

## THE ROLE OF THE SHARIA CAPITAL MARKET IN ENCOURAGING ECONOMIC GROWTH IN INDONESIA

M. Guffar Harahap<sup>1\*</sup>, Namira Anjani<sup>2</sup>

<sup>1,2</sup>Muslim University of Nusantara Al-Wasliyah

Email: [m.guffar@umnaw.ac.id](mailto:m.guffar@umnaw.ac.id)<sup>1</sup>, [nanjani581@gmail.com](mailto:nanjani581@gmail.com)<sup>2</sup>

### Abstract

<p><b>Received:</b> 01/03/2026</p> <p><b>Received:</b> 02/03/2026</p> <p><b>Publishing:</b> 07/03/2026</p> <p>Correspondence*</p> <p>This work is licensed under the <a href="#">Creative Commons Attribution 4.0 International License</a>.</p>	<p><b>Abstract</b> - The capital market is one of the investment instruments that is increasingly in demand by the public as the needs of modern financial management increase. The development of the capital market in Indonesia does not only occur in conventional instruments, but also in sharia instruments that have characteristics according to Islamic principles. This research aims to examine the benefits of the Islamic capital market as an investment instrument and its contribution to national economic growth. The research uses a normative method with descriptive analysis based on DSN-MUI literature, regulations, and fatwas. The results of the study show that the existence of the Islamic capital market not only provides halal investment alternatives, but also plays a role in reducing speculative practices, increasing transparency, and strengthening economic stability. The affirmation of regulations and the improvement of sharia instruments have been proven to encourage the growth of investors and issuers in the sharia capital market. Thus, the sharia capital market has a significant contribution in expanding public participation, supporting the development of the real sector, and encouraging Indonesia's economic growth.</p> <p><b>Keywords:</b> Sharia Capital Market, Investment, Islamic Economy, Financial Instruments</p>
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### INTRODUCTION

Investment is one of the important economic instruments in improving people's welfare and supporting economic growth. In the millennial era, people's interest in investment has increased significantly, especially in stock instruments traded in the capital market. The capital market itself is a meeting place for those who need funds and those who have excess funds through various long-term instruments such as stocks, bonds, and derivative instruments (Fadilah, 2018).

The history of the Indonesian capital market has been going on since the Dutch colonial period in 1912. However, significant developments have only been seen in the last two decades along with the advancement of financial technology and the increase in people's investment literacy. In line with the dominance of the Muslim population in

Indonesia, the need for investment instruments in accordance with sharia principles is becoming greater.

Since the 19th century, the capital market in Indonesia has experienced three stages. The capital market has a big role in economic development, because the capital market has a fantastic value that is dynamic. The transactions in it involve various instruments, varied, mixed and complicated by utilizing sophisticated information technology without thinking about the halal haram of the transaction. Capital market investment instruments with this system are still developing until this millennial era. The development of capital market instruments is not only developing conventionally, but also with the Indonesian society whose names are Muslim, encouraging the development of the Islamic Economic System (SEI) in accordance with sharia principles. The sharia capital market in Indonesia began to be introduced in mid-1997 through sharia mutual fund instruments.

The sharia capital market began to be introduced through sharia mutual funds in 1997. Furthermore, the presence of the Jakarta Islamic Index (JII) in 2000 became an important milestone in the provision of stocks that meet sharia principles (Saputra, 2014). The inauguration of the Islamic capital market through the cooperation of Bapepam-LK and DSN-MUI in 2003 strengthened the regulatory foundation of the Islamic capital market in Indonesia (Sudarsono, 2007). Its rapid development can be seen from the increasing number of sharia investors, the value of capitalization, and the variety of sharia instruments such as sukuk, sharia stocks, and sharia mutual funds.

