

DSN-MUI FATWA AS A REGULATORY PILLAR FOR THE GROWTH OF SHARIA EXCHANGE-TRADED FUNDS IN ISLAMIC FINANCE

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ABSTRACT

Although Sharia Exchange Traded Funds (ETFs) have great potential as an investment instrument based on Sharia principles, their development in Indonesia is still hampered by the lack of legal certainty and lack of public literacy. DSN-MUI Fatwa Number: 154/DSN-MUI/V/2023 is here to fill the void of Sharia regulations that previously did not specifically regulate the mechanism of Sharia ETFs, especially in the aspects of contracts, transaction structures, and compliance with Islamic principles. This study aims to examine the content and implications of the fatwa in encouraging the growth of Sharia ETFs and strengthening the Islamic capital market in Indonesia. The method used is a literature study with a qualitative approach, through a review of the scientific literature published in 2019–2024. The results of the study show that this fatwa provides a strong legal foundation, increases the confidence of Muslim investors, and clarifies the transaction mechanism of Sharia ETFs in the primary and secondary markets. However, the success of the implementation of this fatwa is highly dependent on a sustainable financial literacy strategy and strengthening the Sharia market infrastructure. Thus, DSN-MUI Fatwa Number: 154/2023 plays a strategic role in bridging the need for modern halal investment while expanding Islamic financial inclusion in Indonesia.

Keywords: Islamic Finance; Sharia ETF; DSN-MUI Fatwa.

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INTRODUCTION

Financial inclusion is one of the important pillars of sustainable economic development. Increasing access to financial services is expected to help reduce poverty, support economic growth, and improve people's welfare (Laila & Sihotang, 2022). In Indonesia, with a majority Muslim population, Islamic financial inclusion is a key focus in expanding access to finance by Islamic principles (Maulida et al., 2020). Islamic financial inclusion is an effort to ensure that all levels of society, including the underserved (*unbanked*) and those who choose financial services under Sharia principles, have easy and affordable access to various Islamic financial products and services (Maulidina et al., 2022). It covers banking, insurance, microfinance, and capital market instruments products following Islamic law.

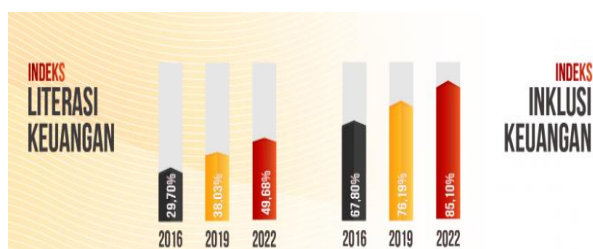


Figure 1. Conventional Financial Literacy and Inclusion Index
Source: (OJK RI, 2022)

The results of the 2022 SNLIK show that the financial literacy index of the Indonesian people is 49.68 percent, an increase compared to 2019 which was only 38.03 percent. Meanwhile, this year's financial inclusion index reached 85.10 percent, an increase compared to the previous SNLIK period in 2019, which was 76.19 percent. This shows that the gap between literacy levels and inclusion levels is decreasing, from 38.16 percent in 2019 to 35.42 percent in 2022. The Coordinating Ministry for Economic Affairs recorded a 2023 financial inclusion rate in Indonesia of 88.7 percent. This

achievement is higher than the set target, which is 88 percent (Mulyo, 2024). This achievement demonstrates the success of the financial inclusion programs that have been implemented, as well as the wider public access to formal financial services.

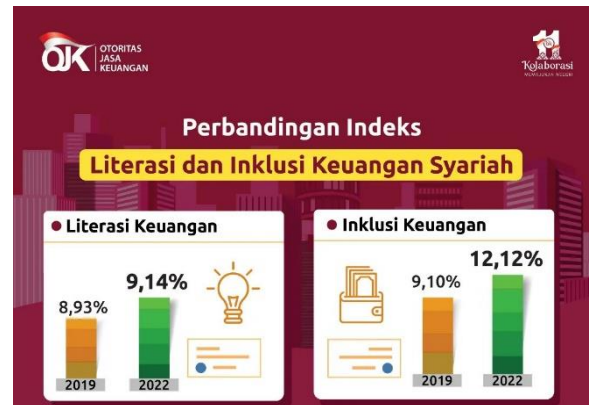


Figure 2. Sharia Financial Literacy and Inclusion Index

Source: (OJK RI, 2022)

