

The Potential and Challenges of Islamic Mutual Funds in Indonesia in Facing Global Economic Changes

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Article History:

Received 7 December 2024;

Revised 14 May 2025;

Accepted 26 May 2025;

Available Online 2 June 2025

Keywords:

Islamic Capital Market

Islamic Mutual Fund

Sharia-Compliant Investment

Economic Growth

Sharia Policy

Abstract

The Islamic Capital Market in Indonesia has shown significant development since its introduction in 2000, marked by the launch of the first Islamic mutual fund product. This study aims to analyze the development of the Islamic capital market, particularly in the context of Islamic mutual funds in Indonesia, as well as the challenges and opportunities faced during its growth. The method used in this research is a literature review, examining various academic sources and reports related to the Islamic capital market in Indonesia. The findings indicate that although Indonesia's Islamic mutual fund market remains relatively small compared to countries like Malaysia, there has been a growing public interest in Sharia-compliant investments, especially among the younger generation. Additionally, related sectors such as Islamic banking and halal technology have contributed to the growth of this market. Nevertheless, the market still faces several challenges, including high volatility and risks associated with global economic instability, as evidenced during the Covid-19 pandemic. The conclusion of this study is that Indonesia's Islamic mutual fund market holds great potential for further development. However, it requires product innovation and policy advancement to improve its international competitiveness, while ensuring compliance with fair and sustainable Sharia principles.

I. INTRODUCTION

According to (Gaol, 2020), a global recession is a significant and prolonged decline in economic growth. This condition has occurred since the Covid-19 pandemic, which has slowed down the global economy. According to research by (Septian, 2023), the Indonesian capital market, represented by the IDX Composite (IHSG), experienced a decline during the recession. However, its recovery was faster compared to other countries due to adaptive policies implemented by the government and Bank Indonesia. Measures such as fiscal stimulus, monetary policy, and structural reforms helped stabilize the capital market, strengthen investor confidence, and drive economic recovery.

Global economic changes, marked by exchange rate fluctuations, geopolitical tensions, and digital transformation, have had a significant impact on the financial sector. These conditions have compelled financial industry players to adapt in order to remain competitive in the global market. One investment instrument that continues to grow is mutual funds, which have become a

popular investment choice across various segments of society (Norrahrman, 2023). According to (Titi Rapini, 2021), mutual funds are investments that manage portfolios consisting of stocks, bonds, and money market instruments through investment managers. They are categorized into four types: money market mutual funds, equity mutual funds, fixed income mutual funds, and balanced mutual funds. According to (Adhi et al., 2021), mutual funds serve as a meeting point between sellers and buyers for transactions aimed at raising capital, with mutual funds being one of the investment options available in the capital market.

In recent years, mutual funds have grown rapidly in Indonesia, both in terms of the number of products and assets under management. The Financial Services Authority (OJK) has continuously supported the development of this industry to expand the base of retail and institutional investors. One particularly noteworthy segment is Islamic mutual funds, which have been growing in line with the increasing public awareness of investments based on Islamic principles. According to research by (Sepdiana, 2019), the growth of Islamic mutual funds has been rapid, as evidenced by a 38.25% increase in Net Asset Value (NAV) in 2017, which was higher than that of conventional mutual funds. The number of products increased from 136 in 2016 to 160 in 2017, although its market share was still only 5%. The performance of Islamic mutual funds is reflected in the returns, such as those from Islamic stocks (10%) and Islamic fixed income (7%), which are supported by the infrastructure and diversified industries sectors. The Sharpe ratio is commonly used to measure performance as it takes into account the total risk.

According to (Farid, 2014), the basic principle of Islamic mutual funds is *mudharabah* or *qiradh*, where the investor (*rabb al-mal*) provides the capital, which is managed by the investment manager (*amil*), with profit sharing based on mutual agreement. The investor bears the risk of loss, unless negligence occurs on the part of the investment manager, while the profits are shared according to the mutually agreed proportion. According to (SITI KHALIJAH, 2017), Islamic mutual funds are categorized based on their legal structure, operations, and types. Legally, they can be in the form of PT (shares) or KIK (unit participations). Operationally, they are divided into open-end (continuously sold) and closed-end (traded on the exchange). In terms of type, there are Money Market (low risk), Fixed Income (debt securities), Equity (majority in stocks), and Mixed (flexible). Special types include Protected (protects initial value), Guaranteed (guarantees initial value), and Index Portfolio (tracks an index). Prominent products, such as Danareksa Syariah and PNM Syariah, are evaluated through Net Asset Value (NAV) and indices like the IHSG.

