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Sharia Governance of Islamic Mutual Funds in Indonesia: Reconstructing DSN-MUI Fatwa Number 20/2001

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ABSTRACT

The development of Islamic mutual funds in Indonesia highlights the growing importance of integrating Sharia principles, capital market regulations, and modern investment governance. The DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 on Guidelines for Investment in Islamic Mutual Funds constitutes one of the primary normative foundations for their operations in Indonesia. However, regulatory developments, the digitalization of investment services, the rising number of retail investors, and the increasing complexity of financial instruments have created new challenges in implementing fatwas, particularly regarding contractual arrangements, Sharia screening, cleansing mechanisms, information disclosure, and the effectiveness of Sharia Supervisory Board (SSB) oversight. This study analyzes the implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 in the management of Islamic mutual funds in Indonesia from the perspective of Islamic economic law and formulates an appropriate direction for its reconstruction. It employs normative legal research using statutory, conceptual, and regulatory approaches, supported by an analysis of developments in Islamic mutual fund management. Legal materials are examined qualitatively and prescriptively by tracing the relationships between fatwas, Islamic capital market regulations, Islamic economic law principles, and the governance demands of contemporary investment activities. The findings show that, normatively, the implementation of the fatwa has been strengthened through Islamic capital market regulations and Shariah supervisory mechanisms. Nevertheless, its application remains largely oriented toward formal compliance and requires a stronger emphasis on substantive Sharia compliance, risk-based supervision, digital transparency, and interinstitutional coordination. This study proposes an Adaptive Sharia Governance Model (ASGM) built on four pillars: Substantive Sharia Compliance, Risk-Based Sharia Supervision, Digital Sharia Governance, and Collaborative Regulatory Framework. The model is designed to ensure that the implementation of the fatwa can adapt to technological change and industry complexity without compromising Sharia substance while strengthening investor protection, transparency, accountability, and public interest (maṣlaḥah) in Islamic mutual fund management.

Keywords: DSN-MUI Fatwa, Islamic Mutual Funds, Islamic Economic Law, Sharia Compliance, Sharia Supervisory Board, Adaptive Sharia Governance.

INTRODUCTION

The development of the Islamic financial industry in Indonesia has made the Islamic capital market a strategic instrument for supporting national economic growth, while expanding public access to Sharia-compliant investments. Among the various Islamic capital market instruments, Shariah mutual funds have shown significant growth, providing a professionally managed investment alternative without compromising Shariah principles. The presence of Shariah mutual funds demonstrates that modern investment mechanisms can be integrated with Islamic legal values, thereby meeting the public's need for investment instruments that not only provide economic returns but also ensure Shariah compliance.

Legally, the existence of mutual funds in Indonesia is based on Law Number 8 of 1995 concerning Capital Markets, while the implementation of sharia mutual funds is specifically guided by the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 20/DSN-MUI/IV/2001 concerning Guidelines for Implementing Investments for Sharia Mutual Funds. This fatwa serves as a normative basis that regulates investment mechanisms based on Sharia principles, the legal relationship between investors (ṣāḥib al-māl), investment managers, and investment users through wakālah and mudārabah contracts, and sets investment limits that must avoid elements of usury, gharar, maysir, tadlīs, risywah, or business activities that conflict with Islamic law. Thus, DSN-MUI Fatwa Number 20 of 2001 not only functions as a religious guideline but also becomes a normative instrument that shapes the governance of sharia investment in Indonesia.

The concept of Islamic mutual funds is essentially aligned with the Islamic muʿāmalah principle, which allows for economic innovation as long as it does not conflict with Islamic teachings. The Islamic jurisprudence principle proposed by Ibn Qayyim al-Jauziyyah states that the basic principle in contracts and muʿāmalah is permissible unless there is evidence prohibiting it. This principle legitimizes the emergence of various modern investment instruments, including Islamic mutual funds, as long as they comply with the principles of justice, transparency, the willingness of the parties, and are free from prohibited elements. Conceptually, the practice of raising public funds through mutual funds also aligns with the concept of qirāḍ or mudārabah, as explained by Al-Baijuri, which states that there is a need for mutual support between capital owners who are unable to manage their assets and those who have the ability to manage businesses but lack capital. Therefore, the existence of Islamic mutual funds is a form of actualizing the principles of mutual assistance (ta'āwun) and the benefit of the community in modern economic activities.

The development of Indonesia's Islamic capital market will not only rely on fatwas issued by the National Sharia Council (DSN-MUI) but will also be strengthened through various regulations issued by the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX). These regulations integrate Sharia principles into the supervisory system, Sharia securities trading mechanisms, screening and cleansing processes, and oversight by the Sharia Supervisory Board (DPS). The synergy between fatwas and state regulations reflects the complementary relationship between religious norms and positive law in establishing legal certainty while maintaining the integrity of the Islamic capital market.

However, developments in information technology, the digitalization of financial services, and the increasing number of retail investors have significantly changed people's investment patterns. Shariah mutual fund transactions can now be conducted quickly through various digital platforms, thereby expanding Shariah financial inclusion. However, these developments also present new challenges to the implementation of the DSN-MUI Fatwa Number 20 of 2001. The implementation of Sharia principles is no longer simply understood as fulfilling formal aspects such as the use of Sharia contracts, but must also be realized substantively through information transparency, compliance with the Sharia securities selection process, cleansing mechanisms, fund management accountability, investor protection, and effective oversight by the Sharia Supervisory Board. Therefore, the success of fatwa implementation is measured not only by the existence of legal norms but also by the effectiveness of their application in the Sharia investment industry.

Despite this, the development of Islamic mutual funds faces various obstacles. Public literacy regarding Islamic investment products is relatively uneven, resulting in most investors being more familiar with conventional mutual funds. Furthermore, the dualistic nature of the capital market system, which operates between conventional and Islamic instruments, often leads investors to prioritize returns over Islamic compliance. Other challenges include the limited variety of Islamic investment instruments, suboptimal support from various stakeholders in the development of Islamic capital markets, and the increasing complexity of technology-based investment products, which require more adaptive Islamic supervision. These conditions demonstrate that the implementation of Islamic principles in mutual funds faces not only normative issues but also institutional, regulatory, and technological challenges in the long run.

