

Transformation and development of the Islamic Capital Market in the Digitalization Era

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Abstract

The Islamic capital market in Indonesia has experienced significant development since its official establishment in 2003. Digital transformation has been a key factor in driving this market's growth by expanding investor access and improving transaction efficiency and transparency. This study employed a qualitative approach with a literature review method that analyzed various secondary sources, such as scientific journals, Financial Services Authority (OJK) regulations, fatwas from the National Sharia Council (DSN-MUI), and official documents related to the Islamic capital market. The results show that digitalization has significantly contributed to strengthening financial inclusion and Sharia-based supervision of Islamic stocks, sukuk, and mutual funds. Despite challenges such as low financial literacy and the need for regulatory standardization, digitalization opens up opportunities for inclusive and sustainable growth in the Islamic capital market. This study proposes strategic recommendations to strengthen synergy between the government, regulators, and market players in building a Sharia capital market ecosystem in the digital era.

Keywords: *Digitalization, Financial Transformation, Islamic Economics, Sharia Capital Market, Sharia Financial Inclusion*

INTRODUCTION

The Islamic capital market in Indonesia has experienced significant progress since its official launch in 2003. This instrument plays a crucial role in supporting economic growth by implementing Islamic financial principles aligned with Sharia values. Various instruments in the Islamic capital market, such as Islamic stocks, sukuk (Islamic bonds), and Islamic mutual funds, offer ethical investment alternatives that align with Islamic values for the public. The progress of the Islamic capital market has been driven by strict regulations and fatwas from the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) as guidelines for

Sharia compliance. However, the Islamic capital market also faces challenges, including low levels of financial literacy, limited access for new investors, and difficulties in developing Sharia-compliant products.

In today's digital era, digital transformation is a crucial element in accelerating the growth of the Islamic capital market. Digitization provides easy access to the capital market through online platforms that simplify transactions, increase transparency, and expedite the investment settlement process. The use of technologies such as Islamic investment applications, blockchain, fintech, and other digital systems supports financial inclusion while strengthening oversight based on Islamic principles. These changes also lead to new investor behaviors that increasingly emphasize ease and speed in Sharia-compliant investments.

While digitalization offers numerous opportunities for the development of the Islamic capital market, several obstacles remain, such as regulatory challenges, the need for standardization of Sharia-compliant digital products, and the need to increase public literacy and education to better understand Islamic investment instruments in a digital context. Therefore, collaboration between the government, regulators, market players, and academics is crucial to creating an inclusive, transparent, and sustainable Islamic capital market ecosystem in this digital era.

This study aims to investigate digital transformation in the Islamic capital market using a qualitative descriptive approach through a literature review of various reliable secondary sources. The analysis focuses on the development of Islamic capital market instruments and the impact of digitalization on financial inclusion, transaction efficiency, Islamic supervision, and understanding of Islamic finance. It is hoped that the results of this study can provide strategic input to strengthen collaboration between stakeholders in building a modern Islamic capital market aligned with Islamic values.

RESEARCH METHODS

This study uses a qualitative descriptive approach with a library research method to explore the transformation and development of the Islamic capital market in the digital era. The library research method was chosen to examine various relevant secondary sources, such as scientific journals, books, official reports from the Financial Services Authority (OJK), fatwas from the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), and documents and publications related to the Islamic capital market.

This research focuses on Islamic capital market instruments, including Islamic stocks, sukuk, and Islamic mutual funds, as well as the regulatory and digitalization factors influencing their development in Indonesia. Data collection was conducted through a process of searching, selecting, and documenting literature related to the research topic. The data were then analyzed descriptively using content analysis techniques, which involve data reduction, narrative presentation, and thematic conclusions to illustrate the condition and dynamics of the Islamic capital market in a digital context.

This study does not use primary data, but rather relies on credible secondary data to build a theoretical foundation and conceptual analysis related to the Islamic capital market and the impact of digitalization on financial inclusion and market transparency.