With the collaboration between PT. The Jakarta Stock Exchange has now merged with the Surabaya Stock Exchange and became the Indonesia Stock Exchange with PT. Danareksa Investment Management (DIM) in July 2000 successfully established the Jakarta Islamic Index (JII) which aims to guide investors who want to invest their funds in sharia. The presence of this index provides stocks that are ready to be used as a means of investment in accordance with sharia principles (Saputra, 2014). Sharia investment instruments in the capital market continue to grow and increase with the presence of PT. Indosat Tbk in early September 2002. This instrument is the first sharia bond and is followed by the issuance of other sharia bonds. However, the Sharia capital market was officially launched in Indonesia on March 14 and 15, 2003 by the government represented by the Minister of Finance, Budiono, through the signing of a memorandum of understanding (MOU) between Bapepam-LK and DSN-MUI (Sudarsono, 2007).

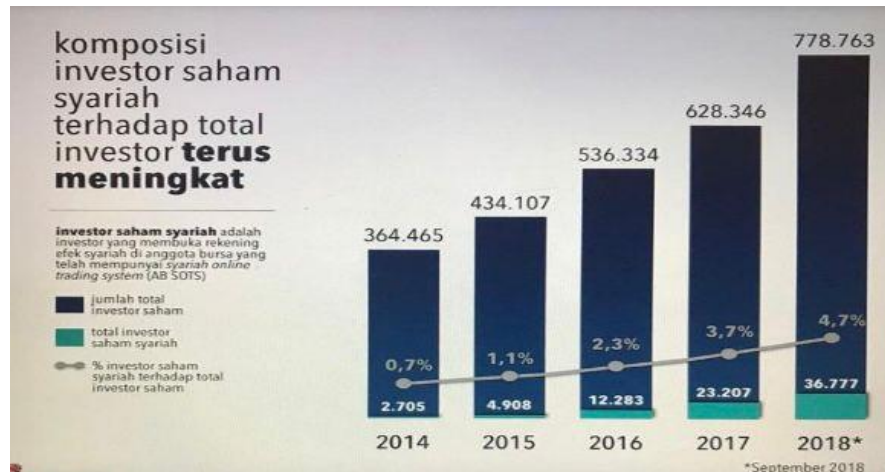


Figure 1. Investment Growth of Conventional and Sharia Capital Markets in 2014-2018. Source: Yeni Batubara.

The conventional and sharia capital market in the millennial era is an economic instrument (investment) that is in great demand by individuals and institutions. This can be seen from its increasing growth in every growth and development of the conventional and sharia capital markets as seen in the table above is very significant. The sharia capital market as an investment instrument in Indonesia with its rapid development encourages researchers to further study this problem by looking at the usefulness or value of the sharia capital market as an investment instrument in Indonesia.

## Literature Review

### Background Theory

Along with economic and technological developments, capital market investment is also growing with adjustments to comply with sharia principles. The Islamic capital market was introduced to meet the needs of the Muslim community so that they can invest in accordance with Islamic law which prohibits usury, gharar (uncertainty), maysir (gambling), and other haram elements.

The sharia capital market is a capital market whose activities follow Islamic principles, namely avoiding riba, maysir, gharar, and other haram activities. All instruments and companies that fall into the category of sharia securities must meet the criteria set by DSN-MUI and OJK.

### Previous Studies

Some studies show that:

Previous studies have shown that the Islamic capital market contributes to Indonesia's economic growth despite fluctuations in global and domestic economic conditions, and that the Islamic capital market has the potential to grow more rapidly as Muslim awareness of halal investment increases.

The Islamic capital market contributes positively to economic growth, even though it is influenced by global conditions (Yeni Batubara, 2019; Widayanti, 2019). Muslim investors are increasingly interested in sharia instruments as sharia financial literacy increases. The fluctuations of the sharia market are more stable than the conventional market because they do not contain excessive speculation.

### Conceptual Framework (optional)

A capital market whose activities are in accordance with Islamic sharia principles, which avoids the elements of usury, gambling, speculation, and uncertainty. This framework is supported by DSN-MUI regulations and fatwas that regulate the criteria for sharia securities, trading mechanisms, and contracts used in capital market transactions.

**The main concepts of the sharia capital market include:**

1. Fairness, transparency, and prudence in transactions.
2. Sharia contracts such as mudharabah, musyarakah, ijarah, and wakalah.
3. The relationship between the sharia capital market and sharia maqashid, especially in the principle of benefit and justice.
4. Strengthening the four pillars: the effect of sharia, literacy, infrastructure, and regulatory enforcement.