In this context, the Sharia Supervisory Board (SSB) is crucial. The SSB not only ensures that investment products comply with the DSN-MUI Fatwa but also oversees the entire management process of Sharia mutual funds to ensure that they remain within Sharia law. The effectiveness of the SSB's supervisory function is one indicator of the successful implementation of SSB-MUI Fatwa No. 20 of 2001, given that sharia compliance is determined not only by the formulation of norms but also by consistent and accountable oversight.

Previous studies have generally focused on the basic concepts of Islamic mutual funds, the contracts used, and the role of the Sharia Supervisory Board as a supervisor of Sharia compliance. However, these studies have not addressed how the DSN-MUI Fatwa No. 20/DSN-MUI/IV/2001 is implemented in the practice of Islamic mutual fund management following the development of OJK regulations, the digital transformation of the investment industry, and the increasing complexity of Islamic capital market governance.

These dynamics have the potential to influence the effectiveness of the implementation of sharia principles, which are the main objective of fatwa formation.

Based on the above description, this study aims to analyze the implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 on the management of Islamic mutual funds in Indonesia from the perspective of Islamic law. The analysis is conducted not only to assess the conformity of mutual fund management practices with the normative provisions of the fatwa, but also to examine the effectiveness of the relationship between the fatwa, state regulations, the Sharia Supervisory Board's oversight mechanism, and Islamic investment management practices in the development of the digital financial industry. This study is expected to contribute to the development of Islamic economic law, particularly regarding the harmonization of Islamic norms and state regulations in the governance of Islamic capital markets. It also serves as a recommendation for DSN-MUI, the Financial Services Authority, the Sharia Supervisory Board, and investment managers to strengthen the implementation of Islamic principles in the management of Islamic mutual funds in Indonesia.

Based on this background, this study addresses three problems: (1) what is the position and implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 in the management of sharia mutual funds in Indonesia; (2) what are the gaps in the implementation of the fatwa in facing developments in regulation, digitalization, governance, and investor protection; and (3) how can the reconstruction of sharia governance strengthen the implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 from the perspective of sharia economic law.

This study places the implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/
2001 as the main object, not merely the substance of the contract or the permissibility of Islamic mutual fund instruments. The literature used shows studies on the implementation of the DSN-MUI fatwa in Islamic financial institutions, the wakālah bi alistitsmār contract, the mudārabah contract, and the roles of the DSN-MUI and the DPS. However, this research addresses the gap between the norms of Fatwa 20/2001 and the governance needs of Islamic mutual funds after two decades, particularly in the context of digitalization, information transparency, risk-based supervision, and coordination between Islamic authorities and capital market regulators.

The position of this study can be formulated in four aspects. First, studies on DSN-MUI fatwas generally assess the position or application of fatwas as the basis for Sharia compliance, whereas this study links the implementation of Fatwa 20/2001 with governance effectiveness. Second, studies of Shariah mutual funds often emphasize investment contracts, instruments, or mechanisms, while this study analyzes the entire governance chain, from investor mandates, portfolio management, screening, cleansing, DPS supervision, information disclosure, and the digital environment. Third, studies of sharia governance have not specifically constructed a model for implementing Fatwa 20/2001 that is adaptive to technological and regulatory changes. Fourth, this study goes beyond problem identification but instead constructs a reconstruction in the form of an Adaptive Sharia Governance Model (ASGM).

RESEARCH METHODS

This normative legal research analyzes the implementation of the National Sharia Council-Indonesian Ulema Council (DSN-MUI) Fatwa Number 20/DSN-MUI/IV/2001 on the management of sharia mutual funds in Indonesia from the perspective of sharia economic law. Normative legal research was chosen because the object of study focuses on the legal norms governing the implementation of sharia mutual funds, both those originating from Islamic law and Indonesian positive law.

The approaches used include statutory, conceptual, and analytical approaches. The statutory approach is used to examine the synchronization between DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 and Law Number 8 of 1995 concerning Capital Markets, Law Number 21 of 2011 concerning the Financial Services Authority, the Financial Services Authority Regulation concerning the application of sharia principles in capital markets, and various provisions of the Indonesia Stock Exchange relating to the implementation of sharia capital markets. The conceptual approach is used to analyze the concepts of wakālah contracts, mudārabah, Sharia compliance, screening, cleansing, and Sharia supervision from a muamalah fiqh perspective. The analytical approach is used to evaluate the effectiveness of fatwa implementation in Shariah mutual fund management practices based on the development of the contemporary Shariah financial industry.

The legal materials used consist of primary, secondary, and tertiary legal materials.

Primary legal materials include DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001, Law Number 8 of 1995 concerning Capital Markets, Law Number 21 of 2011 concerning the Financial Services Authority, Financial Services Authority Regulations governing the Islamic capital market, and Indonesia Stock Exchange regulations regarding Islamic securities. Secondary legal materials include books on muamalah jurisprudence, Islamic economic law literature, reputable scientific articles, and research results relevant to the management of Islamic mutual funds. Tertiary legal materials are obtained from legal dictionaries, encyclopedias, and other supporting documents that help explain the legal concepts used.

The legal material collection technique was conducted through library research by reviewing various regulations, fatwas, decisions, scientific journals, books, and official documents related to Islamic mutual funds. Furthermore, the legal material was analyzed using qualitative analysis methods with legal interpretation techniques, systematic interpretation, and descriptive-analytical analysis to understand the conformity between the norms stipulated in the DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 and their implementation in Islamic mutual fund management practices in Indonesia.

RESULTS AND DISCUSSION

A. Position of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 in the Indonesian Sharia Capital Market Legal System

The development of the Islamic capital market in Indonesia is inextricably linked to the role of fatwas as normative instruments bridging Sharia principles with the national legal system. Prior to the establishment of technical regulations regarding the Islamic capital market, the DSN-MUI Fatwas served as the primary reference for determining the halal status of various investment products in Indonesia. One of the fatwas that had the greatest influence on the development of the Islamic investment industry was DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001, which concerned Guidelines for Investment Implementation for Sharia Mutual Funds.