However, the level of Islamic financial literacy and Islamic financial inclusion in Indonesia is still low when compared to the level of inclusion and conventional financial literacy. Until now, there are still many people who have not accessed and have not understood the benefits of Islamic financial services (Yogatama, 2022). In fact, with the largest Muslim population in the world, Islamic finance can be used as a new motor for national economic growth. In 2022, Islamic financial literacy will only reach 9.14 percent, a difference of about 30 percent from conventional financial literacy. Meanwhile, Islamic financial inclusion is at 12.12 percent, showing a difference of more than 70 percent compared to conventional financial inclusion. This situation underscores the need for more intensive efforts in education and socialization about Islamic finance, including the introduction of Islamic financial products that are competitive and under Islamic principles (Puspitasari et al., 2020). Increasing Islamic financial literacy and inclusion will not only open wider access for the community but also have great potential

to drive the Islamic economy significantly and comprehensively (Buono et al., 2023).

One of the existing Sharia mutual funds is *the Sharia Exchange Traded Funds* (ETF). Sharia ETFs are attractive investment instruments because they combine the flexibility of stock trading with mutual fund diversification, all by Sharia principles (Risca & Muhammad, 2021). This product allows investors to buy and sell participation units on the stock exchange just like stocks but with a portfolio consisting of assets that have been selected and supervised to comply with Islamic law. In Indonesia, the existence of Sharia ETFs is growing along with the increasing public awareness and demand for Islamic financial products (Nadir, 2021). The Indonesia Stock Exchange (IDX) has supported the development of Sharia ETFs by introducing several Sharia indices, such as the Indonesian Sharia Stock Index (ISSI) and the Jakarta Islamic Index (JII), which can be used as a reference by Sharia ETFs. The government and financial authorities are also actively promoting Islamic financial inclusion and increasing Islamic financial literacy among the public (Janah & Amirah, 2023).

Nevertheless, challenges still exist in increasing the penetration of Sharia ETFs. Low financial literacy among Indonesians, especially literacy about investment products such as Sharia ETFs, is one of the main obstacles (Rustan et al., 2022). The National Sharia Council of the Indonesian Ulema Council (DSN-MUI), through Fatwa Number 20/DSN-MUI/IV/2001 concerning Guidelines for the Implementation of Investment for Sharia Mutual Funds and Fatwa Number 80/DSN-MUI/III/2011 concerning the Application of Sharia Principles in the Equity Securities Trading Mechanism in the Stock Exchange Regular Market, has not specifically regulated the criteria for public offering and the transaction mechanism of Sharia Exchange Traded Funds (ETFs). The public and market

participants also still need a more in-depth explanation from a Sharia perspective, especially related to *dhawābiṭ* (conditions) and *ḥudūd* (restrictions) in ETF transactions. Therefore, more detailed clarifications and guidelines are needed so that investors, market participants, and financial institutions can understand and implement Sharia principles appropriately in Sharia ETF investment activities. In response to this need, PT Bursa Efek Indonesia (IDX) applied for the issuance of a fatwa to DSN-MUI through letter No. S-03986/IDX. PMS/05-2022 dated May 30, 2022. This request was followed up with the implementation of a Focus Group Discussion (FGD) between IDX and DSN-MUI which was held on December 10 and 27, 2022 in Jakarta. This discussion aims to thoroughly discuss the aspects of Sharia in the preparation of the Sharia ETF mechanism, including the determination of public offering criteria and transaction schemes by Islamic Sharia principles. (Majelis Ulama Indonesia, 2023).

DSN-MUI Fatwa Number: 154/DSN-MUI/V/2023 was issued as an official Sharia guideline that comprehensively regulates Sharia Exchange Traded Funds (ETFs) in Indonesia. However, academic studies that specifically discuss this fatwa are still very limited. Most of the literature only reviews Sharia ETFs in general without examining the substance, urgency, and impact of the fatwa on strengthening regulations and the growth of the national Sharia capital market. In-depth research related to the influence of this fatwa on Muslim investor perception, increased trust in Islamic investment instruments, and explanations for doubts about the halalness of ETF transaction mechanisms are still rare. This fatwa plays a strategic role in bridging the need for modern halal investment.

