

LITERATURE STUDY ON THE ROLE OF DSN-MUI FATWAS IN THE DEVELOPMENT OF SHARIA INVESTMENT IN INDONESIA

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Abstract: *This study maps the role of fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) in establishing the legal and operational basis for sharia investment products in Indonesia. Through a systematic literature review of journals and national repositories, the study examines the legal basis and position of fatwas within the hierarchy of sharia financial regulations, the contribution of fatwas to the design and compliance of investment products (banking, capital markets, mutual funds, digital gold), and the implementation challenges when fatwas intersect with OJK/POJK regulations and market practices. Findings indicate that DSN-MUI fatwas play a crucial role as sharia guidelines that enhance product legitimacy. However, limitations in formal sanctions and the need for harmonization with state regulations sometimes create a gap between sharia norms and technical regulations. Recommendations include strengthening coordination mechanisms between DSN-MUI and regulatory authorities and increasing transparency of sharia compliance criteria in investment products.*

Keywords: *DSN-MUI Fatwa, Sharia Investment, Sharia Capital Market*

Introduction

The development of the Islamic financial industry in Indonesia, encompassing Islamic banking, Islamic capital markets, Islamic insurance (takaful), and non-bank investment products, has grown rapidly over the past two decades. This growth is inextricably linked to the role of religious institutions and regulators, which provide halal guidelines and sharia governance. Among these institutions, the National Sharia Council (DSN-MUI) occupies a central position due to its fatwa function as a sharia reference for industry players and the Muslim community. The presence of a fatwa is often the starting point for legitimizing a product and ensuring its acceptance by Muslim stakeholders. (Ahyar A. Gayo, 2011).

Formally, DSN-MUI fatwas are not state laws, but they have a strong normative influence on Islamic economic practices. Some fatwas, particularly those related to capital markets and investment products, serve as references for financial institutions in designing products that comply with Sharia principles. However, when fatwas intersect with state

regulations (e.g., POJK), harmonization is required to ensure dual compliance with both Sharia principles and regulatory obligations. This lack of synchronization can lead to operational confusion and legal risks for financial product manufacturers (Afiyah & Mahbub, 2019).

From a product perspective, DSN-MUI fatwas have influenced contract design, profit-sharing mechanisms, issuer/publisher screening criteria, and sharia investment governance, for example, fatwas on capital markets, non-cash gold trading, and guidelines for sharia mutual funds. This influence is not only technical but also cultural: fatwas increase Muslim consumer confidence, thereby driving demand for instruments declared sharia-compliant. However, there is also criticism of the lack of binding of fatwas to state administrative sanctions, leaving compliance dependent on the goodwill of the institution. (Ilmiyati et al., 2023).

Finally, this study compiles, critiques, and synthesizes empirical findings and legal studies on the role of DSN-MUI fatwas in Sharia investment products. The analysis focuses on two main aspects: the legality of fatwas within the national legal system and their relationship to POJK/Laws; and the practical impact of fatwas on product design, institutional behavior, and investor compliance and trust. Through this mapping, the study hopes to provide recommendations for improving the effectiveness of fatwas as an instrument for developing the Sharia investment ecosystem.

Literature Review

Based on (DSN-MUI, 2003) Fatwas issued by the National Sharia Council Indonesian Ulema Council (DSN-MUI) have long served a normative role as the primary reference in determining the halal status of Islamic economic practices in Indonesia. Although fatwas are not a product of state legislation, their position is crucial in the Islamic financial ecosystem, serving as sharia guidelines adopted by industry players, sharia supervisory boards (DPS) in financial institutions, and Muslim consumers when assessing the halal status of a product. Classic fatwa documents such as Fatwa No. 40/DSN-MUI on Capital Markets and guidelines for the application of sharia principles are examples of reference points that serve as a conceptual framework for the development of sharia investment products. However, the non-legislative nature of fatwas necessitates technical synchronization between these religious norms and state regulations (POJK/OJK) to avoid overlapping compliance obligations in practice.

According to (Ananda et al., n.d.) Empirical literature and policy studies show that fatwas have a significant effect on the legitimacy of sharia-compliant products. When the National Sharia Council (DSN-MUI) designates a practice or product as sharia-compliant for example, guidelines for implementing sharia principles in the capital market or a fatwa regarding gold trading mechanisms—the decision provides moral and religious justification that increases the level of trust among potential Muslim investors. Consequently, products bearing the stamp of sharia compliance tend to achieve greater marketing appeal and adoption rates than products without sharia-compliant assurance. However, the effectiveness of this legitimacy depends on the level of fatwa dissemination, the reputation of the DSN, and public understanding of the fatwa's contents.