Theoretically, a fatwa is not a statutory regulation, as defined in Law Number 12 of 2011 concerning the Establishment of Legislation. However, in the practice of the Indonesian Islamic financial system, the DSN-MUI fatwa has gained legal legitimacy through various regulations that mandate the application of sharia principles in Islamic financial institutions. Thus, although a fatwa is not formally a source of positive law binding on all citizens, its substance gains binding power through its adoption into various Financial Services Authority regulations and the operational provisions of the Islamic capital market.

The position of DSN-MUI Fatwa Number 20 of 2001 is becoming increasingly important because it not only regulates the validity of Sharia investments but also establishes a legal framework for the relationships between all parties involved in the management of Sharia mutual funds. The relationship between investors and investment managers is based on the wakālah contract, while that between investment managers and users of investment funds is based on the mudārabah contract. The construction of these contracts reflects the characteristics of Sharia investments that differ from conventional investments because each legal relationship is built on the basis of trust, justice, agreed-upon profit sharing, and risk sharing in accordance with Sharia principles.

Furthermore, the fatwa stipulates that investments may only be made in instruments that comply with Sharia principles. This provision forms the basis for the Sharia securities screening mechanism currently implemented by the Financial Services Authority (OJK) through the Sharia Securities List (SLS). Therefore, the fatwa's implementation extends beyond contractual aspects to encompass the investment portfolio selection process, fund management mechanisms, and the distribution of investment returns to unit holders.

From the perspective of Islamic economic law, DSN-MUI Fatwa No. 20 of 2001 reflects the application of the maslahah principle in developing modern investment instruments. The fatwa allows innovation in financial products as long as they do not conflict with basic Sharia principles. This approach demonstrates that Islamic law is adaptabe to economic developments as long as the substance of transactions maintains justice (al-'adl), benefit (maslahah), transparency, and protection of the rights of the parties.

Thus, DSN-MUI Fatwa No. 20 of 2001 serves as a guideline for religious ethics and has evolved into an integral part of Indonesia's Islamic capital market regulatory system. The synergy between fatwas, state regulations, and Sharia oversight mechanisms is the primary foundation for building public trust in the Islamic mutual fund industry.

B. Implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 in the Management of Sharia Mutual Funds in Indonesia

The implementation of a fatwa in the Islamic economic legal system is measured not only by the existence of governing norms but also by the effectiveness of those norms in shaping institutional practices that align with Islamic principles. In the context of Islamic mutual funds, DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 serves as the normative basis for the collection, management, and placement of investment funds based on Islamic principles. Therefore, fatwa implementation must be understood as the process of translating Islamic norms into operational mechanisms implemented by investment managers, custodian banks, the Sharia Supervisory Board (DPS), and capital market regulators.

Conceptually, the implementation of DSN-MUI Fatwa Number 20 of 2001 begins with public fundraising. Investors who purchase units in Shariah mutual funds essentially grant power of attorney (wakālah) to the investment manager to manage the funds in accordance with the investment policies agreed upon in the prospectus. This legal relationship differs from the relationship pattern in conventional investments, which emphasizes contractual relationships based on civil law principles. In Shariah mutual funds, the wakālah contract contains a mandate dimension; thus, the investment manager is not only obligated to obtain optimal returns but also to ensure that all investment activities remain within Shariah law.

The implementation of the wakalah contract has the legal consequence that the authority to manage funds is not absolute. Investment managers are required to manage portfolios in accordance with the mandate given by unit holders and to comply with all applicable Sharia provisions. Therefore, the investment manager's freedom to determine investment strategies is limited by Sharia principles, as stipulated in fatwas and Sharia capital market regulations. These limitations are the main characteristics of Sharia mutual funds, distinguishing them from conventional investment management, which focuses more on profit optimization without considering the halal aspects of the investment object.

Furthermore, the relationship between the investment manager and the party receiving financing or placing funds is established through a mudharabah contract. In this contract, investment profits are distributed based on an agreed-upon ratio, while losses are principally borne by the capital owner, provided there is no negligence (tafrīṭ), deviation (taʿaddī), or default on the part of the manager. This arrangement demonstrates that DSN-MUI Fatwa Number 20 of 2001 adopts the principle of risk-sharing, which is one of the main characteristics of the Islamic financial system. This principle differs from interest-based financial systems, which place the return of capital as a fixed obligation regardless of the business conditions.

The fatwa’s implementation is also reflected in the investment instrument selection mechanism (screening process). Investment managers are not permitted to invest in companies whose business activities conflict with Sharia principles, such as those in the liquor industry, gambling, interest-based financial services, or other sectors expressly prohibited by Islamic law. In addition to considering the type of business (business screening), the selection process also considers the company's financial ratios as stipulated in the Financial Services Authority (OJK) regulations concerning the Shariah Securities List. Therefore, the application of Sharia principles is not only oriented towards the substance of business activities but also considers the issuer's financial structure to prevent it from being dominated by usurious transactions.

In practice, the screening mechanism has undergone significant development since the issuance of DSN-MUI Fatwa No. 20 of 2001. At the time the fatwa was issued, the supervision of Sharia-compliant securities was still rudimentary and not supported by a comprehensive regulatory system. Currently, the selection process is conducted periodically through the publication of the Sharia-compliant Securities List by the Financial Services Authority (OJK), which serves as the primary reference for all Sharia-compliant investment managers. This development demonstrates the harmonization of Sharia norms with state regulations, enabling the fatwa's implementation to receive stronger institutional support.

In addition to the screening process, the implementation of DSN-MUI Fatwa Number 20 of 2001 is realized through a cleansing mechanism for income that does not comply with Sharia principles. In capital market practices, the possibility of obtaining non-halal income can still occur, for example, due to the temporary placement of funds in certain instruments or the presence of income elements originating from the non-sharia activities of securities issuing companies. Therefore, this income should not be used as investor profits but must be separated and distributed for social purposes in accordance with Sharia provisions. The cleansing mechanism is a form of implementation of the principle of taṭhīr al-amwāl (purification of assets), which aims to maintain the purity of investment returns so that they remain in accordance with Sharia values.

