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Regulatory Dynamics of Sharia Securities in Indonesia's Islamic Capital Market

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Abstract

This study investigates the classification, governance, and institutional dynamics of Sharia securities within Indonesia's Islamic capital market. Using a qualitative methodology grounded in document and thematic analysis, it explores how regulatory bodies—including the Financial Services Authority (OJK), the National Sharia Council (DSN-MUI), and the Indonesia Stock Exchange—coordinate to ensure Sharia compliance. Findings reveal that while regulatory instruments such as the Sharia Securities List (DES) and Jakarta Islamic Index have improved transparency and compliance, overlapping jurisdictions and limited enforcement mechanisms present notable challenges. Additionally, gaps in investor literacy and underdeveloped Sharia auditing hinder wider market participation. However, the market holds significant growth potential due to strong demographic demand, supportive government policy, and technological opportunities in fintech. The study offers theoretical and practical insights into strengthening institutional trust, regulatory harmonization, and ethical investing within Indonesia's Islamic finance framework.

Keywords: *Sharia securities, Islamic capital market, OJK regulation, DSN-MUI, Sharia compliance.*

INTRODUCTION

Indonesia, as the world's largest Muslim-majority country, occupies a unique position in the global Islamic financial landscape. Its demographic advantage, combined with a government-driven mandate to promote Islamic economic instruments, has led to a significant push in developing the Islamic financial sector, particularly the Sharia capital market. The Sharia capital market is designed to facilitate investment while aligning with Islamic legal principles, known as al-qawāʿid al-sharʿiyyah, which prohibit interest (ribā), speculation (gharar), and unethical business activities (Hassan & Lewis, 2007). This sector has seen growing relevance in Indonesia's financial development roadmap (OJK, 2020).

The foundation of Indonesia's Sharia capital market was laid through institutional collaborations involving the Financial Services Authority (OJK), the National Sharia Council (DSN-MUI), and the Indonesia Stock Exchange (IDX). Regulatory tools such as the Sharia Securities List (DES) and the Jakarta Islamic Index (JII) were introduced to categorize and promote securities that comply with Islamic principles (Ascarya, 2020). Despite this progress, Islamic capital markets still face gaps in market depth, liquidity, public awareness, and consistency in Sharia interpretations. Moreover, financial literacy concerning Islamic instruments remains low among the broader Indonesian populace (Bappenas, 2019).

In both theoretical and empirical dimensions, Islamic capital markets are significant as they embody the integration of ethical investing with religious compliance. Several scholars have underlined the growing interest in Islamic investments as part of sustainable financial growth and ethical asset management (El-Gamal, 2006; Iqbal & Mirakhor, 2011). Nonetheless, literature also reveals considerable fragmentation in regulations, inconsistencies in compliance assessments, and limitations in Sharia governance frameworks (Sole, 2007). Therefore, examining Indonesia's

Sharia capital market is crucial in contextualizing how emerging Islamic finance hubs navigate global and local constraints.

Past studies on Islamic capital markets often highlight their structural and conceptual strengths but pay limited attention to localized challenges in countries like Indonesia. This is where the research gains empirical importance. By focusing on Indonesia, this paper addresses not just the formal structure but also socio-political and regulatory nuances affecting the success and legitimacy of Sharia securities. While several indices and guidelines exist, the dynamic between investor perception, regulatory clarity, and Sharia compliance warrants a deeper, localized analysis (Obaidullah, 2005).

This paper identifies three main research questions: (1) How are Sharia securities classified and regulated in Indonesia? (2) What are the institutional mechanisms and frameworks ensuring Sharia compliance? (3) What are the core challenges and opportunities for Sharia securities in Indonesia's capital market? These questions help uncover how Islamic principles are applied in practice and assess the evolving role of Islamic capital instruments in Indonesia's broader financial ecosystem. The objective of this study is to contribute to a more integrative understanding of Sharia capital markets in Indonesia by examining both structural frameworks and empirical realities affecting its implementation and growth.