On the other hand, the implementation of Sharia ETFs in Indonesia faces a number of obstacles. The level of public literacy and understanding of Sharia ETF products is still low, so many

potential investors are not able to distinguish between Sharia ETFs and conventional mutual funds, especially in terms of contract structure and Sharia principles. Before the issuance of DSN-MUI Fatwa Number: 154, the absence of special Sharia regulations for ETFs was one of the causes of low investor participation. In addition, the limitations of socialization and education regarding the content and application of this fatwa hinder its adoption by the public. Supporting infrastructure such as Sharia investment managers, participating dealers, and transaction systems in accordance with Sharia principles also need to be improved in terms of quality and technical readiness. This condition shows that the existence of fatwas is not enough. The synergy between regulation, education, and strengthening infrastructure is needed so that Sharia ETFs can develop as the main investment instrument in expanding Islamic financial inclusion in Indonesia.

MATERIALS AND METHODS

This study uses a qualitative approach with a literature study method to explore the provisions and implications of the DSN-MUI Fatwa Number: 154/DSN-MUI/V/2023 on the development of Sharia ETFs and Islamic financial inclusion in Indonesia. The data used in this study was obtained through a literature review from selected journals with a publication period between 2019 and 2024. The selection of journals is carefully carried out to ensure the relevance and quality of the information obtained, by the purpose of the research. The literature sorting process was carried out systematically, identifying articles that have a significant contribution to understanding the context and development of Sharia ETFs and Islamic financial inclusion in Indonesia (Snyder, 2019). The data analysis in this study was carried out descriptively to provide a clear picture of the provisions stipulated in the DSN-MUI Fatwa Number:

154/DSN-MUI/V/2023 and how these provisions can affect the development of Sharia ETFs. This description also includes policy implications for efforts to increase Islamic financial inclusion in Indonesia. Through this descriptive analysis, the research seeks to identify the challenges and opportunities that arise from the implementation of the fatwa, as well as provide strategic recommendations for stakeholders in developing Sharia ETFs as investment instruments by Sharia principles (Moleong, 2015).

RESULTS AND DISCUSSION

Indonesia, as the country with the largest Muslim-majority population in the world, has great potential in developing Islamic financial inclusion. With a significant Muslim population, the demand for financial products and services that comply with Sharia principles is increasing. The government and related authorities, such as the Financial Services Authority (OJK) and Bank Indonesia (BI), have undertaken various initiatives to improve access to Islamic finance, including through policies that support the development of Islamic banks, *Islamic fintech*, and various other Islamic financial instruments (OJK, 2016). In addition, the National Committee for Sharia Finance (KNKS) also plays an important role in formulating a national strategy to accelerate Islamic financial inclusion. One of the important instruments that has received attention is Islamic mutual funds (Puspita & Gunardi, 2022).

However, despite various initiatives, challenges and obstacles still exist in efforts to increase Islamic financial inclusion (Hidayanti, 2018). Although Indonesia has several Islamic banks, Islamic business units from conventional banks, and Islamic microfinance institutions operating in various regions, the penetration of Islamic financial services is still relatively low compared to conventional finance (Ahyar, 2020). One of

the main barriers is geographic access; many remote areas in Indonesia still lack access to Islamic financial services due to inadequate infrastructure (Atikah & Sayudin, 2024). Islamic mutual funds, which allow people to invest in professionally managed portfolios by Islamic principles, can be a solution to expand access to Islamic finance (Sukarno & Herlianto, 2022). However, the lack of education and understanding about Islamic mutual funds is a challenge in itself.

The low level of financial literacy, especially Islamic financial literacy, is also a major challenge in encouraging Islamic financial inclusion in Indonesia (Laila & Sihotang, 2022). Many people do not fully understand the concept and benefits of Islamic financial products and services, including Islamic mutual funds, which leads to low participation in using these services (Arafah et al., 2023). The government and financial institutions need to increase education and socialization efforts regarding Islamic finance. A comprehensive and sustainable financial literacy program, both through mass media, seminars, and cooperation with educational institutions, is essential to increase public understanding of Islamic finance (Anggara et al., 2023). So that later people can access and utilize Islamic financial services, including Islamic mutual funds, so that Islamic financial inclusion in Indonesia can increase significantly.