The success of fatwa implementation is also crucially determined by the effective functioning of the Shariah Supervisory Board. Under applicable regulations, every investment manager managing Sharia mutual fund products is required to have a Sharia Supervisory Board that has received a recommendation from the National Sharia Council-Indonesian Ulema Council. The Sharia Supervisory Board is tasked with providing advice, supervising all investment activities, evaluating product Sharia compliance, and ensuring that investment policies do not deviate from the fatwa's provisions. Therefore, the Sharia Supervisory Board serves not only as a symbol of Sharia compliance but also as an integral part of the Sharia governance system of Islamic financial institutions.

Although the normative framework for implementing DSN-MUI Fatwa Number 20 of 2001 has developed well, its effective implementation still faces several challenges. First, the development of digital technology has accelerated the investment process and made it increasingly complex, requiring more adaptive mechanisms to monitor Sharia compliance. Second, the increasing number of retail investors with varying levels of Sharia financial literacy has led to an inadequate understanding of the characteristics of Sharia mutual funds. Some investors still evaluate Sharia products solely based on their return levels without understanding the contract mechanisms, screening processes, and cleansing processes, which are the main differences from conventional investments. Third, increasingly complex investment product innovations require updated interpretations of DSN-MUI Fatwa Number 20 of 2001 to maintain their relevance to contemporary developments in the Sharia financial industry.

From the perspective of Islamic economic law, these conditions demonstrate that fatwa implementation cannot be understood as a static process. Instead, it must be viewed as a dynamic process that requires ongoing harmonization of Sharia norms, state regulations, technological developments, and financial industry practices. This harmonization is crucial to ensure that the primary objective of DSN-MUI Fatwa No. 20 of 2001, namely, realizing halal, fair, and transparent investments that benefit society, can continue to be realized amidst the rapidly changing capital market ecosystem.

Implementation Matrix of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001

To clarify the relationship between fatwa norms, forms of implementation, issues, and the direction of reconstruction, the results of the analysis can be mapped as follows:

Table 1. Reconstructing Sharia Governance of Islamic Mutual Funds in the Digital Era: Regulatory, Contractual, Supervisory, and Transparency Dimensions

No.	Component	Implementation	Problem	Direction of Reconstruction
1	**Wakalah contract**	Investors give a mandate to investment managers to manage funds in accordance with the provisions. has been agreed.	Investors do not always understand the substance of the mandate, investment risks, and the rights and obligations of investment	Substantive Sharia Complianceand informed decisions by strengthening investors' understanding of the agreements, risks, and authority of investment managers.

No.	Component	Implementation	Problem	Direction of Reconstruction
			managers.	
2	**Mudharabah contract**	Investment fund management is carried out based on the profit sharing principle with distribution risks according to the characteristics of the contract.	The complexity of investment relationships requires more transparency strong regarding the mechanisms of managing funds, profits and risks.	Substantive Sharia Compliancethrough strengthening transparency and accountability in fund management.
3	**Screening**	The selection of securities is based on sharia principles and refers to the Sharia Securities List (DES).	Changes in instruments and increasing complexity of transactions require continuous monitoring.	Risk-Based Sharia Supervisionthrough risk-based monitoring of portfolio changes and securities compliance status.
4	**Cleansing**	Inadequate separation and distribution of income Sharia principles in accordance with applicable provisions.	Transparency regarding the cleansing process, mechanisms, and results still needs to be strengthened so that investors can know how non-halal income is handled.	Substantive Sharia Complianceand Digital Sharia Governancethrough increasing transparency of the cleansing process.
5	**Board Supervisor Sharia (DPS)**	Conduct supervision and provide advice regarding compliance with sharia principles in mutual fund management.	The complexity of digital-based investment management demands stronger competence, independence, and supervisory capacity.	Risk-Based Sharia Supervisionthrough strengthening the competence, independence, and oversight mechanisms of the DPS.
6	**Transparency of information**	Prospectuses and information regarding investment products are provided to investors.	The availability of documents does not always guarantee that investors understand the substance of the product, risks, agreements, and investment consequences.	Digital Sharia Governancethrough the presentation of information that is easier to understand, transparent, and oriented towards informed decisions.
7	**Regulation**	DSNMUI Fatwa	Industrial	Collaborative Regulatory

No.	Component	Implementation	Problem	Direction of Reconstruction
		harmonized with OJK regulations and capital market provisions in the implementation of sharia mutual funds.	development and innovation can occur faster than the process of regulatory change and adjustment.	Frameworkthrough more responsive coordination between DSNMUI, OJK, BEI, DPS, and industry players.
8	**Digitalization**	Purchasing, monitoring, and disbursing investments can be done through digital platforms.	Issues arise regarding information asymmetry, the use of algorithms, data management, and automation in the investment process.	Digital Sharia Governancethrough strengthening algorithm transparency, data protection, risk information, and technology-based sharia compliance monitoring.

Source:*Processed by researchers based on the analysis of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001, sharia capital market regulations, and the results of sharia economic law analysis.*

The matrix shows that the primary research issue is not the absence of Sharia norms but rather the gap between the norms, implementation mechanisms, and changes in the industrial environment. Therefore, the reconstruction is not aimed at replacing the basic principles of Fatwa 20/2001 but rather at strengthening its implementation mechanisms.

C. Analysis of Sharia Economic Law on the Effectiveness of the Implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 in the Management of Sharia Mutual Funds

The effectiveness of a fatwa in the Islamic economic legal system is determined not only by its existence as a normative guideline but also by the level of implementation of Islamic values in the institutional practices that regulate it. In the context of Islamic mutual funds, DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 has served as the primary foundation for implementing Islamic-based investments for over two decades. During this period, the Islamic capital market industry has experienced significant development in terms of the number of investors, the net asset value of Islamic mutual funds, investment product innovation, and digital transformation in transaction systems. These changes raise fundamental questions about the extent to which the provisions formulated in fatwas can still meet the needs of contemporary Islamic investment practices.