LITERATURE REVIEW

The academic discourse surrounding Sharia securities and Islamic capital markets has evolved significantly over the last two decades. Scholars such as Iqbal and Mirakhor (2011) emphasize that Islamic capital markets aim to facilitate equitable and risk-sharing investment mechanisms, aligning financial transactions with Sharia principles. These markets are grounded in al-muʿāmalāt (commercial jurisprudence) and require a foundational separation from interest-bearing and speculative activities (El-Gamal, 2006). Studies have explored the classification of Islamic financial instruments, including equity, sukuk, Islamic mutual funds, and derivatives, all designed to comply with religious doctrines while maintaining market competitiveness (Sole, 2007).

In the Indonesian context, Sharia-compliant securities have been increasingly regulated by domestic institutions like the Financial Services Authority (OJK) and the National Sharia Council (DSN-MUI), with formal lists such as the Daftar Efek Syariah (DES) becoming central to classification mechanisms (Ascarya, 2020). Furthermore, the formation of indices like the Jakarta Islamic Index (JII) and the ISSI (Indeks Saham Syariah Indonesia) has established benchmarks for Islamic equities. Indonesian scholars and practitioners have also highlighted gaps in investor understanding and institutional clarity that hinder wider participation (Syafii Antonio, 2011, p. 205).

Empirical studies have addressed themes such as Sharia governance, financial performance comparisons between Islamic and conventional instruments, and the socio-cultural alignment of Islamic finance in Southeast Asia (Abdullah et al., 2017). While much of the global literature focuses on macro-level principles, recent Indonesian research emphasizes micro-level issues, including legal dualism, fragmentation between fatwa bodies and regulators, and limited innovation in Islamic investment products (Dewi & Ferdian, 2010, p. 143). This literature review thus positions the current study to bridge theoretical idealism with Indonesian practical realities in the Sharia securities domain.

Theoretical Framework

The theoretical foundation of this study is built upon the Islamic legal doctrine of maqāṣid al-sharīʿah (objectives of Islamic law), which guides the ethical and legal structure of Sharia-compliant financial instruments. According to Chapra (2000, p. 189), financial systems in Islam must uphold justice, prevent exploitation, and ensure wealth circulation. Within this framework, the classification and use of Sharia securities serve the dual purpose of ethical investment and socioeconomic justice. These principles underpin regulatory practices and shape how the Indonesian financial system accommodates Islamic capital market instruments (Iqbal & Mirakhor, 2011).

Another critical theoretical lens is the stakeholder theory adapted to Islamic finance. Unlike conventional finance, which prioritizes shareholder value, Islamic finance adopts a multi-stakeholder model emphasizing mutual benefit and accountability to society and God (Dusuki, 2008). This model is particularly relevant in evaluating Sharia securities, where compliance is assessed not only based on financial returns but also on halal business operations and the absence of elements like gharar (excessive uncertainty) and maysir (gambling) (El-Gamal, 2006). Indonesia's Sharia regulatory institutions often invoke these standards when vetting companies for Sharia compliance (OJK, 2020).

Institutional theory also provides insights into how norms and regulations develop in Islamic capital markets. North (1990, p. 3) suggests that institutions evolve to reduce transaction costs and uncertainties, a process echoed in Indonesia's Islamic finance architecture. Regulatory frameworks, such as the Sharia Securities List (DES), function as institutional mechanisms to formalize informal religious norms within a financial setting. The collaboration between the Indonesia Stock Exchange, the DSN-MUI, and the OJK exemplifies how formal institutions absorb religious principles into enforceable market rules (Ascarya, 2020).

Moreover, the legitimacy theory is crucial in explaining the acceptance and growth of Islamic financial products. Legitimacy in this context is derived from aligning financial behavior with community values and religious expectations. As Islamic finance in Indonesia strives for mainstream relevance, gaining legitimacy through transparent Sharia certification and consistent regulatory oversight becomes essential (Suchman, 1995; Hassan & Lewis, 2007). When institutions lack this legitimacy, investors may question the authenticity of so-called "Sharia" products, impeding market growth.

