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Original Article

The Dynamics of Indonesia's Sharia Capital Market Development 2014–2024: Opportunities, Challenges, and Strategic Futures

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Abstract

The Indonesian Islamic capital market has experienced significant growth over the past decade, both in terms of the number of Islamic stocks, market capitalisation, and increased investor participation. However, its contribution to the total national capital market remains limited. This study aims to comprehensively examine the dynamics of the development of Indonesia's Islamic capital market from 2014 to 2024 through a SWOT analysis approach and the principles of Islamic maqāṣid. The methodology used is a descriptive-qualitative approach based on literature review and secondary data analysis from the OJK, IDX, and relevant empirical sources. The findings indicate that the Islamic capital market has strengths in terms of ethical values and Islamic compliance, but faces structural challenges such as low literacy and liquidity. Strategic opportunities arise from the integration of Islamic fintech, the development of ESG products, and synergy with the national halal economy. This study contributes to the development of maqāṣid-based policies that not only pursue profitability but also ensure sustainability and socio-economic justice.

Keywords: Islamic Capital Market, Islamic *Maqāṣid*, SWOT, OJK Regulations, Islamic Investors.

1. Introduction

The Islamic capital market is an important part of the Islamic financial system that offers investment options that are in accordance with sharia principles, free from elements of *riba* (interest), *gharar* (excessive uncertainty), and *maisir* (gambling). In the past decade, Indonesia has shown significant developments in terms of regulation, the number of sharia investors, and sharia-based capital market instrument products. In addition, a ten-year longitudinal analysis provides an in-depth picture of policy consistency and market dynamics that cannot be captured by annual or sectoral studies alone.

Previous studies by Hasan et al. (2020) Iqbal & Mirakhor (2011), and Zulkhibri (2018) emphasize the importance of building regulatory infrastructure and product innovation to strengthen the competitiveness of the global Islamic capital market. Hendra (2024); Qomariyyah et al. (2024); Rizal & Soemitra (2022) discusses legal aspects, sharia index performance, and regulatory challenges. However, there have not been many comprehensive studies that link the dynamics of the trends of the Indonesian sharia capital market longitudinally with the SWOT approach and the *sharia maqāṣid* simultaneously. This phenomenon raises a fundamental question: what is the direction of the development of

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Indonesia's Islamic capital market in the last 10 years? What are the strategic opportunities and challenges? And how do sharia instruments play a role in answering the needs of modern investment while maintaining the values of *sharia maqāṣid*? This gap is important to be answered in order to support the strategies of regulators, industry players, and policy makers in strengthening the national sharia capital market architecture. Therefore, the objectives of this study are (1) Analyzing the statistical development of the Indonesian Islamic capital market for the period 2014–2024; (2) Identify strategic opportunities and challenges through SWOT analysis; and (3) Assessing the contribution of capital market activities in maintaining the principles of *maqāṣid sharia* according to Ibn 'Āsyūr's perspective.

This research is not only academically relevant, but also strategic for various stakeholders. For the government, the results of this study can be a foothold in formulating sharia financial policies that are oriented towards benefits and globally competitive. For the public and investors, this research provides a roadmap in understanding the benefits and challenges of sharia investment ethically and rationally. Meanwhile, for academics, this study enriches the literature with an integrative perspective between empirical and normative approaches to sharia, especially in the framework of *maqāṣid al-sharī'ah* which is more applicable and contextual.

The combined approach between SWOT analysis and *the maqāṣid al-sharī'ah* framework in this study is a significant methodological novelty, as it not only presents a strategic evaluation based on empirical data, but also integrates the ethical dimensions and sharia objectives substantively. Thus, this research goes beyond a mere normative study and offers a more holistic and policy-relevant analytical framework.

2. Literature Review

2.1. Understanding and Scope of Sharia Capital Markets vs Conventional Capital Markets

The sharia capital market is built on the principle of *muamalah* which is in accordance with the provisions of Islamic sharia, rejecting the elements of *riba* (interest), *gharar* (uncertainty), and *maisir* (speculation). The sharia foundation of the sharia capital market refers to the principles of *muamalah* that do not conflict with Islamic law. The normative basis of the sharia capital market can be found in the Qur'an, hadith, and contemporary institutional ijtihad such as the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI). QS. Al-Baqarah [2]:275 emphatically states that *"Allah legalizes buying and selling and forbids usury,"* being the main foundation in distinguishing Islamic capital market transactions from conventional interest-based financial practices. QS. Joseph [12]:47–49, through the story of the Prophet Joseph AS, provides the basis for the principle of prudence in wealth management and beneficial long-term planning. The principle of transparent and accountable recording is affirmed in the QS. Al-Baqarah [2]:282 which ordered the recording of debts and receivables in writing. Furthermore, QS. Al-Nisā' [4]:29 emphasizes the prohibition of taking the property of others illegally, which is an important basis for the development of information systems and accountability in sharia investment. QS. Al-Hashr [59]:7 affirms the importance of the distribution of wealth so that it is not concentrated only in the hands of the rich, which reinforces the principles of inclusion and fairness in the design of the Islamic capital market.

