided. In stock investment, the behavior of following investors' transactions is indeed not optimal behavior. Moreover, if an investor does not understand well what he is following, as a result he will be trapped at a certain price which will eventually cause losses. However, in fact, all the meanings of the people, namely bringing benefits to humans and rejecting their misunderstanding, are impossible to obtain except through the causes that convey us to the intent. Thus, we can determine that work that conveys benefit, is required to do it, and work that conveys damage and neglect is prohibited from doing it.

The rule of fiqh states that rejecting damage is preferred over attracting benefithence a number of fundamental information that supports this herding behavior can be classified in sadd az zhariah. Because this information can avoid the risk of loss on stock investments. An overview of how the impact of following others. If an investor follows a professional investor in a stock transaction, he will get a benefit. Vice versa. So that an investor who wants to follow the transaction behavior of other investors must make sure who will be used as the role model. , if an investor really wants to make a transaction but does not have a direction, he should be sure to ascertain who the investor followed the decision, and how his cognitive abilities, experience, knowledge, and track record of the results of the transaction owned. In addition, herding behavior in investing should be supported by a number of fundamental information that supports every decision made. Thus, herding behavior by referring to investors who have capability is a good thing and of course these investors must also learn a number of knowledge about stock investments so that later they will get positive returns and avoid a loss. It is an halal perspective about herding behavior and also its criteria.

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