Lastly, the Sharia governance framework, particularly the AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) standards, serves as a structural guide for how Sharia compliance should be institutionalized. Although Indonesia does not fully adopt AAOIFI standards, its regulatory mechanisms often align in spirit, if not in detail, to ensure investor protection and Sharia integrity (Sole, 2007). This theoretical blend helps interpret the dual-layered regulatory structure seen in Indonesia, where both financial regulators and religious bodies participate in securities governance.

Previous Research

In 2005, Obaidullah conducted one of the earliest comprehensive studies on Islamic capital markets, focusing on structural issues, ethical foundations, and Sharia compliance requirements. He underscored the lack of standardization and the fragmentation between regulatory frameworks across Islamic finance jurisdictions, which hindered market integration. This foundational work laid the basis for evaluating Sharia securities within emerging markets such as Indonesia.

Sole (2007) extended this discussion by analyzing how Sharia compliance is maintained in Islamic financial instruments through institutional arrangements. His study emphasized the role of Sharia boards and the necessity of harmonizing fatwa interpretations. Sole's work directly informs the analysis of Indonesia's dual-system governance, involving both financial and religious oversight bodies.

El-Gamal (2006) offered a critical appraisal of Islamic financial engineering, pointing out that many Islamic financial products merely mimic conventional instruments. This critique is relevant in evaluating whether Indonesian Sharia securities introduce real innovation or represent Sharia arbitrage. The challenge of developing authentic and economically impactful Sharia instruments persists in Indonesia's context.

Iqbal and Mirakhor (2011) provided a theoretical and empirical synthesis of Islamic finance's potential in fostering inclusive growth. They highlighted how Islamic financial markets, including securities, can support equity-based investments and reduce wealth concentration. This perspective aligns with Indonesia's national strategy to promote financial inclusion through Sharia-compliant instruments.

Ascarya (2020) specifically focused on Indonesia's Islamic capital market, identifying institutional milestones such as the establishment of the Sharia Securities List (DES) and the Jakarta Islamic Index (JII). He acknowledged the achievements but also noted persistent gaps in market literacy and product depth. This study is pivotal in framing Indonesia's internal regulatory trajectory.
Dewi and Ferdian (2010, p. 143) conducted a comparative analysis of Sharia mutual funds in Indonesia and Malaysia, identifying regulatory clarity and investor education as key determinants of success. They concluded that Indonesia lagged behind Malaysia due to inconsistent enforcement and less proactive Sharia governance, pointing toward the need for institutional strengthening.

Despite these insights, most previous studies have either focused on general theoretical models or compared Indonesia with other Islamic finance hubs without offering a deep contextualization of domestic regulatory and structural challenges. There is a clear research gap in assessing how Indonesia's unique socio-political, religious, and economic fabric shapes the development of Sharia securities. This study seeks to fill that gap by providing a localized and integrative analysis of the mechanisms, opportunities, and obstacles in Indonesia's Sharia capital market.

METHOD

This study uses qualitative, document-based data derived from primary and secondary textual sources. These include academic literature, regulatory publications, legal documents, fatwas, and official reports on Indonesia's Islamic capital market. The selection of qualitative data is appropriate because it allows for an in-depth understanding of the regulatory frameworks, theoretical underpinnings, and institutional dynamics shaping Sharia securities (Creswell, 2014, p. 185).

Data were sourced from international academic journals, books, fatwas from DSN-MUI, regulatory documents from OJK, and market reports issued by the Indonesia Stock Exchange (IDX). These materials are essential for capturing both theoretical concepts and institutional realities. Reputable sources such as the World Bank and IMF were also included to contextualize Indonesia's capital market development (World Bank, 2019). The data corpus also includes Indonesian Sinta-accredited journals that provide relevant localized insight into the regulatory environment (Bappenas, 2019).