Sharia ETFs have several advantages that make them attractive to Muslim investors who want to ensure their investments remain halal (Hasanah et al., 2021). First, Sharia ETFs offer automatic portfolio diversification. In one transaction, investors can have exposure to various stocks that have been screened based on Sharia criteria, so that investment risks can be spread and not focused on just one or a few stocks. Second, the transaction fees of Sharia ETFs tend to be lower compared to

conventional mutual funds, as ETFs are traded directly on the stock exchange and do not require the purchase and sale of units that are usually charged by conventional mutual fund investment managers. In addition, transparency is one of the added values of Sharia ETFs (Miftahusni & Muharam, 2021). The listing of assets in an ETF portfolio is usually published periodically, so investors can easily monitor and ensure that their investments remain in accordance with Sharia principles. Trading flexibility is also a significant advantage of Sharia ETFs. Unlike conventional mutual funds that can only be bought or sold at the end of the trading day at the net asset value (NAV) price calculated after market closing, Sharia ETFs can be traded at any time during the trading hours of the exchange at prices that fluctuate according to market supply and demand (Hartanto, 2023). Risca Azmiana and Rifqi Muhammad found that Sharia ETFs in Indonesia have great potential due to the high interest in Sharia-based investments, especially among the Muslim population. The advantages of Sharia ETFs include transparency, low fees, and high accessibility. However, its development still faces challenges in regulation, market infrastructure, and low Islamic financial literacy. Increased financial education and regulatory support are needed so that Sharia ETFs can develop more optimally (Risca & Muhammad, 2021).

Basis of Sharia Law of DSN-MUI Fatwa Number: 154/DSN-MUI/V/2023

DSN-MUI Fatwa Number: 154/DSN-MUI/V/2023 provides a firm and structured legal basis for the implementation of Sharia Exchange Traded Funds (ETFs) in Indonesia. This fatwa sets out various provisions that include the criteria for public offerings, transaction mechanisms, and the limits and conditions (*dhawābiṭ* and *ḥudūd*) that must be complied with in order for the entire operational process of a Sharia ETF to remain within the corridor of Sharia

principles. In the legal provisions, it is stated that Sharia ETF offering and transaction activities are allowed as long as they follow the provisions and restrictions stipulated in the fatwa.

In order to be categorized as a product by Sharia principles, Sharia ETFs must meet a number of fundamental characteristics. The basic portfolio of Sharia ETFs must consist of stocks or financial instruments that have been approved by the National Sharia Council–Indonesian Ulema Council (DSN-MUI). These shares come from issuers whose business activities do not conflict with Islamic Sharia, for example not involved in the practice of usury, gambling (*maisir*), ambiguity (*gharar*), or production of prohibited goods – services. In addition, Sharia ETFs must also comply with certain restrictions related to the debt-to-equity ratio and the proportion of non-halal income according to the parameters set by DSN-MUI (Majelis Ulama Indonesia, 2023).

This fatwa also regulates the parties involved in the structure of Sharia ETFs, such as investment managers, custodial banks, and selling agents. Each party is required to commit to compliance with Sharia principles in all aspects of its operations. The contracts used in Sharia ETF transactions must be in accordance with Islamic law, including using *mudhārabah* (profit sharing) and *wakālah* (representative) contracts, which are adjusted to the roles and responsibilities of each party in the implementation of the ETF (Majelis Ulama Indonesia, 2023).

This fatwa provides technical guidance on the implementation of Sharia ETF transactions in the primary and secondary markets. In the primary market, the public offering of Sharia ETFs must be carried out transparently by providing accurate, complete, and non-misleading information to potential investors. Meanwhile, in the secondary market, Sharia ETF transactions must be conducted fairly and avoid practices that have the potential to cause market

manipulation. Every transaction must be recorded and reported by applicable regulations to ensure accountability and compliance with Sharia principles (Majelis Ulama Indonesia, 2023).

This fatwa also regulates the mechanism for resolving disputes that may arise in Sharia ETF transactions. The conflict resolution process is carried out through a mediation or arbitration approach that is in accordance with the principles of Islamic law (Solihin et al., 2022). DSN-MUI can act as mediators or arbitrators in resolving the dispute, to ensure that the final decision remains consistent with the applicable Sharia provisions (Majelis Ulama Indonesia, 2023).