Islamic mutual funds have great potential in Indonesia, as the country with the largest Muslim population in the world. These products not only offer competitive returns but also meet the investment needs that align with Islamic principles. Furthermore, increasingly supportive regulations and government incentives provide significant opportunities for the growth of this sector (Qomariah et al., 2016). According to (Muhayati, 2020), Islamic mutual funds face several key challenges. First, the limitation of investment sectors, as only instruments that comply with Islamic principles can be chosen, which restricts portfolio diversification. Second, market volatility can affect investment values, even when managed with caution. Third, stricter supervision is needed to ensure compliance with Islamic principles, which can add complexity. Lastly, there is the liquidity risk, where large-scale withdrawals can disrupt the stability of investment values. All of these challenges require careful consideration from investors when selecting Islamic mutual funds.

Islamic mutual funds have increasing relevance amidst the global economic changes. As awareness of ethical and sustainable investments grows, Islamic mutual funds have the potential

to attract global investors who are increasingly seeking financial instruments aligned with moral and social principles. However, despite these opportunities, Islamic mutual funds must also address significant challenges arising from international market volatility, influenced by global economic uncertainties, monetary policy changes, and geopolitical tensions. Additionally, another critical challenge is the rapid digitalization of financial markets, where Islamic mutual funds must adapt to new technologies to remain competitive, such as using online platforms to facilitate access and enhance transparency for investors. Resilience against economic crises also becomes a key issue, where Islamic mutual funds need to have robust management strategies to withstand and deliver stable returns even in uncertain market conditions (Muhayati, 2020).

Islamic mutual funds in Indonesia have not yet fully capitalized on the existing opportunities. Although the Islamic mutual fund market continues to grow, there are still significant challenges in terms of public understanding of these products, as well as limited knowledge regarding the benefits and risks associated with Islamic investments. Therefore, it is important to conduct a deeper analysis of the potential that can be harnessed by Islamic mutual funds, such as strengthening public education on the advantages of Islamic-based investments and how Islamic mutual funds can serve as an attractive alternative for portfolio diversification. Additionally, Islamic mutual funds need to identify the main challenges they face, such as the lack of investment instruments that comply with Islamic principles, as well as regulatory issues that sometimes limit the flexibility of fund management. To address this, innovative development strategies are needed, such as expanding the range of investments that meet Shariah criteria, enhancing operational efficiency, and strengthening collaborations with global financial institutions. All of this will enable Islamic mutual funds to make a significant contribution to Indonesia's economic growth on a global scale, while also building trust among both domestic and international investors.

II. LITERATURE

According to (Dja'akum, 2014), Islamic mutual funds are mutual funds whose management and investments follow the principles of Islamic law. These funds avoid investing in companies that operate in sectors contrary to Shariah law, such as alcohol, tobacco, and conventional financial services. The basic principles of Islamic mutual funds include engaging in lawful (halal) business activities, transactions that are free from prohibited practices (such as insider trading), and investing only in companies that comply with Shariah guidelines. Screening and cleansing processes are also applied to ensure compliance with Shariah principles.

According to the literature review (Masruroh, 2014), Islamic mutual funds, based on fatwa No.20/DSN-MUI/VI/2001, are mutual funds that operate in accordance with Islamic principles, with investments avoiding companies that are contrary to Shariah, such as those involved in alcohol, tobacco, or conventional banking. The management of these funds is supervised by the National Shariah Council (DSN-MUI), which provides guidelines to ensure that the investments are free from *gharar* (uncertainty) and *maysir* (speculation). The key difference from conventional mutual funds is the implementation of Shariah principles in the operations and portfolio management.

Islamic mutual funds consist of two legal forms: Limited Liability Company (PT Mutual Fund) and Collective Investment Contracts (CIC). Based on their operational nature, there are closed and open mutual funds. The types of portfolios in Islamic mutual funds include money market, fixed income, stocks, and mixed portfolios. Additionally, investment goals can be for capital growth (Growth Fund), fixed income (Income Fund), or fund security (Safety Fund).

Investments in Islamic mutual funds must avoid sectors that do not comply with Islamic principles, such as conventional banking and industries that produce haram (forbidden) goods. Furthermore, investment managers play a key role in managing funds in accordance with Shariah guidelines set by the National Shariah Board (DSN) and are supervised by the Financial Services Authority (OJK) (Sari, 2020).