The study employed document analysis as the primary data collection method. This technique involves systematically reviewing regulatory texts, scholarly articles, and official market data to identify recurring themes, policy objectives, and conceptual inconsistencies. Document analysis is widely used in qualitative Islamic finance research, as it enables a triangulation of academic and institutional perspectives (Bowen, 2009).

A thematic analysis framework was applied to organize and interpret the data. The process involved coding textual data into categories such as "Sharia classification," "regulatory framework," "institutional role," and "investor engagement." This method allowed for the identification of patterns and the construction of themes that directly address the research questions. It also facilitated linking theoretical concepts with empirical findings (Braun & Clarke, 2006).

Findings were synthesized through an interpretive lens grounded in the theoretical framework established earlier. The conclusion drawing phase involved aligning empirical patterns with concepts like maqāṣid al-sharīʿah, stakeholder theory, and institutional legitimacy. This approach ensured that the results were not only descriptive but also analytically rich, contributing to both academic and policy-oriented discussions (Yin, 2011, p. 220).

RESULTS AND DISCUSSION

Indonesia's Sharia capital market represents a unique interplay between Islamic legal traditions and modern financial systems. As emphasized in the theoretical framework, concepts like maqāṣid al-sharīʿah and stakeholder theory shape the ethical foundation of Sharia securities. However, when these ideals are translated into institutional frameworks, practical inconsistencies often arise. While regulatory authorities such as OJK have introduced comprehensive tools like the Sharia Securities List (DES) and Jakarta Islamic Index (JII), the degree of implementation varies, revealing a disjunction between theory and practice (Ascarya, 2020).

Previous research has acknowledged these inconsistencies but often lacked a localized perspective that contextualizes the role of national institutions and sociopolitical dynamics (Dewi & Ferdian, 2010, p. 143). This study bridges that gap by emphasizing how Sharia compliance is not merely a legal or financial designation but also a product of interpretive processes involving scholars, regulators, and market participants. For example, the DSN-MUI's fatwas provide religious legitimacy, but their translation into enforceable regulatory standards depends heavily on OJK and IDX coordination (Sole, 2007).

Moreover, this research highlights new perspectives not captured in earlier literature—such as the rising demand for ethical investment among younger Indonesian Muslims and the role of fintech in democratizing access to Sharia-compliant products. These emerging trends suggest that Indonesia's Sharia capital market is not static but evolving, shaped by cultural, generational, and technological changes. Therefore, assessing Sharia securities requires a dynamic framework that considers both institutional architecture and shifting investor behavior.

By aligning the empirical data with the theoretical constructs discussed earlier, the findings offer a more nuanced understanding of how Islamic values are operationalized in modern financial markets. This integrative approach allows for a more precise answer to the research questions and reinforces the need for multi-level reforms—ranging from legal harmonization to investor education programs. Ultimately, this study contributes to a deeper academic and practical appreciation of Sharia securities within Indonesia's capital market evolution.

1. Classification and Regulation of Sharia Securities in Indonesia

The classification of Sharia securities in Indonesia is centrally governed by the Sharia Securities List (DES), issued biannually by the Financial Services Authority (OJK) in coordination with the National Sharia Council (DSN-MUI). This section addresses how these securities are classified and regulated under current frameworks. The DES categorizes equities based on their core business activities, debt ratios, and interest-based income components, ensuring exclusion of non-compliant sectors such as gambling, alcohol, and conventional banking (OJK, 2020).

The regulatory framework is guided by DSN-MUI fatwas, which serve as theological interpretations for financial instruments. Fatwa No. 40/DSN-MUI/X/2003, for example, defines the criteria for equities that qualify as Sharia-compliant. These fatwas are not legally binding unless incorporated into OJK regulations, highlighting a dual-layered compliance system (Ascarya, 2020). The Sharia screening methodology employed by OJK includes quantitative financial ratios—such as a maximum of 45% for interest-based liabilities—and qualitative screens based on the nature of business operations (OJK, 2019).