RESULTS AND DISCUSSION

A. Development of the Islamic Capital Market in Indonesia

1. conditions and growth of the Islamic capital market

The general condition of the Islamic capital market was officially launched in 2003 and continues to thrive in Indonesia, playing a key role in driving the economy and Islamic finance. Key instruments include Islamic stocks, Islamic bonds (sukuk), and Islamic mutual funds, which have shown growth despite challenges such as literacy and liquidity. (Azwar, 2024). The performance of Islamic stocks is considered relatively better/superior compared to conventional stocks, with the list of Islamic securities increasing from 302 (2013, first period) to 328 (second period), and 408 (2019, first period) and 445 (second period) in the two periods. Islamic capital market regulations do not have specific laws, but are supported by fatwas from the National Sharia Council (DSN-MUI) to ensure sharia compliance. The IDX, OJK, and related parties are actively addressing obstacles through a development roadmap (2015–2019) with further plans for 2020 and beyond. The main obstacle is the lack of knowledge and socialization regarding Islamic capital market products among the public, making literacy a major obstacle to market expansion. Efforts to increase literacy and education through instruments such as government Sukuk (e-SBN), Islamic mutual funds (SAKU), as well as regulatory and institutional support play a significant role in market growth. (Toha et al., 2020).

The Islamic capital market plays a crucial role as a platform for trading securities and investment products compliant with Sharia principles. This development facilitates rapid capital allocation while ensuring compliance with Islamic principles, thus supporting financial inclusion and sustainable economic growth. The Islamic capital market does not exist in isolation; there is a strong synergy between Islamic finance and the Islamic capital market (ICM). This collaboration expands opportunities for ethical financing, risk management, and investment in line with Islamic principles, while enhancing the stability of the global financial system through the adoption of Sharia-compliant instruments such as Islamic stocks, sukuk, and related products. The development of the ICM is driven by technological advances, regulatory reforms, and demographic changes that have increased demand for Sharia-compliant investment options, particularly in Muslim-majority countries. Supportive regulations and Sharia supervisory bodies play a crucial role in facilitating this growth, despite challenges such as regulatory inconsistencies, liquidity, and standardization. These challenges also present opportunities for further integration with traditional financial markets and technological advancements (fintech, blockchain) to improve market accessibility and efficiency. In the context of Malaysia and other Muslim countries, Islamic banking and Islamic capital markets have demonstrated the growth of innovative products and widespread adoption, with examples of Islamic housing products and the shift from conventional to Islamic banking marking the transformation of financial systems in the region. The sustainability of these markets depends on strong governance and legal frameworks to ensure the stability and integrity of Islamic practices. Historically, Islamic capital markets have evolved from a niche market to a powerful force in international finance. Key drivers include investor interest in Islamic-compliant investment options and institutional efforts to regulate and standardize Islamic practices across jurisdictions, despite challenges such as defining standards and establishing uniform Islamic verification processes. Opportunities such as integration with traditional markets and the adoption of technology can expand their reach and effectiveness. (Dey.R., Kassam.S., 2025).

The growth of the Islamic capital market in Indonesia shows very encouraging prospects, driven primarily by Islamic stocks and sukuk instruments. This is supported

by Indonesia's position as the world's largest Muslim population and the growing interest of the younger generation in Islamic investment. Positive indicators such as the rising performance of the Islamic Stock Index (ISSI) and the success of sovereign sukuk demonstrate this market's significant potential as a driving force for the national economy, particularly in infrastructure development and increasing the overall capitalization of the Islamic market. However, several challenges, such as low financial literacy and limited access to information, still need to be addressed jointly by various parties, including educational institutions and the government. This collaborative effort is crucial to foster a better understanding and interest in Islamic investment among the younger generation. Overall, the Indonesian Islamic capital market holds tremendous potential, reinforced by demographic characteristics and the stable growth of Islamic instruments, despite a decline in Islamic mutual funds, which requires further attention.(Wardana, 2024).