The hadiths of the Prophet Muhammad صلى الله عليه وسلم also strengthen the ethical framework of the Islamic capital market. In HR. Muslims, the Prophet صلى الله عليه وسلم forbade the hoarding of unused wealth (*kanz al-māl*), indicating the importance of productive

circulation in economic activities. Another hadith, *"Leave what doubts you to what does not doubt you,"* as narrated by Muslim from Abu Hurairah, is the basic principle in maintaining caution and avoiding speculation in investment transactions. In addition, the hadith "*lā ḍarara wa lā ḍirār*" affirms that the Islamic financial system is obliged to prevent losses that unfairly harm one of the parties, this principle is very relevant in investor protection and capital market accountability. The addition of the dimension of *maqāṣid al-sharī'ah* to the interpretation of verses and hadith that underlie the sharia capital market is very important to assess whether the basic principles of sharia are not only used as a formal justification, but also able to answer the needs of the benefit of the ummah in a contextual manner. Ibn 'Āsyūr in his work *Maqāṣid al-Sharī'ah al-Islāmiyyah* emphasizes that *maqāṣid* is an integrative framework to ensure that sharia brings justice, benefit, and protection of human rights. In the context of the capital market, this includes the protection of property (*ḥifẓ al-māl*) from the practice of usury and speculation, the provision of investment instruments that uphold the value of social justice (*ḥifẓ al-nafs*) and education and market transparency as a form of safeguarding reason (*ḥifẓ al-'aql*).

As explained by al-Shāṭibī and corroborated by Ibn 'Āsyūr, *maqāṣid* is not only a normative *ijtihād* tool, but must be internalized into the economic system, including in product design and investment policy. For example, QS. Al-Hashr verse 7 does not only speak of the distribution of wealth, but in the tafsir al-Marāghī it is affirmed that the purpose of this verse is to prevent the accumulation of wealth by market elites and ensure equitable access to resources. This implies that the sharia capital market needs to be designed to encourage broad financial inclusion and resist the dominance of financial oligarchs. Thus, the use of Qur'anic verses and hadith within the framework of *maqāṣid* is not only normative-legal, but must be translated into practical policies that ensure justice, sustainability, and transparency. This is a new epistemic agenda for the development of the sharia capital market which is not only 'formally halal', but also fair and substantial benefits.

Apart from the primary source of sharia, the sharia capital market is also strengthened by the institutional normative framework through collective ijtihad outlined in the DSN-MUI fatwas (Citra et al., 2021). One of the main references is DSN-MUI Fatwa No. 40/DSN-MUI/X/2003 concerning general guidelines for the application of sharia principles in the capital market, which sets substantial and formal restrictions on the practice of buying and selling sharia securities. Other fatwas such as those regulating sharia stocks, sukuk, sharia mutual funds, and sharia derivatives are normative references for issuers, investors, and regulators to maintain the conformity of financial instruments with Islamic principles. From the government's side, the issuance of Law No. 19 of 2008 concerning State Sharia Securities (SBSN) and OJK Regulation on the Application of Sharia Principles in the Capital Market (POJK No. 15/POJK.04/2015 and others became an umbrella for the development of a stronger sharia capital market. With this foundation, all sharia capital market activities are directed to achieve the goals of *maqāṣid* sharia: maintaining religion (*ḥifẓ al-dīn*), soul (*al-nafs*), intellect (*'aql*), wealth (*māl*), and offspring (*nasl*). The basic principles that distinguish the Islamic capital market from conventional include the prohibition of *riba*, *gharar* (uncertainty), and *maisir* (speculation), as well as the need for a valid contract, clarity of object, and halal benefits.

Sharia instruments such as sharia stocks, sukuk, sharia mutual funds, and sharia-based derivatives must be in accordance with the fatwa of the MUI National Sharia Council and included in the OJK's Sharia Securities List (DES). Operations The Islamic capital market only trades securities that do not contain haram elements in substance or processes supervised by the Sharia Supervisory Board, requiring the separation of Islamic funds and assets from

conventional funds as well as periodic reporting of Islamic performance to the OJK and the public.

The scope of the sharia capital market includes: (1) Issuers and public companies that meet sharia criteria and are listed in the Sharia Securities List (2) Instruments such as sharia stocks, sukuk, sharia mutual funds, and derivatives that have been adapted to the principles of Islamic contracts; (3) Institutions and market participants, including sharia investment managers, sharia custodian banks, and securities companies that have obtained a sharia conformity statement from the OJK; (4) Transactions and activities that are in accordance with the DSN-MUI fatwa, such as *wakalah*, *murabahah*, *ijarah*, and do not contain elements of *riba*, excess *gharar*, and *maisir*. Meanwhile, conventional capital markets operate without such restrictions and allow interest-based activities, derivatives speculation, and investment in non-sharia business sectors such as alcohol, gambling, and usury finance. Therefore, the existence of the Islamic capital market is not only an ethical alternative in investment, but also part of the development of the Islamic economy.

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2.2. Previous Literature Review

Literature studies show that a number of researchers have examined specific issues related to the Islamic capital market. Qomariyyah et al. (2024) highlight the influence of fintech on the penetration of Islamic investors, while Sholikah et al. (2024) review aspects of investor protection within the framework of al-ḥisbah as a form of moral supervision of the market. Hendra (2024) describes structural challenges in the form of weak literacy and inconsistent regulations that hinder the expansion of the Islamic capital market.

Rizal and Soemitra (2022) explore the role of *fiqh muamalah* in underpinning the operations of the Islamic capital market, showing that the basic principles of contract and justice in Islam are the main foundations of the Islamic financial structure. Putri et al. (2024) link the growth of the Islamic capital market to macroeconomic indicators and sustainable development.