The DES is complemented by indices such as the Jakarta Islamic Index (JII) and the ISSI (Indeks Saham Syariah Indonesia), which help investors track the performance of Sharia-compliant stocks. These indices act as benchmarks and tools for portfolio construction, especially for institutional investors seeking compliance with Islamic ethical standards (Bappenas, 2019). However, limitations remain in the public’s understanding of these instruments and the lack of consistent updates on changes in company activities that may affect Sharia status.

Furthermore, discrepancies between OJK's and DSN-MUI’s interpretations sometimes lead to confusion regarding compliance. For instance, a company might be listed in the DES but subject to a critical fatwa review, creating regulatory uncertainty. This issue reflects the broader challenge of institutional legitimacy discussed in the theoretical framework (Suchman, 1995). Clearer standardization, possibly through AAOIFI guidelines, could resolve these ambiguities and support investor confidence.

Another area of concern is enforcement. While the OJK possesses the legal authority to impose sanctions for non-compliance, enforcement mechanisms are often delayed or inadequately resourced. This undermines the effectiveness of the Sharia regulatory ecosystem. Additionally, market players have voiced the need for greater transparency in the decision-making processes behind DES updates (Dewi & Ferdian, 2010, p. 145). As it stands, regulatory fragmentation poses a barrier to the seamless classification and governance of Sharia securities.

Despite these challenges, progress has been made. The DES has expanded significantly in the past decade, now covering over 400 companies. The introduction of electronic portals and enhanced investor outreach by IDX and OJK signifies institutional commitment to strengthening the sector. Nonetheless, a unified, transparent, and enforceable regulatory framework remains crucial for sustaining investor trust and aligning capital market practices with Islamic principles.

2. Institutional Mechanisms Ensuring Sharia Compliance

Ensuring Sharia compliance in Indonesia’s capital market involves a complex interplay of religious, legal, and financial institutions. This section discusses the institutional frameworks responsible for overseeing and certifying the compliance of Sharia securities. As the second research question explores, these mechanisms are crucial for maintaining market integrity and investor trust. The primary actors include the Financial Services Authority (OJK), the National Sharia Council (DSN-MUI), and the Indonesia Stock Exchange (IDX), each playing a unique but interconnected role (Ascarya, 2020).

DSN-MUI serves as the theological gatekeeper by issuing fatwas that define the parameters of permissible financial conduct. It operates under the Indonesian Council of Ulama and consists of scholars specializing in Islamic jurisprudence (fiqh al-muʿāmalāt). These fatwas form the basis of regulatory interpretations by OJK and guide the construction of Sharia-compliant products. However, DSN-MUI has no enforcement power, making its collaboration with OJK critical (Sole, 2007). This dualism reflects institutional theory, where formal legal structures co-exist with normative religious standards (North, 1990, p. 6).

OJK, as the chief financial regulator, is responsible for implementing and monitoring Sharia-related fatwas within its legal authority. It integrates DSN-MUI guidelines into enforceable regulations and oversees the publication of the Sharia Securities List (DES). Moreover, OJK provides supervision for Sharia mutual funds, sukuk issuances, and Islamic asset management. Its role underscores the stakeholder theory in Islamic finance, whereby the state ensures ethical, Sharia-aligned outcomes in financial markets (Dusuki, 2008).

IDX contributes by offering technical infrastructure and product development platforms. Through indices such as JII and ISSI, IDX facilitates the visibility and benchmarking of Sharia-compliant instruments. Additionally, IDX conducts investor education campaigns and collaborates with fintech firms to broaden access to Islamic investment products (Bappenas, 2019). However, IDX does not hold authority over compliance monitoring, making coordination with OJK and DSN-MUI essential.