2. Development of Sharia Capital Market Instruments

The development of Sharia Capital Market instruments in Indonesia is increasingly structured with the DSN-MUI fatwa framework as the main reference, as well as regulations such as the POJK for criteria for sharia stocks, sukuk, and sharia-based investments (e.g., Sharia stocks, sukuk, and sharia mutual funds) that do not violate the prohibitions on usury, gharar, maysir, and dharar, supported by ecosystems such as KNEKS, Bank Syariah Indonesia, sharia crowdfunding platforms, and professional certification institutions licensed by the OJK, as well as the support of DSN-MUI fatwas that increase public trust. In addition, the increase in the number of investors in the Aceh sharia market after the system conversion to sharia and the existence of supporting infrastructure such as sharia financing institutions and the issuance of fatwas related to instruments such as SBSN Ijarah also encourage the growth of sharia instruments such as sharia stocks, sukuk, and sharia mutual funds that have been recognized and supervised by the OJK.(Sari Yulis Terfiadi et al., 2023).

The Islamic capital market continues to show strong growth, as evidenced by the diversity of available instruments, such as Islamic bonds, Islamic stocks, Islamic mutual funds, and various other products. The market's development has gone through several complex stages, and the future outlook is very promising, opening up opportunities for a wider variety of products and increasing the number of companies listed on the Islamic securities list. These instruments are considered important innovations in Sharia-compliant financing, particularly in Indonesia. However, public trust and participation in the Islamic capital market still need to be improved due to a lack of understanding and knowledge about these products. Therefore, from an instrument perspective, significant development is essential for the Islamic capital market to grow and demonstrate positive performance.

Sharia-compliant stocks are one of the Islamic capital markets with superior performance. This is evident in the statistics, which show a continuous increase from 2016 to 2021. In 2016, the list of Sharia-compliant securities reached 345, while in 2021, the number reached 499. Based on this data, Sharia-compliant stocks have increased by 154% over the past six years.

Chart 1 Sharia stocks

**JUMLAH SAHAM SYARIAH DALAM
DAFTAR EFEK SYARIAH (DES)**
Per Januari 2023



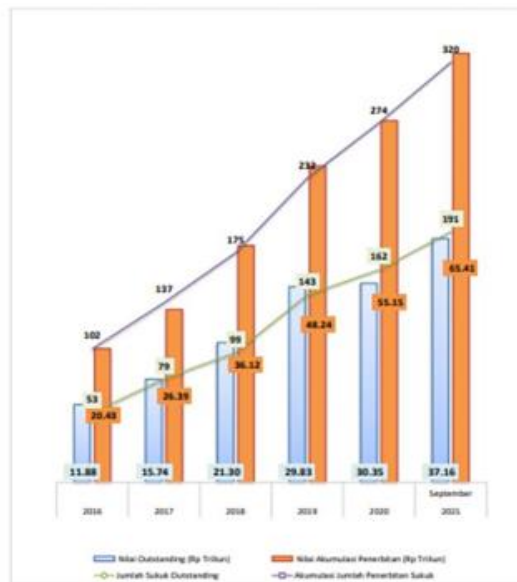
Sharia mutual funds have a sharia capital market portfolio that has continued to grow from 2016 to 2021. As recorded in the sharia capital market statistics managed by the Directorate of Sharia Capital Markets - Financial Services Authority, in 2016 with a NAB of 14.91 trillion to 77.51 trillion in 2021 with a total of 291 sharia mutual funds.

**Graph 2
Sharia Mutual Funds**



Sharia-compliant sukuk, derived from the Arabic word "sakk," meaning certificate or proof of ownership, is a financial instrument distinct from conventional bonds. According to Bapepam-LK Regulation No. IX.A.13, sharia-compliant sukuk are certificates representing ownership of a specific portion of a specified tangible asset, service, project, or investment activity. Statistics show that the value of outstanding sukuk in Indonesia increased from IDR 11.88 trillion in 2019 to IDR 37.16 trillion in 2021, with a total of 320 sukuk issuances. This growth demonstrates that sukuk continue to develop and become an important instrument in the Indonesian sharia capital market each year.