At the global level, Karadağ and Saraç (2025) highlight the resilience of Islamic portfolios to economic crises, showing that Islamic-based stocks are more resistant to volatility because they are free from excessive leverage and speculative sectors. Kismawadi et al. (2025) also emphasize the integration of Environmental, Social, and Governance (ESG) principles in the Islamic capital market as being in line with Islamic *maqāṣid*.

However, there are few comprehensive studies that combine a longitudinal analysis of the quantitative development of the Indonesian sharia capital market (2014–2024) with a normative approach based on sharia objectives and SWOT analysis as a tool for national policy analysis. This article aims to bridge this gap through a SWOT and *maqāṣid* sharia analytical approach to produce comprehensive and *maslahat*-based recommendations. Indonesia's Islamic capital market has shown significant growth in the last decade, both in terms of market capitalization, the number of Islamic issuers, and investor interest. However, challenges related to Islamic financial literacy, financial technology integration, and regulatory strengthening still hinder the optimization of its contribution to the national economy.

2.3. Literature Gap and Study Contribution

Based on a review of previous studies, it can be concluded that most research on the Islamic capital market in Indonesia is still limited to descriptive statistics, index performance comparisons, or the influence of macroeconomic factors on the Islamic market. Some studies also examine legal and fatwa aspects, but have not comprehensively integrated the *maqāṣid* sharia framework into policy evaluation and strategic development.

Studies such as Rizal and Soemitra (2022), Qomariyyah et al. (2024), and Hendra (2024) have discussed the importance of transaction fairness, investor inclusion, and structural barriers. However, there has been no holistic approach that combines a 10-year trend analysis with Ibnu 'Āsyūr's *maqāṣid* sharia framework and the SWOT approach in formulating a national policy agenda.

Thus, the main contributions of this study are: (1) Providing a synthesis of trends in the Indonesian Islamic capital market over a decade (2014–2024) based on data from the OJK, IDX, and KNEKS. (2) Integrating the *maqāṣid* sharia approach from the perspective of Ibn 'Āsyūr in the systemic evaluation of the capital market as a public policy entity. (3) Developing a contextual SWOT analysis as strategic recommendations based on Islamic principles. (4) Offering a roadmap for the transformation of the Islamic capital market from 2024 to 2030 based on public interest values and policies. This research is expected to contribute conceptually and practically to the development of the national Islamic economy and serve as a reference for regulators, academics, and industry players.

3. Methods

3.1. Research Methodology

This article uses a descriptive-qualitative method with an exploratory approach. The main data sources are: OJK and IDX Sharia Capital Market Statistics (2014–2024), Indonesian Sharia Capital Market Roadmap Report, Scientific publications from accredited national journals indexed by Scopus/Emerald

3.2. Analysis Techniques

The analysis is carried out through several stages of approach. First, statistical analysis was carried out on numerical data related to market capitalization, transaction volume, and number of sharia shares using a past 10-year trend approach. To measure growth, the Compound Annual Growth Rate (CAGR) formula was used:

$$CAGR = ((Final\ Score / Initial\ Score)^{(1/n)}) - 1$$

where n is the number of years. CAGR is used to evaluate the average annual growth rate of the Islamic capital market compared to the conventional market.

Second, adjustments were made to incomplete data in certain years such as 2014 and 2017. Estimates of lost data are made through linear interpolation between available data points and projected CAGR based on consistent annual growth patterns. Validation is carried out by matching the estimated results to data related to sharia investors and the Indonesian sharia stock index (ISSI), as well as secondary sources such as the IDX Fact Book, reports from the National Committee for Sharia Economics and Finance (KNEKS), and trusted media such as Datatempo, Kontan, and Republika.

Third, to explore the internal and external dynamics of the Islamic capital market, a SWOT analysis was conducted based on the synthesis of policy documents, academic articles, and OJK official reports. The identification of strengths, weaknesses, opportunities, and threats is carried out through a thematic coding process that is structured narratively and comparatively, so as to be able to describe strategic challenges as a whole.

Finally, the *maqāṣid al-sharī'ah* approach is used to evaluate the substantial aspects of the benefits contained in the development of the sharia capital market. This evaluation refers to the five main dimensions of Ibn 'Āsyūr's version of *maqāṣid*, namely the protection of religion (*ḥifẓ al-dīn*), the soul (*al-nafs*), the intellect (*al-'aql*), the property (*al-māl*), and the offspring (*al-nasl*). Each dimension is studied conceptually and normatively by linking it to the actual practices and policies of Islamic capital market products.

The methodological approach used in this study allows for a comprehensive analysis, combining empirical performance assessments, institutional strategic considerations, and ethical alignment with the goals of the public benefit in the context of contemporary Islamic economics.

4. Results and Discussion

This section presents an integrated analysis of statistical data, regulatory policies, SWOT strategic approaches, and the *maqāṣid* sharia framework. The discussion is developed systematically from trend developments and analysis of the causes of low interest to the strengthening of the spiritual, social, and sustainability aspects of the Indonesian Islamic capital market.