With DSN-MUI Fatwa No: 154/DSN-MUI/V/2023, market participants and investors have clear guidelines to ensure that their investments remain halal and by Islamic law. This fatwa not only provides a solid legal foundation but also increases investor confidence in Sharia investment instruments such as ETFs. Thus, it is hoped that Sharia ETFs can grow more rapidly and make a significant contribution to the Indonesian economy while still complying with Sharia principles.

Increased Investor Confidence

DSN-MUI Fatwa No: 154/DSN-MUI/V/2023 has a significant impact on increasing Muslim investors' confidence in Sharia *Exchange Traded Fund* (ETF) products. The clarity of regulations and legal certainty provided by DSN-MUI makes investors feel safer and more comfortable in investing. This is expected to attract more Muslim investors who were previously hesitant or lacked a good understanding of the mechanisms of Sharia ETFs. The presence of this fatwa provides a guarantee that investing in Sharia ETFs is not only financially profitable but also by Sharia principles. The fatwa provides clear guidance on the characteristics and mechanisms of Sharia ETFs, which helps to dispel Muslim

investors' doubts. With this legal certainty, investors can ensure that the funds they invest will not be used for activities that are not by Sharia, such as *riba*, *gharar* (uncertainty), *maysir* (gambling), and *dharar* (unnecessary losses).

Following the content of the fatwa, the characteristics of Sharia ETFs are regulated to ensure their conformity with Sharia principles. Some of the main characteristics stipulated in this fatwa include the following: First, Not Contrary to Sharia Principles. Sharia ETFs should avoid elements that are prohibited in Islam, such as *riba* (interest), *gharar*, *maysir*, and *dharar* (unnecessary losses). This ensures that investment activities are not only financially profitable but also blessed and halal. Second, Transactive in the Primary Market and Secondary Market. Sharia ETFs can be traded on the primary market and secondary markets simultaneously in accordance with applicable regulations, as long as they are still traded on the Stock Exchange. This provides flexibility for investors to buy and sell Sharia ETF units whenever they want, both in the primary market and the secondary market. Third, the Creation Unit and Participation Unit (UP). Creation Units in the primary market can be transacted into Participation Units (UPs) in the secondary market, and vice versa, purchases of UP in the secondary market can be transacted in the form of Creation Units in the primary market. This mechanism makes it easier for investors to manage their portfolios and ensures high liquidity in trading Sharia ETFs.

Development of Sharia Capital Market

DSN-MUI Fatwa No: 154/DSN-MUI/V/2023 provides detailed guidance on the provisions for Sharia ETF transactions in the Indonesian capital market, both in the primary market and secondary markets. Sharia ETFs are projected to become one of the popular investment options among Muslim investors, increasing liquidity and trading activities in the Islamic capital market,

which in turn drives the growth of the Islamic economy in Indonesia.

Sharia ETF transactions on the primary market can be carried out as long as the securities to be included in the ETF portfolio are still traded on the Stock Exchange. This ensures that all securities included in the ETF portfolio are valid and recognized by the Stock Exchange, providing assurance to investors that the assets contained in the ETF are halal and in accordance with sharia principles (Majelis Ulama Indonesia, 2023).

The creation process of the Creation Unit must be done by the Investment Manager (MI) who manages the Sharia ETF and must go through a Participating Dealer (DP). MI is responsible for ensuring that the entire process of creating the Creation Unit is carried out by Sharia principles, ensuring integrity and compliance with strict Sharia standards (Majelis Ulama Indonesia, 2023).

Investors can subscribe to MI that manages Sharia ETFs in the form of cash, Sharia securities, or a combination of both. If the investor submits Sharia securities for the inclusion of the Creation Unit, then the Sharia securities must be part of the created Creation Unit. This provision ensures that all assets included in Sharia ETFs are halal and Sharia-compliant assets, giving investors more confidence (Majelis Ulama Indonesia, 2023).

Conditions for Sharia ETF Transactions in the Secondary Market

The transaction mechanism of Sharia ETFs in the secondary market is carried out in *real-time* using *the bai' al-musawamah contract*, which is a purchase and sale contract at a price agreed upon by both parties without mentioning the cost of goods. This mechanism ensures that transactions are carried out transparently and fairly, similar to the mechanism of equity securities transactions in the Stock Exchange's Regular Market (Majelis Ulama Indonesia, 2023).