Chart 3
Sharia Bonds



Judging from the development of capital market instruments above, the Islamic capital market can be said to be growing in general. Unfortunately, the development of the Islamic capital market in Indonesia has not been smooth sailing, as the capital market faces various obstacles and challenges.(Khodijah et al., 2023).

B. DIGITAL TRANSFORMATION IN THE ISLAMIC CAPITAL MARKET

The digital era opens up vast opportunities for the development of the Islamic capital market, particularly in expanding access and encouraging investor participation. One of the most important aspects of this digital transformation is financial inclusion, which aims to ensure that all levels of society can enjoy safe, fair, and sharia-compliant financial services. Furthermore, increasing the number and variety of Islamic capital market products is a key strategy to reach a wider audience while meeting their diverse needs for sharia-compliant investment.(Nur Aisyah & Anggara, 2025)In the digital age, investor behavior has also changed. Investors now prioritize convenience, speed, and transparency when investing. Therefore, actors in the Islamic capital market must utilize data and analytics to understand investor preferences and design appropriate strategies. In facing the evolving digital era, collaboration between various parties is key to success. Islamic securities companies, supervisors, financial institutions, fintech companies, and academics need to collaborate to create solutions that are not only innovative but also comply with Islamic principles.(Mubaroq et al., 2025).

Fintech has transformed the way traditional businesses operate, eliminating the need for in-person meetings and cash transactions, replacing them with fast, remote digital processes. Within the framework of local economic development, technological advancements are expected to improve people's lives and contribute to stronger economic conditions. One particularly impactful innovation is peer-to-peer (P2P) lending, which connects lenders with borrowers directly through online platforms.(Law et al., 2025).

With numerous Sharia-compliant investment platforms available, people can expand their financial portfolios while ensuring that each investment aligns with Islamic teachings. People can utilize Sharia-compliant digital investment tools, such as robo-advisors, which provide recommendations on halal stocks, sukuk, and ethical mutual funds. For example, an investor can use a Sharia-compliant investment app to screen stocks and ensure they comply with Sharia law before making a financial decision.(Fitria, 2025).

In the Islamic capital market, the instruments used differ from those found in conventional capital markets. One type of instrument offered is equity, which complies with Islamic law. The following are some of the instruments available in the Islamic capital market:

a. Sharia Stocks

With the potential for high returns, stocks are the most common financial instrument on the stock market. Stocks represent a person or organization's ownership in a company with limited risk. A person can become a shareholder by acquiring shares in a company.

b. Sharia Bonds (Sukuk)

Businesses use bonds as debt instruments to increase Capital reserves. Bond buyers receive facilities paid through coupons. Bondholders lack executive freedom and access to company resources, which are key differences between bonds and stocks. One type of sukuk is sovereign sukuk, also known as State Sharia Securities (SBSN), which aims to support state financing and expenditures and assist in the implementation of government projects in accordance with Sharia principles. However, SBSN issuance must be based on assets in the form of land and buildings, as stipulated by the President of the Republic of Indonesia in 2008. In 2020, 728 government projects in various provinces in Indonesia were financed through this SBSN instrument.(Selasi et al., 2022).

c. Sharia Securities

Because conventional financial instruments use an interest system that is not in accordance with Sharia principles, instruments in the Sharia capital market have an approach that aligns with these principles. Muhammad al-Amin explained that the Sharia capital market is based on concepts such as musyarakah, istishna', mudharabah, salam, murabahah, and ijarah.

d. Sharia Mutual Funds

An investment instrument called a mutual fund pools funds from a number of investors and invests them in various portfolios. These mutual funds are managed by investment managers who adhere to Sharia principles. The collected funds are then distributed among various sectors in accordance with Sharia law, with the goal of providing returns to investors while ensuring investment security through diversification.(Pramono & Fakhriana, 2024).