**Key concepts include:**

- a) The Islamic capital market performs important functions in the economy such as providing sharia-compliant halal investment opportunities, fair risk and profit management, increasing liquidity and corporate capital, and sustaining sustainable economic growth.
- b) Sharia principles in the capital market include fairness, transparency, prudence, and legal compliance enforced by capital market authorities.
- c) The main instruments in the sharia capital market are sharia stocks, sharia bonds, and sharia mutual funds that use contracts such as musyarakah, mudharabah, ijarah, and wakalah to ensure the conformity of Islamic law.
- d) This framework also refers to the concept of sharia maqashid (sharia goals) in economics, such as fair income distribution, balance, and the public benefit as the goal of sharia capital market development.
- e) The ideal Islamic capital market model is achieved through strengthening four pillars: the conformity of issuers and securities with sharia, understanding of market participants, transparent information infrastructure, and fair and effective law enforcement.

### Methodology

Normative research method with descriptive data analysis techniques. This research aims to find the benefits of the capital market as an investment instrument in Indonesia in

a sharia manner. The normative approach is used to examine regulations, principles, and fatwas related to the Islamic capital market, while descriptive analysis serves to describe the role and development of the Islamic capital market in the context of halal economics and investment in accordance with sharia principles. This study does not use experimental quantitative methods, but rather a review of literature and regulations related to the Islamic capital market and Islamic economics, and describes its contribution and benefits in Indonesia.

### **Data**

The data used are secondary data with descriptive and normative data types. Data was obtained from various literature, books, articles, journals, legal documents, DSN-MUI fatwas, and regulations related to the sharia capital market in Indonesia. This approach was chosen because it aims to analyze and describe the role and benefits of the Islamic capital market, so that a literature review or literature study is the most appropriate method to examine the theories, regulations, and practices of the existing Islamic capital market.

The normative and descriptive methods were chosen because this research focuses on the legal aspects and principles of sharia in the capital market, so the evaluation of regulations and fatwas is very important to ensure the suitability of investments according to Islamic principles. Using secondary data from these sources, researchers can make an in-depth analysis of the criteria, instruments, and contributions of the sharia capital market in Indonesia and assess the effectiveness of the application of sharia principles in the investment world without the need for direct primary data collection.

The Islamic capital market contributes positively to economic growth, even though it is influenced by global conditions (Yeni Batubara, 2019; Widayanti, 2019).

### **Model Development**

The model developed is normative and descriptive based on literature review and analysis of Islamic capital market regulations in Indonesia. This means that this research does not develop mathematical or statistical models. The model in question is a framework for understanding the Islamic capital market system that operates based on sharia principles, DSN-MUI fatwas, and OJK regulations.

This development model emphasizes strengthening the legal foundations and operational mechanisms of the Islamic capital market in accordance with Islamic principles, such as the elimination of usury, speculation, and uncertainty, as well as the application of sharia contracts (*mudharabah*, *musyarakah*, *ijarah*, *wakalah*) in investment instruments such as sharia stocks, sharia bonds, and sharia mutual funds. The goal is to achieve a capital market that not only generates financial gains, but also creates justice, economic balance, and benefits for the people.

With this approach, the research presents a model that integrates the legal, regulatory, and practical aspects of sustainable sharia investment, while supporting real economic growth in Indonesia according to the goals of maqashid sharia.

## Method

This study uses a normative method with a descriptive approach. Data comes from literature, scientific journals, legal documents, DSN-MUI fatwas, and OJK regulations. A normative approach was chosen to examine the principles, norms, and suitability of sharia capital market instruments with Islamic law.

Original references related to normative methods generally refer to legal literature and normative research theories, such as international textbooks in Islamic legal and economic studies. An example of a reference that is often used is Nazir (2005) in his book "Research Methods" which explains that normative methods are a systematic way to examine norms, rules, and policies in order to provide in-depth advice and analysis on certain legal or social issues.