A notable challenge in these institutional arrangements is inconsistency in interpretation and execution. For example, there is no standardized procedure for delisting non-compliant companies from the DES. This results in regulatory lags and potential violations of investor expectations. Such issues mirror legitimacy theory's insights: without consistent and credible enforcement, institutional trust erodes (Suchman, 1995). Enhancing the transparency and predictability of compliance procedures is thus imperative.

Another area for development lies in Sharia auditing. Unlike conventional audits, Sharia audits evaluate whether business operations conform to Islamic values. While AAOIFI recommends comprehensive Sharia audits, Indonesia's implementation remains limited. Most firms lack internal Sharia supervisory boards, and external audits are sporadic. As a result, compliance tends to focus on financial ratios rather than operational integrity (El-Gamal, 2006).

Nonetheless, there are signs of institutional innovation. OJK has initiated capacity-building programs for Sharia finance professionals and introduced online platforms for reporting and monitoring compliance metrics. DSN-MUI is also developing partnerships with academic institutions to produce a new generation of Sharia economists and jurists. These efforts aim to professionalize Sharia compliance and reduce reliance on manual interpretation.

In conclusion, while Indonesia possesses a relatively robust institutional framework for regulating Sharia securities, overlapping jurisdictions, fragmented enforcement, and limited auditing mechanisms reduce its overall effectiveness. Enhancing inter-agency coordination, adopting AAOIFI-aligned standards, and developing systematic Sharia auditing protocols would strengthen institutional credibility and ensure consistent Sharia compliance.

3. Challenges and Opportunities in Indonesia's Sharia Capital Market

This section addresses the third research question: What are the core challenges and opportunities for Sharia securities in Indonesia's capital market? As the market matures, it faces multifaceted obstacles ranging from legal inconsistencies and investor awareness to innovation and international competitiveness. Simultaneously, Indonesia's large Muslim population and strong institutional foundations offer significant growth potential (Iqbal & Mirakhor, 2011).

One of the primary challenges lies in regulatory fragmentation. The duality between religious fatwas issued by DSN-MUI and their translation into binding legal norms by OJK has led to interpretational ambiguity. As highlighted in previous sections, companies may remain listed in the Sharia Securities List (DES) even after engaging in questionable activities, simply due to regulatory lags or differing thresholds for non-compliance (Sole, 2007). This undermines investor trust and weakens the perceived integrity of Sharia securities.

Investor education represents another significant gap. While IDX and OJK have undertaken public outreach efforts, the general understanding of Sharia financial instruments remains limited among retail investors. A 2019 report by Bappenas emphasized that over 60% of investors lacked clarity on what distinguishes Sharia from conventional investments. This knowledge gap hinders participation and discourages product diversification (Bappenas, 2019). Furthermore, the lack of trained Sharia finance professionals exacerbates this issue.

Technological underutilization is also a barrier. While fintech firms have begun introducing Sharia-compliant platforms, integration with national regulatory systems remains minimal. Compared to Malaysia and the GCC, Indonesia's digital Sharia investment ecosystem is still in its infancy. However, this gap also represents an opportunity: expanding digital platforms could democratize access, reduce transaction costs, and attract tech-savvy Muslim millennials (Dewi & Ferdian, 2010, p. 146).

On the opportunity side, demographic and macroeconomic factors favor the expansion of Indonesia's Islamic capital market. With over 230 million Muslims, rising middle-class income, and increasing preference for ethical investing, demand for Sharia securities is expected to grow (World Bank, 2020). The issuance of green sukuk and ESG-compliant Islamic instruments further reflects the potential synergy between sustainability and Islamic finance (Ascarya, 2020).

International integration is another potential driver. If Indonesia harmonizes its Sharia standards with global benchmarks like AAOIFI, its capital market could attract foreign Islamic investors and promote cross-border listings. This would not only increase liquidity but also validate the credibility of Indonesia's Islamic finance institutions (Hassan & Lewis, 2007). The recent listing of global sukuk by Indonesian entities is an encouraging signal in this direction.