C. THE IMPACT OF DIGITALIZATION ON THE SHARIA CAPITAL MARKET ECOSYSTEM

1. The Impact of Digitalization on Transaction Efficiency

Digitalization has become a key element in increasing the efficiency of Sharia-compliant capital market transactions. Previously manual activities, such as establishing securities accounts and executing transactions, have now been fully automated using

Sharia-compliant digital investment platforms such as IPOT Syariah, Bibit Syariah, and MOST Syariah. The use of this technology significantly reduces transaction costs and accelerates the settlement process through the integration of online systems.(A. khasanah, Azizah, 2025). Furthermore, features for real-time portfolio monitoring and price fluctuations enable faster and more accurate investment decisions.

From a financial institution's operational perspective, the digitalization process can increase efficiency by utilizing Application Programming Interface (API) technology and cloud computing, enabling data integration between securities companies, Islamic banks, and the Financial Services Authority (OJK). This optimizes reporting procedures and automatically validates data. The application of Artificial Intelligence (AI) and big data analytics in Islamic stock trading accelerates transaction validation while minimizing human error. Furthermore, blockchain technology is used to improve transaction efficiency and security with an immutable, decentralized record-keeping system.(Mubaroq et al., 2025), as evidenced by the implementation of smart contracts in blockchain-based sukuk, which accelerates transaction processes and reduces third-party risks. Therefore, digitalization not only increases technical speed and efficiency but also strengthens investor confidence through a transparent and secure system.(Pramono & Fakhрина, 2024).

2. The Impact of Digitalization on Islamic Financial Literacy

Digitalization has had a significant impact on improving understanding of Islamic financial literacy, particularly among young people and the upper middle class. With digital platforms, information on Islamic investment principles has become more accessible and diverse, through various educational formats such as written materials, online seminars, audio broadcasts, and interactive videos. The integration of educational features into Islamic investment applications—such as trading simulations, educational robo-advisors, and online courses—facilitates public understanding of Islamic investment mechanisms without the need for formal training.(Mubaroq et al., 2025).

Digital media functions as an effective means of Islamic economic da'wah, enabling massive and interactive communication of halal financial concepts.(A. khasanah, Azizah, 2025)Features like virtual trading and practice portfolios within these apps help improve analytical skills for beginners in the investment world. Furthermore, some platforms collaborate with authorized institutions like the Indonesian Ulema Council (DSN-MUI) to ensure educational content complies with applicable Sharia fatwas.

There are significant disparities in digital literacy, particularly in rural or low-income communities, who struggle to access the internet, technological devices, and digital skills. Consequently, understanding of Islamic investment is uneven. Adaptive regulations and fatwas are needed to maintain business ethics and information integrity in the context of digitalization, in line with Islamic values.(Hidayati et al., 2023)Therefore, collaboration between the government, academia, and Islamic financial institutions is essential to create digital literacy programs that are accessible to everyone.

3. The Impact of Digitalization on Investor Inclusion

Digitalization has brought about significant changes in increasing investor engagement in the Islamic capital market. Previously, public participation was hampered by complex administrative procedures and limited available information. With digital platforms, opening securities accounts and conducting transactions online via mobile phones has become possible, reducing location-related barriers. The substantial

increase in the number of Islamic stock investors in Indonesia during 2020–2024 is in line with the increasing use of Islamic investment applications.(Mubaroq et al., 2025).

Product innovations such as Sharia Peer-to-Peer Lending, Sharia Equity Crowdfunding, and Robo-Advisor have expanded the investor base, especially among millennials and communities in remote areas.(Pramono & Fakhрина, 2024)This business model provides an opportunity for individuals to participate with small investments, opening access to more open capital markets. This strategy aligns closely with the maqasid sharia, which focuses on achieving economic prosperity and social justice.