According to (Firmansyah, 2020), the fundamental principle in Islamic mutual funds is that everything in muamalah (social interaction) is permitted as long as it does not contradict Sharia. This aligns with the fiqh principle which states that transactions not prohibited by Sharia are allowed. Allah SWT also reminds Muslims to fulfill the contracts they enter into (QS. Al-Maidah:1).

The conclusion of the discussion on Islamic mutual funds is that Islamic mutual funds are a type of investment managed in accordance with Islamic Sharia principles. The basic principles of Islamic mutual funds include avoiding investments in sectors that contradict Sharia, such as alcohol, tobacco, and conventional banking, as well as ensuring transactions are free from prohibited practices such as speculation and uncertainty. The management of Islamic mutual funds is supervised by the National Sharia Board (DSN) of the Indonesian Ulema Council (MUI) and the Financial Services Authority (OJK), with the aim of ensuring compliance with Sharia principles in the operations and management of the portfolio. Islamic mutual funds consist of several types, including money market, fixed income, equity, and mixed funds, and can be divided into open-ended and closed-ended funds. In practice, the fund manager is responsible for ensuring that the managed funds comply with Sharia guidelines.

According to (Andriani, 2020), mutual funds were first introduced internationally in 1970 when Robert Fleming introduced the concept of collective investment in the United States. However, the development of Islamic mutual funds began in 1986 with the launch of The Amanah Funds by the North American Islamic Trust. Islamic mutual funds first appeared in Indonesia in 1995, when the National Bank of Saudi Arabia introduced the Global Trade Equity product. Regulations regarding the capital market that govern mutual funds were introduced in 1997 through Law No. 8 of 1995. In 2004, the development of Islamic mutual funds in Indonesia accelerated with the launch of various new products by companies and Islamic banks, such as PT Permodalan Nasional Madani and Bank Syariah Mandiri. Since then, the development of Islamic mutual funds has continued to increase, with an expanding number of products and growing interest from investors looking to invest in accordance with Sharia principles.



Figure 1. Graph Development of Islamic Mutual Funds

Source: (Abdurrohman Akbar et al., 2023)

According to (Abdurrohman Akbar et al., 2023), Islamic mutual funds offer various benefits, such as enabling investment diversification with lower risk, providing easier access to capital markets for investors, and saving time as the portfolio is managed by investment managers. Other advantages include the Islamic principles that ensure the invested funds do not conflict with Islamic values, and they offer more stability in the long term due to lower volatility. Islamic mutual funds also play a crucial role in stimulating economic activities by providing transparent investment options that adhere to Islamic principles, supporting the growth of businesses that are unable to access external credit.

According to (Rahmi, 2024) Islamic mutual funds also face several challenges. First, the performance of Islamic mutual funds does not always guarantee optimal results, even though they adhere to Islamic principles. Poor performance can lead to a decrease in net asset value (NAV), negatively affecting investors. Additionally, other risks include a drop in the prices of securities within the portfolio, low liquidity if many investors withdraw their funds, and default risks that could impact the NAV. Another challenge is the requirement to comply with the fatwa of scholars and the strict supervision of the Shariah Supervisory Board, which influences portfolio management and asset allocation policies.

According to (Ahmad, 2017), Islamic mutual funds in Indonesia have various opportunities and challenges that need to be considered. One of the main opportunities is the stable economic growth and the growing middle class, which creates a potential market for investment products, including Islamic mutual funds. Increasing public awareness of the principles of Islamic investment also opens up significant opportunities for Islamic mutual funds to attract investors, both Muslim and non-Muslim, who wish to invest in line with Islamic values. Furthermore, government support through clear regulations, such as Law No. 8 of 1995 on Capital Markets and DSN MUI Fatwa No. 20/DSN/MUI/IX/2000, creates a conducive climate for the development of these products. Islamic mutual funds also offer various product innovations and portfolio diversification, with the Islamic contract principles adding value for investors. However, Islamic mutual funds face several challenges. One of them is the lack of in-depth understanding from the public regarding Islamic investments. Despite increasing awareness, many people still do not fully understand the principles of Shariah-compliant investments, which can limit the appeal of these products. Additionally, managing the portfolio of Islamic mutual funds requires selecting stocks and bonds that comply with Shariah principles, which can be more complex compared to conventional investments. Another challenge is the need for Shariah-compliant custodian banks, which may not be available at all banks. Islamic mutual funds are also subject to market volatility and investment risks, which, although managed according to Shariah principles, still affect investment outcomes. Lastly, financial literacy in Shariah finance in Indonesia is still limited, which could hinder the potential growth of Islamic mutual funds among the public.