The development and implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 is inextricably linked to the growth of the Islamic capital market industry in Indonesia. Data from the Financial Services Authority (OJK) show that the Islamic capital market continues to experience growth in both asset value and investor participation. The Sharia Economic and Financial Development Report noted that total Islamic capital market assets would reach approximately IDR 11,799.87 trillion in November 2025, with a market share of approximately 47.07% of total national capital market assets. During the same period, the Net Asset Value (NAV) of Islamic mutual funds reached approximately IDR 81.54 trillion, indicating that Islamic mutual funds have become an increasingly popular Sharia-compliant investment instrument among the public.

This growth coincides with the increasing number of investors in Indonesia’s capital market. The Financial Services Authority (OJK) reported that by the end of 2025, the number of capital market investors had reached 20.36 million Single Investor Identification (SID) holders, representing an increase of approximately 36.95% compared to the previous year. This investor growth demonstrates that the digitalization of investment services has successfully expanded financial inclusion, but at the same time, it has increased the complexity of Sharia compliance oversight, as the majority of transactions are conducted through digital platforms that utilize information technology intensively.

Empirical data demonstrate that DSN-MUI Fatwa No. 20/DSN-MUI/IV/2001 is no longer implemented on a limited industrial scale as it was when it was first issued in 2001. Instead, fatwas now serve as the normative basis for the investment industry, involving millions of investors with far more complex transaction characteristics. Consequently, the effectiveness of fatwa implementation cannot be solely assessed based on the suitability of contracts or the selection of investment instruments; it must also be evaluated based on the ability of the sharia governance system to oversee the development of an increasingly digitalized industry. Thus, the increasing scale of the industry emphasizes the urgency of strengthening the implementation of DSN-MUI Fatwa No. 20/DSN-MUI/IV/2001 through more adaptive oversight mechanisms without compromising the substance of the Sharia principles that underpin its formation.

From the perspective of Islamic economic law, fatwas must be understood as part of the process of realizing the objectives of sharia (maqāṣid al-syarī'ah) in economic activities. The primary objective of Islamic law in the field of muamalah is not merely to legitimize a form of transaction, but rather to ensure that the transaction realizes justice (al-'adl), benefit (maṣlaḥah), legal certainty (al-yaqīn), openness (transparency), and protection of the rights and interests of all parties involved. Therefore, the effectiveness of the implementation of DSN-MUI Fatwa Number 20 of 2001 is not only measured by the fulfillment of formal procedures but also by the ability of the Islamic mutual fund management system to realize these objectives.

1. Implementation of Fatwa from the Maqāṣid al-Syarī'ah Perspective:

In the theory of maqāṣid al-syarī'ah, all economic activities are directed towards realizing the benefit (jalb al-maṣāliḥ) and preventing harm (dar' al-mafāsid). Sharia investment is not just an instrument for obtaining financial gain but also a means of equitable wealth distribution, real sector development, and improving community welfare. Therefore, DSN-MUI Fatwa Number 20 of 2001 cannot be understood merely as a technical regulation regarding investment contracts, but rather as a legal instrument aimed at maintaining the five main objectives of sharia (al-ḍarūriyyāt al-khams), especially the protection of property (ḥifẓ al-maal).

The principle of ḥifẓ al-māl in the management of Islamic mutual funds is realized through the prohibition of investment in business activities containing elements of usury, gharar, maysir, risywah, and activities contrary to Sharia. This prohibition aims to maintain the halalness of investors' profits and prevent economic exploitation, contractual injustice, and business practices that can harm society. Thus, the existence of a Shariah securities screening mechanism is a concrete implementation of asset protection from the perspective of maqāṣid al-syarī'ah.

However, developments in the capital market indicate that asset protection is no longer sufficient through business screening, as initially understood at the time of the formation of the DSN-MUI Fatwa Number 20 of 2001. The complexity of modern investment instruments demands more comprehensive oversight of transaction structures, corporate governance, information transparency, and the use of digital technology in investment management. In other words, asset protection in the digital era is not only related to the halal status of investment objects but also concerns the integrity of the systems that manage those investments.

2. Contractual Fairness as a Basic Principle of Shariah Mutual Fund Management

One of the main characteristics of Islamic economic law is its emphasis on contracts. The DSN-MUI Fatwa Number 20 of 2001 adopted this principle through the use of wakālah and mudārabah contracts. Both contracts place all parties in a proportional position according to their rights and obligations in the contract. In a wakālah contract, the investment manager acts as the investor's representative and manages funds according to a given mandate. This relationship has legal implications: the investment manager is obligated to carry out their duties professionally, transparently, and responsibly. Any action taken outside the investor's mandate can be categorized as a violation of the principle of trust (amanah), which is a fundamental principle of Islamic law.

Meanwhile, the mudharabah contract stipulates that profits are distributed based on an agreed-upon ratio, whereas losses are borne according to risk-sharing principles. This model fundamentally differs from the interest-based financial system, which guarantees fixed profits for capital owners regardless of business conditions. Therefore, the use of the mudharabah contract in Islamic mutual funds reflects the implementation of the value of distributive justice, which is a hallmark of Islamic economics. However, in modern practice, the legal relationship between investors and investment managers has become increasingly complex. Most investors purchase investment units through digital platforms without thoroughly understanding the contents of the prospectus, characteristics of the contract, or investment risks. This situation creates information asymmetry that has the potential to reduce the quality of investor informed consent. From the perspective of Islamic economic law, this situation requires strengthening the principle of transparency (al-bayān) so that the parties' consent is truly based on adequate knowledge.

3. Sharia Compliance as the Essence of Fatwa Implementation:

Sharia compliance is a key indicator of the successful implementation of DSN-MUI Fatwa No. 20 of 2001. Sharia compliance cannot be limited to the use of contractual terms or the existence of a Sharia Supervisory Board. Rather, compliance must be understood as the alignment of all business processes with Sharia principles, from fundraising and investment instrument selection to portfolio management, profit distribution, and dispute resolution. In Indonesian Islamic capital market practice, Sharia compliance has progressed significantly through the implementation of the Sharia Securities List, screening mechanisms, cleansing processes, and a mandatory Sharia Supervisory Board (SSB) for every Sharia investment manager. The presence of these systems demonstrates that fatwa implementation no longer relies solely on moral oversight but has been strengthened by state regulatory mechanisms.