This method was chosen over quantitative or experimental methods because this research is oriented towards the collection of secondary data in the form of documents, fatwas, regulations, and literature, rather than primary data or statistical measurements. Thus, a descriptive normative approach is suitable for describing the conditions of the sharia capital market, regulations, and the application of sharia principles theoretically and empirically based on literature review and official financial and sharia documents.

## Results and Analysis

### Results

As an investment instrument in Indonesia, the existence of the sharia capital market according to MM. Metwally has several functions, namely:

1. Allow the community to participate in business activities by obtaining a share of the profits and risks.
2. Allowing shareholders to sell their shares to obtain liquidity.
3. Allow the company to upgrade from the outside to build and develop its production lines.
4. Separating the operation of business activities from the short-term fluctuations in stock prices that are common characteristics in the conventional capital market.
5. Allowing investment in the economy to be determined by the performance of business activities as reflected in the stock price (Saputra 2014, 89).

In addition to the function above the capital market as an investment instrument in Indonesia

Having a great contribution to economic growth in Indonesia, this can be seen with the development of the Islamic capital market which affects economic indicators such as the real exchange rate, inflation rate, and also gross domestic product which is a benchmark for economic growth. The contribution of the Islamic capital market to economic growth can be seen in the graph below (Widayanti 2019, 26):

In 2013, the contribution of the Islamic capital market to economic growth decreased from 3.007% to 0.039%. This is due to a shift in global factors that previously benefited the economy in Indonesia. In 2013, there was a slowdown in economic growth in emerging markets such as China India which had an impact on the end of the era of high commodity prices, thereby lowering Indonesia's terms of trade and finally suppressing the export performance of primary commodities. This weak export performance increased the current account deficit.

In 2014 the contribution of the Islamic capital market to economic growth increased again to 3.239%, this year there was a global economic recovery, but economic conditions are still in the weak category, as seen from the decline in the price of non-oil and gas commodities and oil prices. However, in 2015 the economy in Indonesia experienced challenges, due to volatile economic conditions, both global and domestic economies. The weak global economic recovery has led to a continued decline in commodity prices and a decline in foreign capital flows to developing countries, which has triggered pressure on the economy in Indonesia, which is included in the developing world. This can also be seen in the contribution of the Islamic capital market to economic growth which decreased to -2.149%.

In 2016, the contribution of the Islamic capital market to economic growth increased again to 3,499%. The synergy and consistency of policies taken by Bank Indonesia and the government to maintain macroeconomic stability, encourage Indonesia's economic growth, so that Indonesia is able to escape various external pressures while remaining on the right path of sustainability. Then in 2017 the contribution of the Islamic capital market to economic growth decreased again, but not as much as in 2013 and 2015. This decline is due to a decline in the sharia capital market in Indonesia, so that its contribution to economic growth has also decreased.

The development of the Islamic capital market, which from year to year continues to show an increase that has a good impact on economic growth. This is in accordance with Shumpeter's theory of economic growth which states that economic development is caused by the main factor, namely the innovation process and the actors are investors or entrepreneurs. The economic progress of a society can only be applied with innovation by the self-employed. With these innovations and driven by the desire to make profits, new investments are held. This new investment boosts economic activity. People's income

increased and the consumption level increased. The increase encouraged other companies to produce more goods and make new investments.

In Islam, investment activities are muamalah activities that are highly recommended, because by investing in the property they have become productive and also bring benefits to others. In Islamic law, the hoarding of property is a prohibited act. One form of investment that can turn the financial wheels is investing in the capital market. Islamic capital market institutions are one of the manifestations of the call for investment. The Islamic capital market was formed because it wants to realize certain economic missions for the benefit of those who are always in accordance with the goals of Islamic law itself. There are several missiles carried out in the operationalization of the Islamic capital market. First, it is a means of investment that can provide profits. Second, a means that can realize the principle of ta'awun where the party who needs capital is helped, while the other party can process the money with benefits. Third, the principle of enlivening the real sector, where the assets invested become repayment for the movement of the wheels of the economy which is affected by the reduction in the number of unemployed, especially in Indonesia.