The transaction mechanism of Sharia ETFs in the regular market of the Stock

Exchange must follow the provisions (*dhawabith*) and restrictions (*hudud*) as contained in fatwa Number: 80/DSN-MUI/III/2011 concerning the Application of Sharia Principles in the Mechanism of Trading in Equity Securities in the Regular Market of the Stock Exchange. This fatwa regulates various aspects related to securities trading to remain in accordance with Sharia principles, including the prohibition on the practice of usury, *gharar*, and *maysir* (Majelis Ulama Indonesia, 2023).

The participation of Muslim investors in the Islamic capital market will increase because the clarity of the characteristics and mechanisms of Islamic ETFs makes this product easier to understand and access for investors (Prasetia, 2017). In addition, the legal certainty provided by DSN-MUI also increases investor confidence in the integrity and transparency of Sharia ETF products. This fatwa also encourages managers and issuers of Sharia ETFs to comply with strict Sharia standards, thereby improving the quality and credibility of the products offered. Therefore, Sharia ETFs can be one of the attractive and competitive investment instruments in the Indonesian capital market, not only for domestic investors but also for foreign investors who are looking for investments that are in accordance with Sharia principles (Risca & Muhammad, 2021). Increased liquidity and trading activities in the Islamic capital market are expected to encourage the growth of the Islamic economy in Indonesia (Afdhal & As, 2022). As more investors are interested in investing in Sharia products, including Sharia ETFs, there will be an increase in demand for quality Sharia securities. This will encourage companies to issue more securities that meet Sharia criteria, thereby expanding the Sharia capital market base in Indonesia.

The Impact of Fatwas on Sharia Financial Inclusion

DSN-MUI Fatwa No: 154/DSN-MUI/V/2023 plays an important role in encouraging Islamic financial inclusion in Indonesia. By providing clear guidelines on Sharia *Exchange-Traded Funds* (ETFs), this fatwa opens up wider access for Muslims to participate in the Islamic capital market. This is very important considering that many people still lack access to Islamic financial services (Tamimi, 2023). Clarity and transparency in Sharia ETF investment can be the main attraction for people to start investing. Islamic financial inclusion is an effort to ensure that all levels of society, especially Muslims, have adequate access to financial products and services that are in accordance with Sharia principles (Risca & Muhammad, 2021). DSN-MUI Fatwa No: 154/DSN-MUI/V/2023 plays an important role in encouraging this financial inclusion by providing a clear and transparent legal framework for Sharia ETF transactions.

Through this fatwa, Muslims who were previously hesitant or lacking in understanding about investing in the capital market now have clear guidelines on how Sharia ETFs operate. Sharia ETFs are one of the investment instruments that can provide portfolio diversification with controlled risk, making them an attractive choice for investors looking for halal and Sharia-compliant investment alternatives. Clarity and transparency are two key factors that can increase public trust in Islamic financial products. This fatwa stipulates that Sharia ETF transactions must follow strict Sharia principles, including the prohibition of *riba*, *gharar*, and *maysir* (Agus & Yasen, 2018). With these clear guidelines, investors can be more confident that their investments are not only profitable but also by their religious values.

One of the direct benefits of this fatwa is the increase in Islamic financial education and literacy. When people get accurate and transparent information

about products like Sharia ETFs, they are more likely to understand and utilize them. Financial authorities and educational institutions can organize educational programs to help people understand the basic concepts of Islamic investing and how Sharia ETFs can be part of their investment portfolios (Hidayatulla et al., 2020). In addition, with clear and transparent guidelines, it is hoped that more people will be interested in participating in the Sharia capital market. This not only increases financial inclusion but can also bring broader economic benefits. Increased investor participation will increase liquidity in the Sharia capital market, which in turn can encourage the growth of the Sharia economy in Indonesia (Asri & Alrasyid, 2024).

One of the main challenges is the limited access to information about Islamic financial products among the public. To overcome this, collaborative efforts are needed between the government, financial authorities, and the Islamic finance industry to provide information that is easily accessible and understood by the public (Putri et al., 2023). Providing educational materials through various media, including social media, seminars, and workshops, can help reach more people. Another challenge is the development of adequate Islamic financial infrastructure. This includes the development of technologies and systems that support Sharia transactions efficiently and securely. Governments and financial authorities need to work closely with industry to ensure that the necessary infrastructure is available and accessible to all walks of life (OJK, 2016).