However, the effectiveness of Shariah compliance faces several challenges. First, Sharia supervision is generally compliance-based, focusing on verifying the compliance of documents with fatwa provisions. This approach does not fully accommodate the risk-based Sharia supervision model, which is more appropriate for the development of the modern financial industry. Second, digital transformation has automated investment transaction patterns. The use of investment applications, robo-advisor services, trading algorithms, and artificial intelligence has begun to influence the investment decision-making process. This phenomenon has not been explicitly addressed in DSN-MUI Fatwa Number 20 of 2001, requiring a more dynamic interpretation to ensure that Sharia principles remain relevant to technological developments. Third, the success of implementing Sharia compliance is influenced by investor literacy. Many investors choose Shariah mutual funds solely based on profit or market trends without understanding the Shariah values underlying their implementation. As a result, the ethical dimension of Sharia investment has the potential to shift toward mere product differentiation.

4. Effectiveness of the Role of the Shariah Supervisory Board

In the theory of Islamic financial governance, the Sharia Supervisory Board (SSB) is responsible for ensuring the independent implementation of Sharia principles. The SSB not only performs administrative oversight but is also responsible for ensuring that all investment policies reflect the values of fairness, transparency, and welfare of the community. Developments in the financial industry demonstrate that the Sharia Supervisory Board (SSB) function is increasingly becoming strategic. The complexity of investment instruments, increasing transaction volumes, and the use of digital technology require a competent SSB that understands Islamic jurisprudence (fiqh) and possesses knowledge of capital markets, risk management, corporate governance, and financial technology. Therefore, the effectiveness of the SSB is no longer solely measured by its formal presence but rather by its capacity to conduct substantive oversight of all investment activities. From the perspective of Sharia economic law, strengthening the capacity of the DPS is part of implementing the principles of trustworthiness (amanah) and professionalism (itqān). Therefore, improving the competence, independence, and evaluation mechanisms for the DPS's performance are essential prerequisites for enhancing the effectiveness of DSN-MUI Fatwa No. 20 of 2001.

5. Critical Analysis of the Effectiveness of Fatwa Implementation

Based on the above description, it can be concluded that the implementation of DSN-MUI Fatwa No. 20 of 2001 has succeeded in establishing a normative foundation for the operation of sharia mutual funds in Indonesia. This fatwa has been internalized in various OJK regulations, investment manager operational mechanisms, the DPS supervisory system, and the development process for Sharia capital market products.

However, the effectiveness of the implementation has not been fully optimized. Fatwas are still oriented toward regulating the basic principles of sharia investment, while developments in the modern financial industry present new issues that require more detailed regulation, particularly regarding investment digitization, the use of financial technology, transparency of investment algorithms, investor data protection, and technology-based supervision. Therefore, the main challenge in implementing DSN-MUI Fatwa No. 20 of 2001 lies not in the relevance of its sharia principles but rather in the need to update implementation mechanisms to remain responsive to changes in the capital market ecosystem.

From the perspective of Islamic economic law, this situation indicates that fatwas must be understood as dynamic norms. While the Sharia principles contained therein remain universal, their implementation must continually evolve in accordance with social, economic, and technological changes. This approach aligns with the adaptive nature of Islamic law, which adapts to changing times without abandoning fundamental sharia values. Therefore, the harmonization of the DSN-MUI Fatwa, OJK regulations, capital market governance, and technological innovation is urgently needed to ensure that Sharia mutual funds continue to fulfill the objectives of Islamic economic law, namely, creating a halal, fair, transparent, and public-oriented investment system.

D. Challenges in Implementing DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 in the Digital Era and Reconstruction of Strengthening Sharia Mutual Fund Governance

Digital transformation in the financial services sector has fundamentally changed the mechanisms for fundraising, investment management, and the legal relationship between industry players and investors. Advances in information technology are no longer merely a supporting instrument for capital market activities but have become an integral part of the entire investment ecosystem. This phenomenon has also occurred in Indonensia's Islamic mutual fund industry. While in the early days of the issuance of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001, investment transactions were still dominated by conventional mechanisms through securities companies, today, almost the entire investment process can be conducted through digital platforms that provide account opening, unit purchases, portfolio monitoring, and electronic fund disbursement.

These changes positively impacted the development of the Islamic mutual fund industry. Ease of access has led to a significant increase in the number of investors, as investments are no longer limited to certain groups with substantial financial capacity. Digitalization has also expanded Islamic financial inclusion by providing investment services at relatively small amounts, making them accessible to the wider community, particularly the younger generation, who are accustomed to using digital technology in their daily economic activities. Thus, technological developments align with the objective of Islamic economic law to expand benefits (jalb al-maṣlaḥah) through equitable access to halal investment.

However, digitalization has also given rise to various legal issues that were not fully anticipated when DSN-MUI Fatwa No. 20 of 2001 was drafted. The fatwa emerged in the context of relatively rudimentary capital market development, leading to regulations oriented more toward the basic principles of Sharia investment rather than the operational mechanisms developed in the digital era. Consequently, contemporary issues such as the use of investment applications, algorithm-based transactions, automated portfolio management, investor data protection, and the use of artificial intelligence (AI) have not been explicitly addressed in the fatwa.

From the perspective of Islamic economic law, this situation does not imply that fatwas havelost their relevance. In contrast, the principles contained in DSNMUI Fatwa Number 20 of 2001 remain valid because they are based on universal general principles of muamalah. However, implementing these principles requires a more progressive interpretation to address developments in modern investment practices. In other words, what requires renewal is not the sharia principles themselves, but rather the implementation model and oversight mechanisms.