4.1. Development of Sharia Capital Market Statistics

The trend of Sharia Stock Market Capitalisation compared to Conventional Stock Market Capitalisation

Years	Sharia Capitalization (Rp Trillion)	Conventional Capitalization (Rp Trillion)
2014	2.451	5.000
2015	2.557	5.300
2016	2.947	5.900
2017	2.601	5.400
2018	3.176	6.200
2019	3.705	7.100
2020	3.667	7.000
2021	3.745	7.600
2022	3.344	7.200
2023	3.372	7.400
2024	4.801	8.200

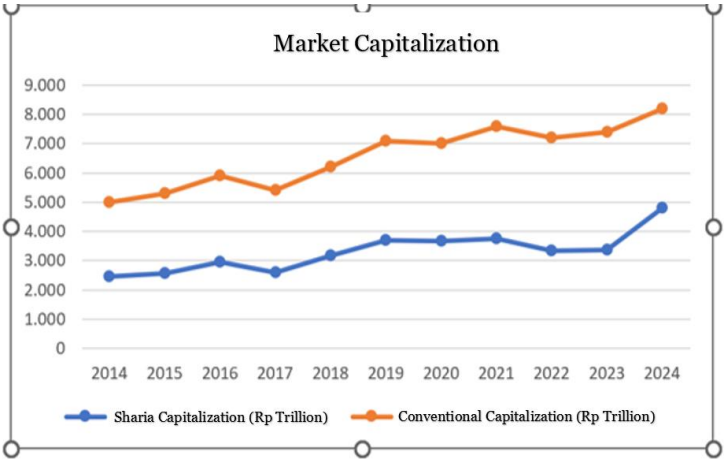

Figure 1. Trends in Market Capitalization of Islamic Stocks compared to Conventional

Sharia market capitalisation data for 2014–2024 was obtained from OJK Statistical Reports (2016–2022) and estimated linearly for unrecorded years, with investor growth and the ISSI index as reference variables. The graph above shows that conventional market capitalisation is consistently higher than sharia market capitalisation. However, the growth trend of sharia capitalisation also shows an upward direction, despite being impacted by the pandemic (2020–2021).

The trend in the transaction volume of the Islamic and conventional capital markets in Indonesia over the last 10 years can be seen in Figure 2 below:

Years	Sharia Transaction Volume (Rp Trillion)	Conventional Transaction Volume (Rp Trillion)
2.014	122	3.968
2.015	138	4.275
2.016	168	4.511
2.017	212	5.195
2.018	251	6.033
2.019	273	6.750
2.020	255	6.943
2.021	312	8.465
2.022	366	10.274
2.023	430	12.083

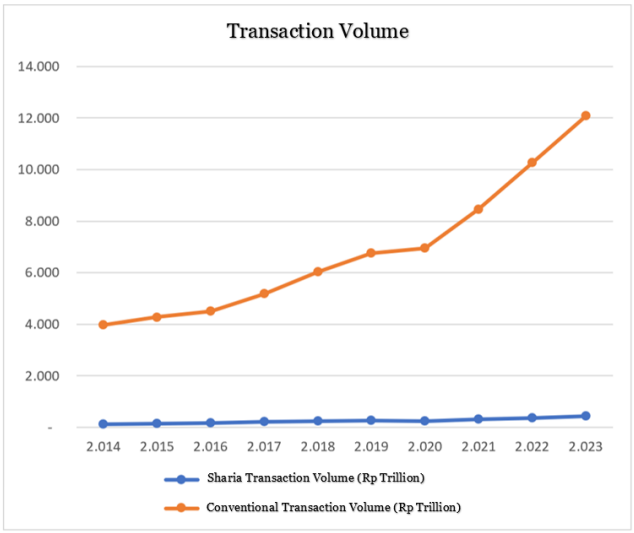

Figure 2. Development of Transaction Volume of Islamic and Conventional Capital Markets in Indonesia

The Islamic capital market has grown significantly in terms of transaction volume, with an average annual growth rate (CAGR) of around 14.54% during the period 2014–2024. In comparison, the conventional capital market recorded a CAGR of 13.03% over the same period. Although still far below the volume of the conventional market, the contribution of the

Islamic market increased from 3% (2014) to around 5.7% (2024), indicating an increase in interest and market penetration for Islamic-based investment instruments.

When viewed in three-year intervals, the period 2014–2017 shows that the sharia CAGR reached 19.99% and conventional 9.39%, indicating a rapid initial expansion phase due to regulatory incentives and the launch of new sharia indices. In the 2017–2020 period, Islamic CAGR slowed to 6.47% due to external pressures and lack of product innovation, while conventional remained stable at 10.15%. In the 2020–2023 period, sharia again recorded an acceleration with a CAGR of 18.99%, driven by digitalization and the interest of the younger generation, while conventional grew higher at a CAGR of 20.29%. Finally, for the 2023–2024 period (projection), growth is declining naturally, with a sharia CAGR of 10.60% and conventional 11.83%.