### **The Contribution of the Sharia Capital Market to Economic Growth**

Based on data on the development of the Islamic capital market:

- a) In 2013, the contribution dropped drastically due to global economic conditions.
- b) In 2014, contributions increased along with economic recovery.
- c) In 2015, it declined again due to global and domestic instability.
- d) In 2016–2017, the contribution improved in line with the stability of the national macroeconomy.

This development shows that the Islamic capital market has a close relationship with economic stability both at the national and global levels.

### **Endurance Test**

The part that serves to check the robustness of the results and ensure that the results are strong and meaningful is not explicitly mentioned to conduct empirical or statistical tests such as data validity or reliability tests. This study uses normative and descriptive methods with secondary data in the form of literature reviews, DSN-MUI fatwas, OJK regulations, and sharia capital market documents.

Because this methodology is normative-descriptive, the validity of the results is strengthened through the thoroughness of the investigation of regulations and official fatwas that are the legal basis of the Islamic capital market. This study emphasizes the suitability of sharia principles in the analyzed investment instruments, so that the results are meaningful in the context of sharia and economic benefits according to sharia maqashid.

Thus, the test of the resilience of the results is carried out conceptually and regulatively through references to established fatwas and regulations, as well as credible literature, rather than by quantitative statistical tests. This strengthens the quality of the analysis and the relevance of the findings in the context of sharia law and economics in Indonesia.

### Sharia and Maqashid Analysis

Explanation of the novelty of research results, justification for the results obtained, and comparison of results with previous research both that have similarities and differences. This critical discussion involves an explanation of why the results appear and their implications in the context of the science being studied. The novelty of the results is usually based on the unique contribution of the research that has not been found in previous studies, for example with a new approach, variable, or context. Justification of results is supported by relevant data or theory to ensure valid results.

Investment in Islam is recommended because it produces wealth, avoids hoarding (ikhtinaz), and supports the real sector. The Islamic capital market realizes:

1. Economic benefit: increasing community prosperity.
2. Ta'awun: mutual help between investors and issuers.
3. Access to halal financing: avoiding the practice of usury and speculation.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusion

In substance, the capital market, both conventional and sharia, can be said to be in harmony with Islamic law, because the mission of Islamic law in the field of Muamalah is the benefit of the ummah which is also used as the purpose of the formation of the capital market. The fundamental difference between the conventional and sharia capital markets lies in their operationalization, where in the conventional capital market there are still many speculations and stock buying and selling practices that are not in accordance with Islamic law that can damage the purpose of profit itself. The sharia capital market has a strategic role in supporting Indonesia's economic growth.

In addition to providing halal investment instruments, the Islamic capital market is also able to reduce speculative practices, increase transparency, and encourage the development of the real sector. With a strong regulatory foundation and conformity with sharia principles, the sharia capital market provides benefits for issuers, investors, and the national economy in general.

Realizing benefits in the economic field by legalizing the capital market as an investment instrument in Indonesia can clean up other practice fund speculation practices that are not in accordance with sharia principles in the operation of the capital market. To prevent behavior that deviates from Islamic law, it can be done by affirming the legal rules that regulate transaction activities in the capital market, by developing the Islamic capital market. So that the purpose of the economy is carried out, namely the benefit of the issuer and also investors. In addition to convenience for the parties who transact, this will also encourage economic growth in line with the growth of the sharia capital market in Indonesia.

### Recommendations

- a) This journal's research can be recommended for academics, sharia investment practitioners, and policy makers who want to understand and develop the sharia capital market in Indonesia with a sharia-compliant foundation and encourage the benefit of the people and sustainable national economic growth.
- b) For further study, this journal can be a reference for quantitative empirical research on the contribution of the Islamic capital market to the economy, evaluation of the sharia compliance of capital market instruments, and the effectiveness of sharia regulation in Islamic financial investment practices.
- c) Researchers can also develop discussions in this journal by comparing the performance of Islamic and conventional capital markets and delving into the risks and opportunities aspects of Islamic investors in the context of global and domestic economies.

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