1. Challenges of Information Transparency in Digital Investment:

Transparency (albayān) is one of the fundamental principles of Islamic economic law. All parties entering into a contract must clearly understand the object of the transaction, their rights and obligations, the risks, and the legal consequences of the contract. This principle aims to eliminate elements of gharar (uncertainty) that could potentially lead to future disputes. In digital investment practices, the principle of transparency encounters new challenges. Most investors purchase Sharia-compliant mutual funds solely through mobile phone applications, a process that takes only a few minutes. Although applications provide prospectuses and disclosure documents, not all investors read or fully understand these documents. Investment decisions are often influenced by the user interface, profit-rate promotions, and algorithmic recommendations available within applications.

This situation creates information asymmetry between investment managers and investors. Formally, the obligation to disclose information is fulfilled through the provision of a prospectus. However, not all investors necessarily understand the characteristics of the wakālah contract, the profit-sharing mechanism, investment risks, or the process of cleansing non-halal income. From the perspective of Sharia economic law, this situation demonstrates that information disclosure cannot be achieved simply by providing documents; it must be realized through education that enables investors to make informed decisions. Thus, the effectiveness of the implementation of DSN-MUI Fatwa No. 20 of 2001 needs to be measured not only by administrative compliance with the obligation to provide information but also by the success of Islamic financial institutions in developing investor Sharia literacy. This approach aligns with the principle of al-riḍā in contracts, namely, the willingness that arises from the parties' complete understanding of the substance of the transaction.

2. Strengthening the Function of Sharia Supervisory Boards

The second challenge relates to the effectiveness of Shariah supervision. DSN-MUI Fatwa No. 20 of 2001 positions the Sharia Supervisory Board as the institution responsible for ensuring that all investment activities are conducted in accordance with Sharia principles. However, the increasing complexity of the capital markets industry has broadened the scope of the Sharia Supervisory Board.

Currently, the DPS is insufficient for understanding classical muamalah jurisprudence. The supervision of Shariah mutual funds requires mastery of investment management, corporate governance, risk analysis, information technology, consumer protection, and developments in capital market regulations. These changes demonstrate that the DPS's capacity must evolve to keep pace with the complexities of the modern financial industry.

In addition to competence, the independence of the Sharia Supervisory Board (SPS) is crucial in determining the effectiveness of oversight. In practice, the SPS is embedded within the organizational structure of the institution it oversees, creating the potential for conflicts of interest if the oversight mechanism is not supported by a robust governance system. Therefore, strengthening Sharia governance requires more comprehensive regulations regarding competency standards, evaluation mechanisms, reporting of Sharia compliance, and accountability of the SPS to regulators and the public.

3. Harmonization of Fatwas with Capital Market Regulations:

Developments in capital market regulations indicate that some of the substance of DSNMU Fatwa No. 20 of 2001 has been adopted into various Financial Services Authority (OJK) regulations and provisions of the Indonesia Stock Exchange. This harmonization creates legal certainty because Sharia principles no longer have merely religious legitimacy but also acquire a binding force through positive law.

However, the dynamics of the financial industry far outpace regulatory changes. New investment products continue to emerge, and transaction mechanisms are increasingly influenced by developments in digital technology. This situation necessitates more intensive coordination between the DSN-MUI, OJK, Indonesia Stock Exchange, investment managers, and academics to ensure that regulatory updates remain in line with evolving market practices without compromising Sharia principles. From the perspective of Islamic economic law, this harmonization is a form of siyāsah shar'iyyah, namely, public policy aimed at realizing the public good through regulations that adapt to changing times. Therefore, regulatory reform is not understood as a change to Islamic principles, but rather as a refinement of legal instruments so that the goals of Islamic law can be more effectively realized.

4. Reconstructing Fatwa Implementation

Based on the previous analysis, this study argues that the reconstruction of the implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 needs to be directed at four main aspects: First, the substantive approach to Sharia compliance should be strengthened. Sharia compliance should not stop at the use of wakālah and mudārabah contracts but must be implemented throughout the investment management process, from securities selection and risk management to information transparency and dispute resolution. Second, the risk-based Sharia supervision system should be strengthened. A supervisory model focused solely on document reviews is no longer adequate to address the evolving digital investment industry. Supervision must be directed toward identifying potential Sharia deviations from the investment product design stage. Third, Islamic economic legal literacy for investors should be improved. The rapid growth in the number of investors is not always accompanied by an increased understanding of the characteristics of Islamic investment. Therefore, public education must be an integral part of the implementation of DSN-MUI Fatwa No. 20 of 2001 on Islamic microfinance.

Fourth, harmonization between the DSN-MUI, OJK, Indonesia Stock Exchange, and Islamic financial services industry should be strengthened. This synergy is necessary to respond to technological developments and investment product innovations through policies that maintain compliance with Sharia principles.

E. Reconstruction of the Implementation Model of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 on the Management of Sharia Mutual Funds in Indonesia

The analysis of the implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 shows that, normatively, the fatwa still has strong relevance as a basis for implementing sharia mutual funds in Indonesia. The principles stipulated in the fatwa, such as the use of wakālah and mudārabah contracts, the prohibition of investment in business activities that conflict with Sharia, the mandatory implementation of Sharia securities screening, cleansing mechanisms, and supervision by the Sharia Supervisory Board (DPS), remain the main foundation for building an investment system in accordance with Islamic law. However, the development of the Sharia capital market industry over the past twenty years has shown that the implementation of the fatwa is no longer sufficient to be understood as the formal implementation of norms but must be directed towards the establishment of a Sharia governance system that is adaptive to developments in regulations, technology, and investor behavior.

This study argues that the main challenge in implementing DSN-MUI Fatwa Number 20 of 2001 lies not in the substance of its norms but in the implementation model, which remains oriented towards formal compliance. To date, the success of fatwa implementation has been measured primarily by the fulfillment of administrative aspects, such as the existence of a Sharia Supervisory Board, the use of Sharia contracts, and portfolio ownership included in the Sharia Securities List. While this approach is important as an early indicator of Sharia compliance, it has not fully guaranteed the achievement of the objectives of Sharia economic law, which are oriented towards justice, transparency, benefit, and investor protection.