From the aspect of the number of Sharia issuers compared to the conventional trend of the last 10 years, it can be seen in figure 3 below:

Years	Sharia Issuer	Conventional Issuer
2014	280	500
2015	290	510
2016	300	515
2017	310	520
2018	330	530
2019	350	540
2020	370	545
2021	390	550
2022	420	560
2023	440	570
2024*	470	580

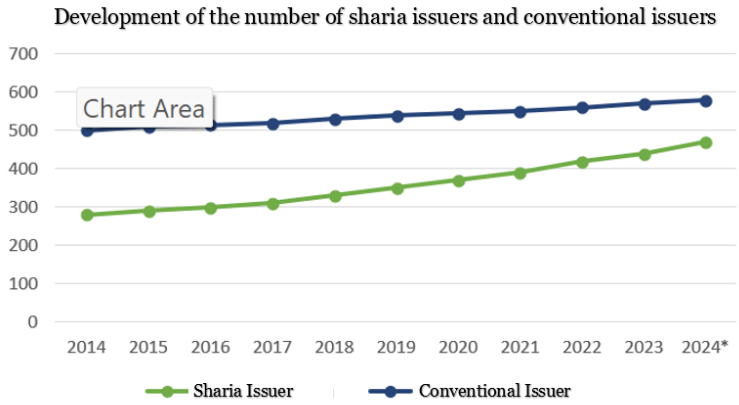

Figure 3. Trend of Shariah Compared to Conventional Issuers

The figure shows that the number of sharia issuers has grown relatively, but not many strategic real sectors such as energy and agriculture have entered the Sharia Securities List. If the number of Sharia Investors compared to conventional Islamic capital market trends, it can be seen in the following figure 4:

Years	Sharia Investors (Thousands)	Conventional Investors (Thousands)
2014	250	1800
2015	320	2000
2016	400	2200
2017	500	2500
2018	650	2800
2019	850	3100
2020	1100	3500
2021	1450	4000
2022	1800	4600
2023	2300	5200
2024*	2700	5800

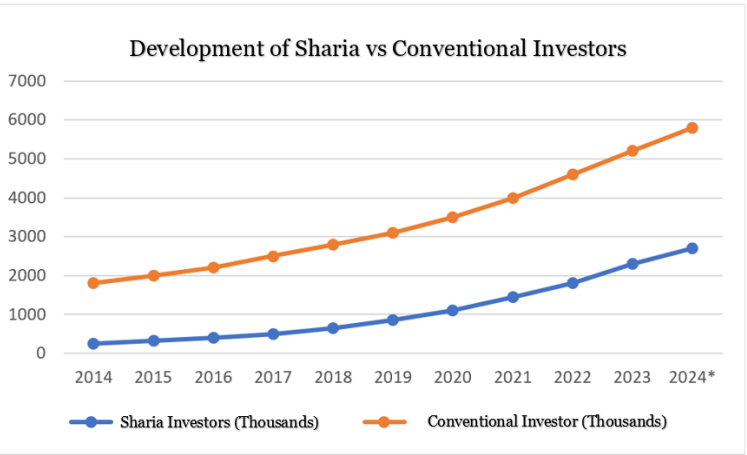

Figure 4. Trend of Shariah Compared to Conventional Investors

The number of Islamic investors has increased significantly in line with the penetration of digital investment platforms and OJK campaigns related to Islamic financial inclusion.

4.2. Chronology of Indonesian Islamic Capital Market Products

The development of Indonesia's Islamic capital market did not happen overnight, but was the result of a long process involving institutional innovation, regulatory support, and responsiveness to market dynamics and the needs of Indonesia's Muslim community. The chronology of Islamic capital market products as shown in figure 3 illustrates the important stages in the transformation of the Islamic financial system towards a more mature and integrated form.

Beginning in 1997, Indonesia launched Islamic mutual funds as the first halal investment instrument in the capital market, initiated by Danareksa Investment Management. This marked a significant milestone as it introduced a Sharia-based collective fund management model free from *riba*, *gharar*, and *maisir*. In 2007, institutional strengthening was carried out with the issuance of the Sharia Securities List (DES) by Bapepam-LK, which provided legal certainty and transparency for stocks that met sharia principles. This became the main basis for the selection of sharia stocks by investors who prioritised sharia compliance.

The following year, 2008, was an important era because the Indonesian government began issuing State Sukuk as an alternative to financing the state budget. This was legally reinforced through Law No. 19 of 2008, which became a strong legal-formal basis for the use of sukuk in the context of public finance. Then, in 2009, corporate sukuk began to be actively issued by private entities. This issuance was further strengthened by a clearer regulatory framework, one of which was through POJK No. 18/POJK.04/2015, which supports transparency, contract structure, and accountability in the issuance process.

Innovation continued in 2011 with the introduction of Sharia Exchange Traded Funds (ETFs), which were first launched by Premier ETF based on the Jakarta Islamic Index (JII). This product provides an investment alternative with high liquidity and good information disclosure, while remaining within the sharia corridor. In 2016, the Sharia capital market further developed with the introduction of Sharia-compliant Asset-Backed Securities (EBA), formally introduced through POJK No. 20/POJK.04/2015. This product expanded the scope of Sharia-compliant instruments into the asset securitisation sector, which was previously dominated by conventional instruments. Finally, in 2017, Sharia DIRE (Sharia Real Estate Investment Fund) was introduced through POJK No. 30/POJK.04/2016 as a form of instrument diversification that allows collective investment in real property assets based on sharia principles.