Key challenges such as data security threats, imbalances in digital infrastructure, and Sharia compliance issues in technology still require resolution. Some new investors do not fully understand cyber risks and remain skeptical of digital systems. Education on data security and consumer protection is urgently needed. Strict oversight by the National Sharia Council (DSN-MUI) is also crucial to ensure that every digital product remains compliant with Sharia principles, free from *riba* (usury), *gharar* (gharar), and *maysir* (risk of betting). With proper management, digitalization can be a key tool for increasing Sharia economic inclusion in Indonesia.

4. The Impact of Digitalization on Transparency and Supervision Based on Sharia Principles

Transparency and oversight in accordance with Sharia principles are crucial for ensuring the integrity of the digital investment ecosystem. Digital technology enables more transparent and accountable recording and reporting. The use of halal blockchain technology allows all Sharia capital market transactions to be permanently recorded and verifiable by various parties without the risk of data manipulation. Blockchain enhances transparency and trust because transaction records are public and encrypted in accordance with the principle of trustworthiness.(Fitria, 2025).

Digitalization also strengthens the supervisory role of the DSN-MUI and the OJK by utilizing Regulatory Technology (RegTech). This system automates the monitoring of investment activities and enables faster and more accurate detection of violations of sharia principles. The DSN-MUI adopts an *istiṣlāḥī* benefit based approach in issuing fatwas regarding digital financial technology, ensuring that the technology can be implemented without violating Islamic law as long as it provides benefits and does not cause harm.(A. khasanah, Azizah, 2025).

Digitalization has also increased transparency and equal access to information for investors. Data on Islamic issuers, financial reports, and compliance status can now be accessed online through the official OJK website or investment platforms, enabling investors to make decisions based on accurate and transparent data. By implementing digital data integration, Sharia-based supervision becomes more objective and efficient. This digital innovation demonstrates that technological transformation not only accelerates economic processes but also strengthens moral values and integrity within the Islamic financial system, which is based on justice, honesty, and sustainability.

D. ISLAMIC PERSPECTIVE ON DIGITALIZATION IN THE SHARIA CAPITAL MARKET

1. Compliance with Sharia

Digitalization in the Islamic capital market is a technological transformation process that combines Islamic principles with advances in information technology in investment activities. From an Islamic perspective, digitalization is not only about the convenience of electronic transactions, but also requires upholding sharia values such as fairness, transparency, and the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maysir* (gambling). These principles require that every digital transaction meet the requirements of *halal* (permissible) and *thayyib* (good), avoid speculation, and prioritize the welfare of all parties. (Ardelia Nurul Khasanah, Aziza, 2025) The National Sharia Council of the Indonesian Ulema Council (DSN-MUI) views the use of electronic money and technology-based services as essential in today's digital era, as they facilitate various *mu'amalah* (transaction) activities. However, a technology-based Islamic financial system must adhere to established Islamic financial contract standards and principles. In carrying out these transactions, every activity must always refer to the primary objective of sharia (*maqāṣid al-syariah*), namely maintaining the welfare (*maṣlahah*), especially by protecting the lives (*ḥifẓ al-nafs*) and property (*ḥifẓ al-māl*) of all parties involved. (Hidayati et al., 2023).

As the rapid development of digital technology brings significant changes to the Islamic capital market landscape, it is important to understand that this transformation is not solely about ease and speed of transactions. The digitalization of the Islamic capital market must always be based on Islamic principles, the foundation of Islamic financial activities. Clear Islamic regulations and standards must be implemented as the primary guideline for technology development in the Islamic capital market to ensure its alignment with Islamic values. This approach not only maintains the integrity and compliance of digital products with Islamic principles but also strengthens investor confidence in the various digital products and services offered. Thus, technological innovation can go hand in hand with Islamic principles, resulting in modern, *halal*, ethical, and sustainable financial solutions that benefit all levels of society. (Nafia Sismita, 2025).