Financial Education and Literacy

One of the important implications of the DSN-MUI fatwa No: 154/DSN-MUI/V/2023 is the need to improve Islamic financial education and literacy. Although this fatwa has provided a clear and solid legal basis for Sharia ETF transactions in the capital market, the success of its implementation depends

heavily on the extent to which the public understands and utilizes it. Therefore, governments, financial authorities, and educational institutions need to work together to provide comprehensive educational programs on Sharia ETFs and Islamic investments in general. Islamic financial education and literacy are essential to ensure that the public, especially Muslims, can well understand the basic principles underlying Islamic investment (Astohar et al., 2022). This includes an understanding of what a Sharia ETF is, how its mechanism works, and its benefits and risks. Without an adequate understanding, investors may be hesitant to participate in the Sharia capital market, or may even misinterpret Sharia principles in their investments (Arafah et al., 2023).

The government and financial authorities, such as the Financial Services Authority (OJK), have a key role in encouraging Islamic financial literacy. They can develop and implement educational programs specifically designed to increase public understanding of Sharia investment (Aini & Luthfi, 2019). These programs can be in the form of seminars, workshops, online courses, and publications of educational materials that are easily accessible to the wider community. OJK, for example, can collaborate with DSN-MUI to organize socialization on the latest fatwas, including fatwas on Sharia ETFs. In addition, the provision of a comprehensive and interactive information portal on the OJK's official website or other digital platforms can help the public get accurate and up-to-date information about Sharia investment.

Educational institutions, ranging from schools to universities, also have an important role in improving Islamic financial literacy. Education about Islamic finance can be included in the educational curriculum, both at the elementary, middle, and high levels. This will help build a strong foundation of knowledge from an early age so that the younger

generation grows up with a good understanding of the principles of Islamic finance. Universities, in particular, may offer specialized courses or courses that focus on Islamic finance. They can also work with Islamic financial institutions to provide internships or training programs for students, providing them with valuable practical experience in the Islamic finance industry (Astohar et al., 2022).

The Islamic finance industry, including Islamic banks, Islamic investment managers, and Islamic securities companies, must also be proactive in providing education to customers and potential investors. Companies can hold seminars, trainings, and consultations that discuss the Sharia products they offer, including Sharia ETFs. In addition, transparency in explaining the product mechanism and the associated risks is also very important to build investor trust and loyalty (Putri et al., 2023).

Increasing Islamic financial literacy has several main benefits as follows: (Arafah et al., 2023). First, Increased Investment Participation: With a better understanding of Sharia investment products, more people will feel comfortable and confident to invest, increasing participation in the Sharia capital market. Second, Better Decision Making: Well-educated investors will be able to make more informed and thoughtful investment decisions, reducing the risk of losses caused by a lack of understanding. Third, Sharia Economic Growth: Higher financial literacy will drive the growth of the Islamic financial sector and, more broadly, the growth of the Islamic economy in Indonesia. This will create more business opportunities and jobs in the industry. Fourth, Improved Welfare of the Community: With better access to Sharia investments by Islamic principles, Muslim communities can improve their economic well-being without having to compromise their faith.

CONCLUSION AND IMPLICATIONS

DSN-MUI Fatwa Number: 154/DSN-MUI/V/2023 is an important milestone in the development of Sharia Exchange Traded Funds (ETFs) in Indonesia, as well as filling the void of Sharia regulations that previously did not specifically regulate the mechanism and characteristics of Sharia ETFs. This fatwa provides legal clarity regarding the structure of contracts, portfolio criteria, and transaction mechanisms in the primary and secondary markets in accordance with Sharia principles, thereby increasing the confidence of Muslim investors and market participants in Sharia ETF products. The existence of this fatwa not only strengthens the legitimacy of Sharia ETF products but also encourages Islamic financial inclusion by opening up wider and more transparent access to halal investment. Nevertheless, collective efforts are still needed in the form of increasing Islamic financial literacy, socializing fatwas, and strengthening the infrastructure of the Islamic capital market so that the implementation of fatwas can run effectively and have a real impact on the growth of the Islamic economy in Indonesia. With the synergy between regulation, education, and infrastructure readiness, Sharia ETFs have the potential to become a leading instrument in realizing an inclusive, competitive, and compliant financial system following Islamic values.

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