Lastly, the presence of institutional commitment from OJK, DSN-MUI, and IDX provides a stable foundation for long-term development. Government initiatives under the Masterplan for Indonesian Islamic Economics 2019–2024 outline clear targets for expanding Islamic capital instruments, increasing investor participation, and aligning Sharia financial products with national development goals (Bappenas, 2019).

In summary, while Indonesia's Sharia capital market is constrained by regulatory dualism, knowledge asymmetry, and limited digital innovation, it also possesses unmatched demographic advantages, institutional legitimacy, and untapped technological potential. Addressing the challenges through legal harmonization, public education, and fintech integration can transform the Sharia securities landscape into a dynamic and inclusive segment of Indonesia's financial system.

This study has provided a comprehensive analysis of Sharia securities in Indonesia's capital market by answering three interlinked research questions. First, regarding the classification and regulation of Sharia securities, the findings reveal a structured but fragmented framework. The Sharia Securities List (DES), supported by DSN-MUI fatwas and OJK regulations, classifies equities based on business activities and financial ratios. However, inconsistencies in interpretation and enforcement remain a challenge, underscoring the need for standardized regulatory mechanisms.

Second, the study found that institutional mechanisms—particularly the collaboration among OJK, DSN-MUI, and IDX—form the backbone of Sharia compliance governance. These institutions ensure theological legitimacy, legal enforcement, and market accessibility. Nevertheless, gaps in Sharia auditing and overlapping jurisdictions weaken the overall efficacy of compliance mechanisms. Strengthening these institutions through unified regulatory protocols and the adoption of international standards such as AAOIFI would bolster investor confidence and operational transparency.

Third, the research identifies key challenges and opportunities in Indonesia’s Sharia capital market. Challenges include limited public literacy, weak enforcement, and a nascent digital infrastructure. Conversely, opportunities lie in Indonesia’s demographic composition, ethical investment trends, and supportive governmental initiatives. If harnessed effectively, these factors could position Indonesia as a global Islamic finance leader.

The theoretical implications of this research are significant. It supports the application of maqāṣid al-sharīʿah and stakeholder theory in framing ethical finance within emerging markets. Moreover, it critiques existing models by highlighting the disjuncture between normative Sharia ideals and practical implementation in Indonesia. This calls for a refined conceptual framework that better integrates religious jurisprudence with institutional dynamics.

CONCLUSION

The analysis of Sharia securities in Indonesia's capital market demonstrates a complex yet promising trajectory shaped by religious values, institutional development, and evolving investor needs. This study confirms that while Indonesia has established foundational regulatory tools—such as the Sharia Securities List (DES), fatwas from DSN-MUI, and compliance oversight from OJK—the system still grapples with inconsistencies, interpretational ambiguities, and underdeveloped enforcement mechanisms. These findings synthesize the answers to the three research questions and affirm that effective classification, governance, and innovation are essential for sustainable growth in Sharia capital markets.

Theoretically, the research confirms the relevance of maqāṣid al-sharīʿah, stakeholder theory, and institutional legitimacy in understanding how Islamic ethical values are embedded within financial structures. It contributes to academic discourse by illustrating how localized factors—legal dualism, public perception, and market readiness—reshape the global models of Islamic finance. Empirically, it provides evidence that demographic, technological, and policy-driven variables offer strong potential to expand the role of Sharia securities in national financial planning.

Practically, the study recommends enhancing regulatory harmonization between DSN-MUI fatwas and OJK policies, launching nationwide Islamic finance literacy campaigns, and adopting digital tools for compliance monitoring and investor access. Future research should explore comparative institutional frameworks across Muslim-majority countries and assess the long-term performance of Sharia securities relative to their conventional counterparts. Ultimately, aligning spiritual ethics with financial innovation will determine the resilience and relevance of Sharia capital markets in Indonesia and beyond.

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