Sharia Capital Market in Indonesia

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ABSTRACT
The Islamic capital market has become a strategic component of the Islamic financial system by providing investment instruments that comply with Sharia principles while supporting sustainable economic development. Along with the growing public awareness of halal investment, the Islamic capital market in Indonesia has experienced significant growth. This study aims to analyze the concept of the Islamic capital market in Indonesia, examine its differences from the conventional capital market, identify the factors influencing its development, and evaluate the opportunities and challenges it faces. This research employs a qualitative descriptive approach using the library research method by reviewing scientific literature, laws and regulations, and other relevant references. The findings reveal that the development of the Islamic capital market is driven by supportive government regulations, increasing Islamic financial literacy, advancements in market infrastructure and financial technology, product diversification, and stable economic conditions. However, its development continues to face challenges, including limited public literacy, inadequate product innovation, competition with the conventional capital market, and the need for stronger regulatory support. Therefore, greater collaboration among the government, regulators, financial institutions, academics, and the public is essential to enhance financial literacy, encourage product innovation, strengthen regulatory frameworks, and ensure the competitiveness and sustainability of Indonesia's Islamic capital market.

Keywords: Sharia Capital Market, Indonesia.

INTRODUCTION

Economic development is an important indicator in assessing the success of a country in improving people's welfare. One of the main challenges faced by developing countries, including Indonesia, is the limited capital in financing national development. These limitations can hinder productivity increases, infrastructure development, and the development of strategic sectors. In such conditions, the capital market has a strategic role as an alternative source of financing that is able to raise public funds to be allocated to various productive investment activities. The development of a healthy capital market not only encourages real sector growth, but also contributes to increasing national economic growth through optimizing resource allocation and increasing investment (Widiyanti, Sari, & Novita, 2019). In line with that, Faniyah (2017) explained that investment is an important instrument in economic development because it can increase production capacity, expand employment opportunities, and accelerate sustainable economic growth.

In the Islamic economic system, investment activities must be carried out based on sharia principles that uphold justice, transparency, and avoid the practice of usury, gharar, and maysir. Therefore, the presence of the Islamic capital market is an important part of the development of the Islamic financial system in Indonesia. The sharia capital market not only functions as a means of raising funds and investments, but also as an instrument that connects the interests of investors and issuers through mechanisms that are in accordance with sharia regulations. According to Faozan (2013), all products and transaction mechanisms in the sharia capital market must comply with sharia principles as stipulated in the fatwa of the National Sharia Council-Indonesian Ulema Council (DSN-MUI), so as to be able to provide legal certainty while increasing public trust in sharia investment.

The development of the Islamic capital market in Indonesia shows an increasingly positive trend along with increasing public awareness of halal investment and the development of the Islamic financial industry. The increasing number of shares listed on the Sharia Securities List (DES), the issuance of sukuk by the government and corporations, and the increase in sharia mutual fund products reflect the increasing public interest in sharia investment instruments. According to Masyita (2020), these developments are supported by the innovation of Islamic financial products, government regulatory support, and the increasing need of the public for investment instruments that are in accordance with Islamic values. In addition, research by Isnaini and Muslih (2020) shows that increasing literacy through the Sharia Investment Gallery of the Indonesia Stock Exchange is able to increase students' understanding and interest in investing in Islamic stocks, which ultimately contributes to the expansion of the Islamic investor base.

Despite its great prospects, the development of the sharia capital market in Indonesia still faces various challenges. The relatively low level of Islamic financial literacy, limited public understanding of the characteristics of Islamic investment instruments, and the perception that Islamic investment provides lower returns than conventional investments are still obstacles in increasing investor participation. In addition, strengthening regulations, product innovation, digitizing investment services, and improving the quality of market infrastructure are still needed so that the Islamic capital market is able to compete more competitively. Atikah and Sayudin (2024) emphasized that the opportunities for the development of the sharia capital market are very large, but its success depends heavily on synergy between regulators, industry players, educational institutions, and the community. In line with that, Arifin (2019) stated that increasing Islamic financial literacy is an important factor in encouraging community participation and expanding the inclusion of the Islamic capital market.

Based on various previous researches, discussions about the sharia capital market generally still focus on aspects of the concept, development, and its influence on economic growth separately. Therefore, this study seeks to present a more comprehensive study by integrating a discussion of the concept of the Islamic capital market, its differences from the conventional capital market, factors that affect its growth, and the opportunities and challenges faced in supporting national economic development. Thus, this research is expected to make an academic contribution to the development of sharia economic literature as well as a reference for regulators, practitioners, and investors in strengthening the development of the sharia capital market in Indonesia.

METHODS

This study uses a qualitative descriptive approach with the library research method**.** This method was chosen because the research aims to analyze the concept of the Islamic capital market in Indonesia, its differences from the conventional capital market, the factors influencing its growth, and the opportunities and challenges in its development based on various relevant literature sources. A qualitative descriptive approach is used to provide a systematic overview of the phenomenon studied without performing hypothesis testing.

The data used in this study is secondary data obtained through tracing various scientific sources, such as books, journal articles, previous research results, laws and regulations, fatwas of the National Sharia Council-Indonesian Ulema Council (DSN-MUI), as well as publications from related institutions, such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX). The data collection technique is carried out through documentation studies by identifying, classifying, and examining various references that are related to the research theme.

Data analysis is carried out using content analysis techniques, which are by studying, grouping, and interpreting information obtained from various sources based on the focus of the research. Furthermore, the results of the analysis are presented descriptively to produce a comprehensive understanding of the development of the Islamic capital market in Indonesia. To increase the validity of the data, this study applies source triangulation by comparing information from various scientific references so that objective, systematic, and academically accountable analysis results are obtained.