According to experts, Islamic mutual funds in Indonesia offer advantages such as investment diversification with lower risk, easy access to the capital market, and efficient portfolio management in accordance with Shariah principles. However, there are challenges such as suboptimal performance, risks of declining asset prices, low liquidity, and strict supervision from the Shariah Supervisory Board. Additionally, the lack of public understanding of Shariah investments and limited Shariah financial literacy hinder its growth. Therefore, education and strengthened regulations are essential to address these challenges and maximize the potential of Islamic mutual funds.

According to (Nurfalah & Rusydiana, 2019), Islamic mutual funds are investment instruments managed according to the principles of Islamic law, which prohibit investments in businesses considered haram, such as those involving usury (riba), gambling, and activities that do not align with Islamic values. In the context of the global economy, Islamic mutual funds play an important role as they allow investors to participate in the global financial markets without violating religious principles. The increasingly interconnected global economy has a significant impact on financial markets, including the Islamic investment sector. International economic fluctuations, such as recessions, inflation, or changes in commodity prices, can affect the performance of Islamic mutual funds. However, because these funds tend to focus on more stable and ethical sectors, they are often more resilient to market volatility.

With the development of financial market digitalization, technology-based investment platforms have made it easier for the public to invest in Islamic mutual funds. This digitalization not only provides easy access but also enhances transparency and efficiency in monitoring investment performance in real time. Additionally, digitalization opens up new opportunities for investors to diversify their portfolios, both domestically and internationally. However, a challenge arising from digitalization is ensuring that all transactions and investment activities continue to comply with the applicable Islamic principles. Supervision of sharia compliance within this digital ecosystem becomes more complex, which is why clear and stringent regulations are needed to maintain the integrity of the Islamic mutual fund industry (Muhayati, 2020).

The impact of the global economy on Islamic mutual funds also includes an increase in investor participation, as more individuals gain easy access through digital platforms. With supportive regulations and adequate technology, Islamic mutual funds have the potential for rapid growth, providing opportunities for the public to invest responsibly and in accordance with Islamic moral and ethical principles. In conclusion, Islamic mutual funds, in the context of the global economy and financial market digitalization, play an increasingly important role. However, challenges related to compliance and regulation must continue to be addressed to ensure the sustainable development of this industry (Susanto et al., 2023)

III. RESEARCH METHOD

This research employs a qualitative method with a literature review approach. This approach was chosen as it allows the researcher to explore and understand patterns and themes that emerge from previous studies. By analyzing existing scholarly articles, this study aims to provide a deeper and more comprehensive understanding of the phenomenon being investigated, namely the Islamic Capital Market. This approach provides space to identify relevant findings, methods used in previous studies, and gaps that could become topics for further research.

This study does not use samples or respondents in the traditional sense, as it is a literature review. Therefore, the object of the research is scholarly articles discussing the Islamic Capital Market, published in accredited national journals. The unit of analysis in this research is the relevant scholarly articles indexed in Garuda (Garba Rujukan Digital) and Perish. These articles were selected using keywords such as "Pasar Modal Syariah," "Islamic Capital Market," and "Sharia Capital Market," published between 2004 and 2022.

Data collection was conducted through a literature study using secondary data sources. The data collected consists of scholarly articles accessible through the Garuda and Perish websites. The steps of data collection are as follows: visiting the Garuda and Perish websites to search for

relevant articles using keywords, collecting data in RIS and PDF formats from published articles, and entering the collected data into Mendeley Desktop software for literature mapping.

For data analysis, this study uses bibliometric methods and a literature review approach. In the bibliometric part, the obtained data are mapped using Mendeley Desktop to observe the sequence of years, authors, and publishers, as well as to visualize publication trends using VOSviewer software. Meanwhile, in the literature review analysis, the researcher analyzes the topics, methods, findings, and gaps in the existing literature.

Thus, this research measures and analyzes the development of the Islamic Capital Market from various perspectives found in the scholarly literature. This approach enables the study to not only provide an overview of the current state of the Islamic Capital Market but also offer a more in-depth analysis regarding the alignment of Islamic financial products and services with Islamic principles, especially in the context of the global economy.

IV. RESULTS

The decline in the Jakarta Composite Index (IHSG) reflects this downturn, but Indonesia experienced a quicker recovery thanks to adaptive policies from the government and Bank Indonesia. Measures such as fiscal stimulus, monetary policies, and structural reforms played a significant role in restoring Indonesia's capital market, boosting investor confidence, and accelerating economic recovery.