2. Transparency and Justice

The purpose of the principle of fairness and transparency is to protect investors, especially minority shareholders, so they can make investment decisions based on complete and accurate information. This principle also aims to maintain the integrity of the capital market by creating a fair and open investment environment, so investors feel safe and confident in allocating their funds. Furthermore, implementing transparency will reduce the possibility of manipulative practices because all market participants have equal access to important information. Therefore, capital market regulations emphasize the importance of standardized financial reports, clear disclosure of investment risks, and a transparent reporting system for the public. (Nurkhanifah et al., 2025).

The successful implementation of transparency principles in Islamic capital market practices is a crucial factor in maintaining the integrity and credibility of the capital market in Indonesia. Regulations requiring companies to provide clear, accurate information in accordance with Islamic economic principles serve as the foundation for shareholders to understand and assess company performance comprehensively. Significant challenges arise regarding fairness, particularly regarding the distribution of a company's economic returns. To ensure this fairness, a thorough understanding of Law Number 40 of 2007 concerning Limited Liability

Companies need to be combined with an Islamic economic perspective, so that decision-making and profit distribution processes within the company can be conducted fairly and transparently. Companies' obligations to implement governance in accordance with Islamic economic law not only build a healthy capital market ecosystem but also strengthen investor confidence and advance the sustainability of the Islamic capital market in Indonesia. (Monasari & Riyanto, 2024).

3. Sharing Risks and Profits

From a sharia capital market perspective, stock transactions generally utilize two main contracts: *musyarakah* and *mudharabah*. A *musyarakah* contract is a form of cooperation in which two or more parties contribute capital to a business. Profits and losses are shared according to the proportion of capital contributed by each party. All parties in this contract have equal rights and obligations, and the distribution of profits is based on a mutually agreed-upon ratio. For example, when someone buys shares in a sharia company, they legally own a portion of the company's capital and are entitled to a share of the profits and share the risk of losses in proportion to their share of capital. Meanwhile, a *mudharabah* contract is a cooperation contract between the capital owner (*shahibul maal*) and the business manager (*mudharib*). (Ramadani, 2025) In this contract, the capital owner provides the funds, while the manager is responsible for managing the business. Profits are shared based on an agreed-upon percentage. However, losses are solely the responsibility of the capital owner, unless the losses are caused by the manager's negligence. The *mudharabah* contract is typically used in capital market products such as *sukuk* or Islamic deposits. (Yuliana Munthe, 2025).

CONCLUSION

Since its launch in 2003, the Islamic capital market in Indonesia has experienced rapid growth and plays a crucial role as a driving force for the economy based on Islamic financial principles. Financial instruments in this market continue to grow, including Islamic stocks, Islamic bonds (*sukuk*), and Islamic mutual funds. This growth is supported by strict regulations and fatwas issued by the National Sharia Council (DSN-MUI), which ensure all activities are in accordance with Islamic law. However, challenges such as financial literacy and liquidity still need to be addressed. The digitalization of the Islamic capital market opens up significant opportunities for expanding financial inclusion by providing easy access and accelerating transaction processes through digital platforms that adhere to Islamic principles. This technology also increases transparency, accountability, and the effectiveness of supervision based on Islamic values. Digital innovation plays a crucial role in improving financial literacy among young investors and expanding public participation in investing.

Instruments such as Islamic stocks, *sukuk*, and Islamic mutual funds have shown promising performance and significant growth, particularly given Indonesia's large Muslim population. The application of the principles of fairness, transparency, and risk sharing, upheld through Islamic contracts such as *musharaka* and *mudharabah*, provides a strong foundation for trust and the advancement of the Islamic capital market. Overall, the sustainability and success of the Islamic capital market depend on strengthened regulations, product innovation, increased literacy, and collaboration and synergy between stakeholders from the Islamic financial sector, the government, and the wider community. Therefore, the Indonesian Islamic capital market has the potential to become a key pillar in the development of the global Islamic economy.

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