RESULTS AND DISCUSSION

Concept and Characteristics of Sharia Capital Market

Based on Law Number 8 of 1995 concerning the Capital Market, the capital market is an activity related to public offerings, securities trading, public companies, and institutions and professions related to securities. From a sharia perspective, all of these activities must be free from elements of usury, gharar (uncertainty), maysir (gambling), and business activities that are contrary to Islamic provisions. In addition to being based on the Capital Market Law, the implementation of the Islamic capital market in Indonesia also refers to the Fatwa of the National Sharia Council-Indonesian Ulema Council (DSN-MUI) Number 40/DSN-

MUI/X/2003 which serves as a guideline in the implementation of sharia securities transactions (Ridwansyah, 2019).

According to (Fadilla, 2018) these characteristics are the main differentiator between the sharia capital market and the conventional capital market. Instruments traded in the sharia capital market only come from companies whose business activities are in accordance with sharia principles, while the conventional capital market does not limit the type of business of the issuer. In addition, the Islamic capital market uses the Qur'an, Hadith, and DSN-MUI's fatwa as the operational basis, while the conventional capital market is guided by the applicable positive legal provisions. Another difference can be seen in the supervision mechanism, where the sharia capital market is supervised by the National Sharia Council, as well as the use of sharia indices such as the Jakarta Islamic Index (JII) and the Sharia Securities List (DES). Thus, the sharia capital market is not only oriented towards economic profit, but also emphasizes aspects of ethics, justice, and adherence to Islamic values.

Factors Affecting the Growth of the Sharia Capital Market

Based on the results of a literature review, the growth of the sharia capital market in Indonesia is influenced by various interrelated factors. The first factor is the support of government regulations and policies through the Capital Market Law, various regulations of the Financial Services Authority (OJK), as well as policies that encourage the development of Islamic financial instruments. The regulation creates legal certainty and increases investor confidence in the Islamic capital market. The second factor is increasing public awareness and literacy regarding the importance of investment in accordance with sharia principles. Educational programs carried out by the government, universities, the Indonesia Stock Exchange, and Islamic financial institutions have contributed to the increase in the number of Islamic investors (Umam, 2013).

In addition to regulation and literacy, the growth of the sharia capital market is also influenced by stable national economic conditions, market infrastructure developments, and investment product innovations. Economic stability encourages increasing public interest in investing, while the development of information technology makes it easier to access sharia investment services. On the other hand, diversification of instruments such as sharia stocks, sukuk, and sharia mutual funds provides more investment options according to the needs of the community. The participation of Islamic banks, securities companies, and other Islamic financial institutions also plays an important role in expanding the Islamic capital market ecosystem. In addition, the trend of global Islamic finance development has also opened up opportunities for foreign investment to increase the liquidity and competitiveness of the Indonesian Islamic capital market. These findings show that the development of the sharia capital market is influenced by the synergy between government policies, economic conditions, infrastructure readiness, and increasing public awareness of sharia investment (Umam, 2013).

Opportunities and Challenges for Sharia Capital Market Development in Indonesia

The Islamic capital market has a huge opportunity to continue to grow. Indonesia, as a country with the largest Muslim population in the world, has a wide market potential for the development of sharia investment. Relatively stable economic growth, increasing demand for halal investment products, government support through various policies, innovation in Islamic financial products, and the development of financial technology (fintech) are factors that strengthen the prospects of the Islamic capital market in the future. Easy access to investment through digital platforms also has the potential to increase Islamic financial inclusion and expand public participation in the capital market. This shows that the sharia capital market is not only an alternative investment, but also has the potential to be an important instrument in supporting national economic development through optimizing public fund collection and real sector financing (Fauzan & Suhendro, 2018).

Nevertheless, the development of the Islamic capital market still faces a number of challenges. The low level of public literacy regarding sharia investment causes the use of sharia instruments to be not optimal. In addition, regulations that still need to be improved, competition with more developed conventional capital markets, limited variations in investment products, and market risks and volatility are obstacles that need attention. Therefore, synergy is needed between the government, regulators, Islamic financial institutions, academics, and market participants in improving public education, strengthening regulations, and developing product innovations so that the Islamic capital market is able to contribute more to sustainable national economic development (Fadilla, 2018).

CONCLUSION

Based on the results of the study, it can be concluded that the sharia capital market is part of the Islamic financial system where all activities, instruments, and transaction mechanisms are carried out in accordance with Islamic sharia principles. The existence of the sharia capital market is not only a halal investment alternative, but also has a strategic role in raising public funds to support financing the productive sector and encourage national economic growth. The development of the Islamic capital market in Indonesia is influenced by various factors, including government regulatory support, increasing Islamic financial literacy, economic stability, technological and market infrastructure developments, investment product innovation, and the increasingly active participation of Islamic financial institutions in providing sharia-based investment instruments. In addition, the Islamic capital market still faces a number of challenges, such as the low level of public literacy, limited variations of investment products, competition with conventional capital markets, and the need to strengthen regulations and supporting infrastructure. However, the large number of Muslim populations, increasing public awareness of investments in accordance with sharia principles, and government support in the development of the sharia economy provide great opportunities for the development of the sharia capital market in Indonesia. Therefore, synergy is needed between the government, regulators, Islamic financial institutions, academics, and the public in improving education, product innovation, and regulatory quality so that the Islamic capital market is able to make a more optimal contribution to sustainable national economic development.

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