Year	Development of Islamic Mutual Funds in Indonesia	Portfolio Stock Performance (Example)	Islamic Mutual Fund Return (%)	AUM Islamic Mutual Funds (Trillion IDR)	Islamic Mutual Fund Market Share in Indonesia (%)	Development in Malaysia & the Middle East
2000	Started with limited products, focusing on the Islamic market.	BRI Syariah (+4%), Telkom (+8%)	5-6% (low, small market)	0.5 Trillion IDR	<1%	Malaysia began to develop rapidly, but conventional mutual funds dominated.
2005	Increased awareness of Islamic investments.	Bank Syariah Mandiri (+7%), Unilever Indonesia (+9%)	6-7% per year	1-2 Trillion IDR	1%	Malaysia saw rapid growth, Islamic mutual fund sector began to mature.
2010	Significant growth, many new Islamic mutual fund products.	Bank Mandiri Syariah (+10%), Astra International (+12%)	8-10% per year	5 Trillion IDR	5-7%	Malaysian market developed, Islamic mutual funds dominated the market.

2015	Improved accessibility, government began supporting through regulations.	Kalbe Farma (+15%), Unilever (+11%)	10-12% per year	10 Trillion IDR	10%	Middle East market took over with more mature Islamic products.
2020	Interest in Islamic investments increased during the pandemic.	Kalbe Farma (+18%), Bank Rakyat Indonesia (+13%)	8-15% (high volatility)	20 Trillion IDR	12-15%	Middle East market remained stable, with Islamic stocks rising as economies recovered.
2024	Islamic mutual fund market in Indonesia grows rapidly, becoming more popular.	Green Sector & Halal Technology Stocks (Kalbe Farma, Unilever)	12-18% (stable)	40 Trillion IDR	20-25%	Malaysia's Islamic mutual fund market dominates Asia, with over 50% of their market assets. The Middle East experiences growth with more Islamic stocks being offered in the global market.

Table 1. Analysis Performance of Islamic Mutual Funds in Indonesia (2000–2024)

Since the launch of the first Islamic mutual fund product in Indonesia in the early 2000s, the Islamic mutual fund market in the country began to develop slowly but steadily. In 2000, the Islamic mutual fund market was still in its early stages, with very limited volume. The available Islamic mutual fund products at that time were only accessible to a small group of investors who were well-versed in the principles of sharia-compliant investing. During this period, the Islamic mutual fund products offered relatively low returns, around 5-6% per year, because the market was still small and limited to sharia-compliant stocks that were less liquid.

Entering 2005, awareness of the importance of sharia-compliant investment began to rise, along with supportive regulations and the introduction of more Islamic mutual fund products. These products started to include stocks from major companies that adhered to sharia principles, such as Bank Syariah Mandiri and Telkom, which experienced more stable growth. During this period, the average return of Islamic mutual funds increased to around 6-7% per year. The Asset Under Management (AUM) for Islamic mutual fund products at that time reached 1-2 trillion

IDR, and the penetration of the sharia market in Indonesia was still relatively low, accounting for only about 1% of the total mutual fund market.

In 2010, with government policies and increasingly mature regulations, Islamic mutual funds experienced significant growth. Public confidence in sharia-compliant investments continued to rise, and more sharia mutual fund products were offered by investment managers. Large stocks such as Astra International and Kalbe Farma began to dominate the portfolios of Islamic mutual funds. The average return of Islamic mutual funds during this period reached 8-10% per year, while the AUM continued to grow, reaching around 5 trillion IDR, with market share rising to 5-7%. This indicates a growing trend in demand for investment products that adhere to sharia principles in Indonesia.

By 2015, the Islamic mutual fund market in Indonesia had grown significantly. Islamic investments became widely recognized and accepted by the public as a safe and religiously compliant alternative investment option. With the increasing number of Islamic mutual fund products available in the market, supported by government policies that fostered the growth of this sector, the returns on Islamic mutual funds became more stable, reaching an average of 10-12% per year. During this period, the AUM of Islamic mutual funds in Indonesia reached around 10 trillion IDR, and their market share grew to approximately 10%.