Table 1. Development of Indonesian Islamic Capital Market Products

Year	Sharia Capital Market Products	Description
1997	Sharia Mutual Fund	First launched by Danareksa Investment Management (July 3, 1997)
2007	Sharia Stocks (Shariah Securities List - DES)	Formalized through DES issuance by Bapepam-LK
2008	Sukuk Government	First issued by government based on Law No. 19 of 2008
2009	Sukuk Corporate	Began actively issued by corporations, strengthened by POJK No. 18/POJK.04/2015
2011	Sharia ETF (Sharia Exchange Traded Fund)	Premier ETF Syariah Jakarta Islamic Index first launched
2016	Sharia ABS (Sharia Asset Backed Securities)	Officially introduced through POJK No. 20/POJK.04/2015
2017	Sharia REIT (Sharia Real Estate Investment Trust)	Introduced through POJK No. 30/POJK.04/2016 and became active

As shown in Table 1, this chronological sequence shows that the development of Indonesia's Islamic capital market not only reflects quantitative growth, but also an increase in product depth, institutionalization, and diversity of investment instruments in accordance with the principles of *maqāṣid* sharia, particularly *hifẓ al-māl* (protection of wealth) and *hifẓ al-dīn* (protection of religion). Going forward, the strengthening trend of thematic instruments such as green sukuk, wakaf-linked sukuk, and ESG-based Islamic mutual funds presents a significant opportunity to integrate spiritual values and sustainability into the national financial market. Islamic products such as corporate sukuk and Islamic mutual funds are increasing, but remain concentrated in the financial and construction sectors.

In other words, Islamic capital market products in Indonesia have developed progressively and show great potential to play a significant role in financing sustainable and equitable development.

4.3. SWOT Analysis

4.3.1. Strengths

1) Shariah Compliance (DES, DSN-MUI): The supervisory system by the National Shariah Board (DSN-MUI) and the existence of the Shariah Securities List (DES) ensure that capital market products comply with shariah principles. This increases Muslim investor confidence in market integrity.
2) Islamic Ethical Values: The Islamic capital market operates with principles of transparency, justice, prohibition of riba and gharar, and social responsibility. This ethic creates a foundation for sustainable and trusted investment by society.
3) Shariah Index Stability: Shariah indices such as ISSI and JII show relatively stable long-term performance, especially during crisis periods, because they avoid volatile sectors (such as alcohol, gambling, and conventional finance).

4.3.2. Weaknesses

1) Minimal Literacy: The still low public understanding of shariah principles and Islamic capital market instruments limits the investor base. Most of the population does not yet understand the difference between shariah and conventional investment.
2) Low Liquidity: Shariah stock turnover is slower compared to the conventional capital market. This causes institutional investors to tend to avoid the shariah market because it is difficult to enter and exit in large quantities.
3) Lack of Product Innovation: Islamic capital market products tend to lag behind conventional ones. There are still few variations of instruments such as halal derivatives, shariah ETFs, or sukuk with social-ESG themes.

4.3.3. Opportunities

1) Sharia Fintech: The presence of shariah-based financial technology (for example, shariah robo-advisory platforms and Islamic crowdfunding) expands access to shariah investment, especially for young people.
2) Green Sukuk and ESG Investment: Global interest in sustainable investment instruments aligns with *maqāṣid shariah* values, opening large space for environment, social, and governance (ESG)-based sukuk.
3) Integration with Halal Economy: The Islamic capital market can be linked to other halal sectors such as food, fashion, and halal tourism industries, creating cross-sector synergy and expanding the investor base.

4.3.4. Threats

1) Conventional Market Dominance: The majority of investment funds and institutional investor attention is still focused on the conventional market, causing marginalization of the shariah market.
2) Skepticism about Profitability: There is still a perception that shariah investment is "less profitable" due to sector limitations and strict contracts. This slows participation, especially from young professionals and foreign investors.

From the SWOT analysis above, strategies are needed that can transform each weakness and threat into actionable opportunities, as illustrated in the following table:

Table 2. Strategic Transformation Recommendations: Converting Weaknesses and Threats into Opportunities

No.	Weaknesses / Challenges	Potential Opportunities	Strategic Recommendations / Follow-up Actions
1	Low Sharia financial literacy	Sharia fintech and digital education	Develop mobile-based Islamic capital market education platforms Integrate Islamic capital market curriculum in universities
2	Low liquidity and limited instruments	Integration with the halal economy and Islamic social finance (zakat, waqf)	Develop Islamic market instruments such as waqf and social finance bonds Encourage Islamic institutions to become anchor investors
3	Lack of innovative products (ETF, derivatives, halal ESG)	Growing global interest in ESG and halal investments	Encourage OJK and DSN-MUI to accelerate fatwas on new products Promote collaboration between fintech and investment managers
4	Dominance of conventional markets	Global trends in ethical finance and impact investing	Brand Islamic capital markets as "ethical investing for all" Media and influencer campaigns targeting young investors
5	Skepticism about Islamic profitability	Stable Sharia index data during ESG crises as strong non-financial performance indicators	Publish comparative studies between ISSI and IHSG performance Annual ESG performance reporting by KNEKS / OJK

4.4. Opportunities and Challenges in the Perspective of Maqāṣid Shariah

The Indonesian Islamic capital market not only faces conventional market dynamics but also bears ethical and spiritual responsibilities in accordance with the principles of *maqāṣid shariah*, particularly from Ibn 'Āshūr's perspective. The following analysis of opportunities and challenges is sharpened with an approach to the five dimensions of maqāṣid (*ḥifẓ al-dīn*, *al-nafs*, *al-'aql*, *al-māl*, and *al-nasl*).