According to (Chairunisa Indri Rahmatika & Herlina Yustati, 2024) Several legal and policy studies have emphasized the gap or friction between DSN-MUI fatwas and technical regulations issued by state authorities (e.g., the Financial Services Authority). Because fatwas are normative-religious and POJK are administrative-regulatory, differences in focus and

language can lead to implementation confusion. Studies analyzing fatwa texts and OJK documents have identified the need for a formal coordination protocol to integrate sharia interpretations into regulatory instruments without compromising fundamental sharia principles or state authority. In practice, this harmonization requires ongoing technical dialogue forums and shared guidelines for new products to avoid contradictory dual compliance.

Method

This research is a systematic literature review that collects Indonesian-language scientific articles, proceedings, and academic reports (Nurhidayah & Usino, 2022) that discuss the DSN-MUI fatwa and its relationship to sharia investment products. The search was conducted on national journal portals, university repositories, and open databases (publication period 2000–2025) using keywords such as "DSN-MUI Fatwa," "Sharia Capital Market," "Sharia investment," "fatwa compliance," and "Sharia POJK." Inclusion criteria: (1) full text available; (2) in Indonesian; (3) discussion focused on aspects of fatwa and investment products; (4) in the form of legal, empirical, or policy analysis studies.

Result and Discussion

The legal status of fatwas and their relationship to state regulations. The literature shows a consensus that DSN-MUI fatwas constitute important sharia guidelines but are not formally statutory regulations. Consequently, fatwas have strong normative power among the community and industry, but do not automatically carry administrative sanctions like OJK regulations. (Musaiyana et al., 2025). Several specific studies (analysis of Fatwa No. 40) emphasize the need for technical harmonization between fatwas and POJK to prevent dual compliance in capital market practices. Textual inconsistencies between fatwas and technical regulations can create compliance dilemmas for issuers and product managers.

Fatwas serve as a pillar of product legitimacy and enhance investor confidence. Numerous empirical studies report that the existence of fatwas strengthens the legitimacy of sharia-compliant products in the eyes of Muslim investors, as evidenced by the increased adoption of products such as sharia-compliant mutual funds, sukuk, and digital gold products after the publication of related fatwas (Andrini et al., 2025). This legitimacy is important for marketing and market development because fatwas help address consumer concerns about the halal nature of mechanisms and contracts. However, the effectiveness of fatwas depends on public awareness and understanding. (Ilmiyati et al., 2023).

Influence on product design, from contracts to screening criteria. The DSN-MUI fatwas significantly contribute to product technical standards: determining permissible contracts, profit-sharing mechanisms, and issuer screening criteria (e.g., prohibitions on usury and haram activities) (Afni et al., 2020). Examples of implementation include the establishment of Sharia capital market guidelines and fatwas on non-cash gold trading, which affect digital investment platforms. Thus, fatwas shape operational practices and documentation of investment products. However, in practice, variations in interpretation are found, requiring institutions' internal Sharia supervisory boards to interpret fatwas according to the product context.

Implementation barriers include regulatory harmonization, DSN capacity, and compliance oversight. Studies examining compliance indicate three main obstacles: the lack of technical harmonization between fatwas and state regulations; the capacity and resources of the

DSN-MUI, which need to be continuously strengthened to handle the complexity of innovative products (sharia fintech, digital gold, retail sukuk); and the oversight and sanction mechanisms, which are largely within the OJK's purview, making enforcement of sharia compliance dependent on inter-institutional collaboration. Research recommendations emphasize the establishment of a formal coordination protocol between the DSN-MUI, the OJK, and industry players. (Batubara et al., 2025).

Policy directions and further research. On the policy side, the literature suggests the creation of joint technical guidelines between the DSN-MUI and the OJK for new products, and increased publication of fatwa interpretations to facilitate the practical implementation of strengthening the role of sharia supervisory boards at the institutional level. From a research perspective, long-term quantitative empirical studies are needed to measure the impact of fatwas on investor adoption rates, assets under management (AUM), and compliance performance of Islamic financial institutions. This is crucial for testing causal relationships, which have been largely documented qualitatively. (Nabila et al., 2025).

Conclusion

This literature review confirms that the DSN-MUI Fatwa plays a central role in the development of sharia investment products in Indonesia: providing sharia guidelines that enhance product legitimacy, influencing contract design and issuer screening, and enhancing Muslim investor confidence. However, because fatwas are not formal state regulations, their effectiveness in ensuring practical compliance depends on harmonization with OJK regulations, the institutional capacity of the DSN-MUI, and joint coordination and oversight mechanisms. To strengthen the function of fatwas as a market development instrument, policy measures are needed in the form of a DSN-MUI-OJK coordination protocol, increased transparency of sharia compliance criteria, and quantitative empirical research measuring the impact of fatwas on product adoption.

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