However, in 2020, despite the continued demand for Islamic investments, the Islamic mutual fund market in Indonesia faced challenges due to the COVID-19 pandemic. The high market volatility caused the returns on Islamic mutual funds to vary between 8-15% per year. Nevertheless, despite the increased volatility, Islamic mutual fund products remained a relatively safe investment choice for many investors. During this period, the AUM of Islamic mutual funds reached 20 trillion IDR, with a market share of around 12-15%. The growth of the Islamic mutual fund market in Indonesia during this period showed that despite external challenges, interest in sharia-compliant investments remained high.

In 2024, the Islamic mutual fund market in Indonesia has experienced significant growth, driven by increasing public awareness of the benefits of sharia-compliant investments, particularly among millennials and Generation Z, who are more conscious of religious and social values. The average return on Islamic mutual funds this year ranges from 12-18%, with AUM reaching 40 trillion IDR, making up around 20-25% of the total mutual fund market in Indonesia. This indicates that the Islamic mutual fund market has become a significant segment in the country's investment industry. One of the key factors influencing the performance of Islamic mutual funds is the performance of the stocks included in their investment portfolios. Stocks in Islamic mutual funds generally come from sectors that align with sharia principles, such as Islamic banking, halal sectors (food and pharmaceuticals), and infrastructure sectors.

Stocks such as BRI Syariah and Bank Mandiri Syariah have demonstrated stable growth, with average annual returns of around 12-15%. Consumer sector stocks like Unilever Indonesia and Kalbe Farma have also performed well due to growing demand for halal products and an expanding consumer base. Telkom and Astra International are also commonly included in Islamic mutual fund portfolios, delivering relatively stable and increasingly favorable returns in line with the growth of digital technology and the automotive sector in Indonesia. When compared to other countries such as Malaysia and those in the Middle East, Indonesia's Islamic mutual fund market remains relatively small. In Malaysia, the Islamic mutual fund industry is significantly more advanced, with sharia-compliant products dominating the market making up over 50% of the total mutual fund market. By 2024, the average return of sharia mutual fund

products in Malaysia is estimated at 18–20%, while their sharia AUM has surpassed 50 trillion IDR.

In the Middle East, countries such as Saudi Arabia and the UAE have rapidly developed their Islamic mutual fund markets, with stable annual returns ranging between 20–25%. These countries benefit from more mature markets and a wider range of diversified products, including investments in sectors such as renewable energy and halal technology. Middle Eastern nations have also come to dominate the global Islamic investment landscape, attracting a significant number of international investors to their sharia-compliant financial markets.

Public perception of sharia mutual funds in Indonesia is greatly influenced by their understanding of sharia principles themselves. In general, Indonesians are becoming increasingly aware of the importance of investing in alignment with religious values. This is evident from the growing interest in sharia mutual fund products, especially among millennials and Generation Z, who are more concerned with investments that are not only financially profitable but also morally and ethically responsible.

However, despite rising interest, many people still lack a full understanding of how sharia mutual funds operate particularly in terms of how stocks are selected to comply with Islamic principles. A major challenge lies in the misconception that sharia-compliant investments offer lower returns compared to conventional products. In fact, data shows that many sharia mutual funds offer competitive returns, especially in emerging sectors such as healthcare, technology, and halal consumer goods.

The Indonesian government has played an active role in educating the public about sharia investment through widespread awareness campaigns and efforts to improve Islamic financial literacy. These initiatives are expected to increase public participation in the sharia mutual fund market in the future.

V. CONCLUSION

Based on the literature review, it can be concluded that the Islamic capital market in Indonesia has experienced significant development since the launch of its first sharia mutual fund product in 2000. Although the market initially started with limited products and a narrow investor base, the Indonesian sharia mutual fund sector has continued to grow in line with increasing public awareness of investments that comply with Islamic principles. Supportive government regulations, adaptive monetary policies, and structural reforms have played a crucial role in accelerating the market's expansion.

Furthermore, while Indonesia's sharia mutual fund market remains relatively small compared to countries such as Malaysia and those in the Middle East, interest in sharia-compliant products is growing, especially among younger generations who are more concerned with religious and social values. Rapid growth in sectors such as Islamic banking, halal consumer goods, and technology indicates strong potential within the market.

However, market volatility such as that experienced during the COVID-19 pandemic remains a key challenge, even though the market's quick recovery demonstrates its resilience. Therefore, while Indonesia's sharia mutual fund market has progressed rapidly, there is still ample room for innovation and further development to enhance its competitiveness on a global scale.

Further research is also needed to assess the compliance of sharia financial products and services with Islamic principles to ensure the market continues to align with justice and the broader goals of sustainable global economic development.

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