Opportunities: Halal and sustainable product innovations such as waqf sukuk, green sukuk, and ESG sharia mutual funds are a direct reflection of *maqāṣid al-māl* and *ḥifẓ al-bi'ah* (environmental conservation as an extension of modern *maqāṣid*). Sharia digitalization and Fintech expand access to halal finance in a safe and inclusive manner, supporting the protection of property (*ḥifẓ al-māl*) and the welfare of the people. Integration with the halal economic sector and zakat/waqf opens up opportunities for productive financing based on the values of distributive justice (*ḥifẓ al-dīn* and *al-māl*). Young investors' interest in ethical and

spiritual values shows a sensitivity to the value of *hifẓ al-'aql* (investment rationality based on trust and knowledge).

Challenge: The lack of sharia literacy and Islamic business ethics weakens efforts to protect reason (*ḥifẓ al-'aql*) and wealth (*ḥifẓ al-māl*), so that people are easily tempted by speculative or conventional products. Sharia products that are not competitive in terms of features and liquidity hinder the optimal realization of *maqāṣid al-māl*. The absence of a quick fatwa on new products can hinder innovation and cast doubt on the halalness of the instrument, leading to a loss of investor confidence (*ḥifẓ al-dīn*). The lack of protection of small investors is an issue for the fair distribution and protection of the economic rights of the ummah, contrary to *hifẓ al-nafs* and *al-māl*.

4.5. Integration of Capital Market Activities with Maqāṣid Shariah

Mapping the five dimensions of maqāṣid sharia not only provides a conceptual framework, but also guides how capital market activities contribute to protection, sustainability, and economic justice in Islam. By strengthening the role of each dimension of *maqāṣid*, sharia capital market activities are expected to be able to maintain the interests of various groups in society, including investors, issuers, regulators, and the general public as beneficiaries of real investment.

The application of *maqāṣid sharia* is an important foundation in ensuring that the sharia capital market is not only economically competitive, but also ethically and socially beneficial. The following is a mapping of the capital market's contribution to the five main pillars of *maqāṣid sharia*: (1) *Hifẓ al-Māl* (Protection of Wealth) Sharia capital market products serve as instruments for the protection and development of wealth that are free from *riba*, *maisir*, and *gharar*. Sukuk and sharia mutual funds enable the accumulation of assets that are guaranteed to be halal. (2) *Hifẓ al-Dīn* (Protection of Religion) By ensuring the conformity of contracts, issuing fatwas, and supervising the DSN-MUI, the Islamic capital market upholds Islamic principles and strengthens Islamic values in economic activities. (3) *Hifẓ al-Nafs* (Protection of Life) Funds raised through the capital market can be channelled into the real sector, such as health infrastructure, education, and housing, thereby providing direct benefits for the survival and welfare of the community. (4) *Hifẓ al-'Aql* (Protection of the Mind) : The Islamic capital market encourages increased literacy, ethics-based financial education, and the creation of a culture of smart and responsible investment. (5) *Hifẓ al-Nasl* (Protection of Progeny): Sustainable investment and a stable Islamic financial system are valuable legacies for future generations in realising a fair and sustainable economic system.

Thus, the Islamic capital market has great potential in realising public interest (*maslahah 'āmmah*) if it continues to be guided by the strengthening of *maqāṣid* as a normative foundation in every aspect of policy, product, and education.

4.6. Factors Contributing to Interest in Islamic Capital Markets

Although the Islamic capital market has experienced an increase in capitalisation and the number of issuers, its appeal to the wider community remains limited. The main contributing factors include low Islamic financial literacy, a lack of product innovation, low liquidity, and scepticism about profitability. These challenges are structural in nature and require intervention from various parties. The following are some of the main contributing factors: (1) Low Islamic Financial Literacy. Many people do not understand the basic principles of Islamic finance in investment, such as the prohibition of *riba*, *gharar*, and *maisir*. The national Islamic financial literacy index is also still low, below 10% according to the OJK. Lack of Product Innovation and Diversification. Sharia capital market products are

still limited to stocks and sukuk, with little development in sharia ETFs, sharia EBAs, and sharia DIREs. The lack of derivative products or creative instruments that comply with sharia principles reduces their appeal. (3) Low Liquidity. The trading volume of sharia stocks is relatively small compared to conventional stocks, especially outside the leading indices (JII70, ISSI). This raises concerns for investors in implementing exit strategies. (4) Scepticism about Profitability. There is still a perception that sharia investments are less profitable. However, the performance of indices such as ISSI and JII in several periods has been competitive with conventional indices. (5) Lack of Socialisation and Accessibility. Socialisation efforts by the OJK, BEI, and industry players have not been evenly distributed, especially to regional areas and the younger generation. Features such as the Sharia Online Trading System (SOTS) are also not yet widely available across all exchange members. (6) Structural and Institutional Barriers. Not all financial institutions have active sharia business units participating in the capital market. Synergy among stakeholders is still minimal, including with educational institutions and the Islamic economic community.

Thus, the Islamic capital market has great potential to realise public interest (*maslahah ʻāmmah*) if it continues to be guided by the strengthening of *maqāṣid* as a normative foundation in every aspect of policy, products, and education.

4.7. Integration of OJK Roadmap 2020–2024

As part of the medium-term strategy, sustainable development is important to integrate the policy direction established in the 2020–2024 Indonesian Sharia Capital Market Roadmap by the OJK. The 2020–2024 OJK Roadmap serves as a foundation for strengthening the national sharia capital market, both by regulators and industry players and academics.

The four strategic directions outlined (product development, infrastructure, literacy, and inter-institutional synergy) are in line with the findings and recommendations of this study. The roadmap establishes four main strategic directions: (1) Sharia Product Development: includes diversification of instruments such as green sukuk, waqf sukuk, and ESG-based thematic sharia mutual funds. (2) Strengthening Infrastructure and Regulations: includes the utilisation of financial technology and strengthening sharia support institutions, (3) Improving Sharia Literacy and Inclusion: through community-based national education and training collaborations and Islamic boarding schools. (4) Synergy between Institutions and Stakeholders: particularly with KNEKS, DSN-MUI, BAZNAS, and sharia financial industry players.

These four pillars must be referenced and synchronised with the following recommendations to the: The Ministry of Education and Culture and the OJK need to improve sharia education and literacy through formal education curricula and public training programmes in schools, universities, and Islamic boarding schools. Likewise, IDX, OJK, and investment managers need to encourage innovation in sharia products such as *wakaf sukuk*, ESG-based sharia securities, and sharia crowdfunding. The Ministry of Finance and OJK can provide fiscal and non-fiscal incentives for sharia issuers and institutional investors. The Indonesia Stock Exchange and its members must strengthen sharia-based trading infrastructure and expand the application of the Sharia Online Trading System (SOTS).

DSN-MUI and OJK need to optimise the role of fatwas and sharia supervision in supporting product development and public education. Islamic professional associations and educational institutions need to promote training and professional certification in the sharia capital market to enhance the industry's human resource capacity. This document outlines the vision of making Indonesia's sharia capital market a competitive, inclusive, innovative, and integrated sector within the halal economy and sustainable finance.

5. Conclusion

The Indonesian Islamic capital market in the period 2014–2024 showed positive growth in terms of capitalisation, the number of Islamic stocks, and investor involvement. However, its contribution is still relatively small compared to the conventional capital market. This study confirms that the quantitative growth of the Islamic capital market has not been in line with the strengthening of its institutional quality, literacy, and ecosystem.

A SWOT analysis and evaluation through the lens of Islamic objectives (*maqāṣid sharia*) reveal that the strength of the Islamic capital market lies in Islamic ethical principles and regulatory support, but it faces structural weaknesses such as low literacy and product innovation. Significant opportunities arise from trends in ESG, Islamic fintech, and the integration of the halal economy, but external threats such as the dominance of the conventional market and low perceptions of profitability still loom.

The integration of *maqāṣid al-sharīʿah* offers a critical analytical lens that extends beyond conventional financial performance metrics to encompass broader contributions to the public good (*maṣlaḥah ʿāmmah*). Accordingly, the future development of the Islamic capital market must be guided by *maqāṣid*-oriented values across all domains, including product innovation, regulatory policy, and public education. In this regard, the combined application of SWOT analysis and the *maqāṣid al-sharīʿah* framework in this study not only enriches the body of Islamic financial scholarship, but also provides actionable insights and strategic tools for stakeholders committed to building a more ethical, inclusive, and sustainable Islamic investment ecosystem.

The following recommendations are proposed to strengthen the development of the sharia capital market in Indonesia. For regulators such as OJK, IDX, and DSN-MUI, it is essential to enhance supervision mechanisms based on *maqāṣid* compliance, and to promote a comprehensive roadmap that integrates green sukuk, ESG-based products, and social finance. Additionally, regulators should improve data transparency by publishing detailed statistical reports on sharia transaction volumes across instruments, such as stocks, sukuk, and mutual funds, to boost accountability and attract more investors. Regulators such as the OJK and DSN-MUI need to start moving away from a regulatory approach that only emphasizes procedural compliance, and shift to a policy paradigm based on *maqāṣid al-sharīʿah*. This means that the evaluation and licensing of Islamic capital market products should consider the extent to which the instrument truly supports justice, sustainability, and protection of public benefits, not just fulfilling certain contract structures.

The Ministry of Education, in collaboration with sharia financial institutions, is encouraged to massively promote financial literacy by integrating sharia content into formal education curricula and expanding access to public training programs. For investors and the broader public, increasing literacy through digital platforms and specialized education programs like sharia capital market schools is vital. Investment decisions should also be guided by risk-sharing principles and halal compliance. Moreover, investors are encouraged to utilize the current market momentum to diversify into more stable, sharia-compliant instruments. Institutional investors such as BPKH, BAZNAS, and BP Tapera are expected to take an active role in deepening the sharia capital market by absorbing long-term sharia instruments.

Meanwhile, issuers and investment managers are urged to create more competitive and innovative Islamic financial products, including Islamic ETFs, halal derivatives, and ESG-based thematic retail sukuk and waqf instruments. Product innovation must not only be profitability-oriented, but also reflect ethical and sustainability values.

Finally, for academics and researchers, it is important to continue longitudinal and quantitative studies based on market data comprehensively. The development of evaluative instruments such as the *maqāṣid* compliance index in the context of the Islamic capital market needs to be strengthened to bridge the normative and empirical aspects in assessing the quality of instruments and the effectiveness of the policies implemented. Academics and researchers have an epistemic responsibility to develop evaluative instruments that are able to assess the ethical quality of Islamic capital market products objectively and standardized. One of the efforts that can be made is to design and implement the *Maqāṣid* Compliance Index, a measurement tool based on the *Maqāṣid* Ibn 'Āsyūr indicator that can be used to assess the depth of benefits in each sharia investment product. This index is not only useful in academic research, but can also be a reference for regulators and industry players in conducting product assessments, policy decision-making, and sustainability-based reporting value of Islam.

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