From the perspective of Islamic economic law, Sharia compliance means not only adhering to the textual provisions of the fatwa but also embodying Sharia values throughout the investment management process. Therefore, the implementation of DSN-MUI Fatwa Number 20 of 2001 needs to be reconstructed through a more substantive approach to address the increasingly complex and changing character of the Islamic capital market industry. Based on the analysis, this study proposes a reconstruction model for fatwa implementation built on four main pillars: Substantive Sharia Compliance, Risk-Based Sharia Supervision, Digital Sharia Governance, and the Collaborative Sharia Regulatory Framework.

1. Reconstruction through a Substantive Sharia Compliance Approach

The first pillar proposed in this study is to strengthen the implementation of fatwas through a Substantive Sharia Compliance approach. This approach is based on the understanding that Sharia compliance should not stop at fulfilling formal legal requirements but must be realized at every stage of investment. To date, Sharia compliance measures have focused on meeting administrative requirements, such as the existence of a wakālah contract, the use of a Sharia-compliant securities portfolio, and the existence of a Sharia Supervisory Board. However, the primary objective of Sharia economic law is to create transactions that promote justice (al-'adl), trustworthiness (al-amānah), transparency (al-bayān), and benefit (al-maṣlaḥah). Therefore, the success of fatwa implementation must be measured by the extent to which these values are embodied in the management practices of Sharia-compliant mutual funds.

The Substantive Sharia Compliance approach requires that the investment decision-making process not only consider the investment object's compliance with the Sharia Securities List but also consider the quality of corporate governance, the issuer's level of transparency, business sustainability, protection of minority shareholders, and corporate social responsibility. Thus, Sharia compliance is not limited to halal (permissible) or haram (forbidden) but encompasses the broader dimensions of Islamic business ethics.

This approach also has implications for the legal relationship between investors and their investment managers. Investment managers not only fulfill their contractual obligations as stipulated in the wakālah contract but also have a moral responsibility to ensure that all investment policies truly benefit investors and do not conflict with Sharia objectives. In this context, the principle of trust assumes a broader meaning as a professional obligation inherent in the entire investment management process.

2. Reconstruction through Risk-Based Sharia Supervision

The second pillar is strengthening the Sharia supervisory function through a Risk-Based Sharia Supervision approach. Traditionally, Sharia supervision mechanisms in the mutual fund industry have been conducted through compliance checks on documents, investment reports, and portfolio compliance with the Sharia Securities List. This model was relatively effective when the complexity of the investment product was limited. However, developments in financial technology have given rise to various new forms of transactions that require more dynamic oversight. The risk-based approach positions the Sharia Supervisory Board as an institution that not only checks compliance after a transaction has taken place (ex post supervision) but also identifies potential Sharia violations from the product design stage (exante supervision). Thus, supervision is no longer reactive but preventive.

Implementing this model requires strengthening the competency of the Sharia Supervisory Board. In addition to understanding muamalah jurisprudence, the Sharia Supervisory Board (SSB) must possess capabilities in risk management, capital markets, financial technology, corporate governance, and data analysis. The complexity of digital transactions means that violations of Sharia principles do not always manifest in transactions that clearly contradict fatwas (religious edicts) but can also occur through system design, investment algorithms, and information distribution mechanisms to investors. Therefore, Shariah supervision must evolve to reflect the characteristics of the digital financial industry. The risk-based Shariah supervision approach also allows for the use of supervisory technology (suptech and regtech) to assist the Shariah compliance audit process. The utilization of this technology allows for faster and more accurate identification of irregularities, thereby increasing the effectiveness of fatwa implementation in Sharia mutual fund management practices.

3. Reconstruction through Digital Sharia Governance:

Changes in investment patterns demonstrate that digitalization is no longer a temporary phenomenon but has become a key characteristic of the modern financial industry. Therefore, this study proposes the concept of Digital Sharia Governance as the third pillar in reconstructing the implementation of DSN-MUI Fatwa Number 20 of 2001.

This concept is based on the assumption that the application of Sharia principles must accommodate the use of digital technology without compromising Islamic values. Sharia governance in the digital era encompasses more than just overseeing contracts and investment objects; it must also encompass data governance, information system security, algorithm transparency, protection of investors' personal data, and accountability of investment platforms. From the perspective of Islamic economic law, investor data protection is part of the protection of assets (ḥifẓ al-māl) and individual rights (hifz al- huqūq). Therefore, personal data management cannot be separated from the concept of Sharia compliance. Digital platforms managing Islamic mutual funds must ensure that investor data are used transparently, proportionally, and responsibly. Furthermore, the use of algorithms to provide investment recommendations requires certain transparency standards. Investors have the right to obtain information regarding the basis for recommendations so that their investment decisions remain informed and free from manipulation. This approach is crucial for upholding the principle of "riḍā" in contracts, as stipulated in Islamic economic law.

4. Reconstruction through a Collaborative Sharia Regulatory Framework

The final pillar proposed in this study is the establishment of a collaborative regulatory framework (Collaborative Sharia Regulatory Framework). The implementation of DSN-MUI Fatwa Number 20 of 2001 cannot solely be the responsibility of the DSN-MUI or the Sharia Supervisory Board. The complexity of the capital markets industry requires closer coordination between the DSN-MUI, Financial Services Authority, Indonesia Stock Exchange, investment managers, academics, and industry associations.

This collaborative framework aims to accelerate the harmonization of technological and regulatory developments so that fatwas can be effectively implemented without losing their relevance. Collaboration is also needed in the development of technical guidelines, Sharia compliance audit standards, improving investor literacy, and developing performance indicators for the implementation of Sharia principles in the mutual fund industry.

Through this approach, the implementation of DSN-MUI Fatwa No. 20 of 2001 is no longer understood as the responsibility of a single institution but rather as a governance system involving all stakeholders. This model also strengthens the integration of Sharia norms and positive law, thereby creating legal certainty, increasing investor confidence, and strengthening the competitiveness of Indonesia's Sharia capital market globally.

Based on this overall analysis, this study confirms that reconstructing the implementation of DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 does not require changes to the substance of the Sharia principles formulated in the fatwa. A paradigm shift is needed in implementation from an administrative approach to a substantive, adaptive, and risk-based Sharia governance approach. This reconstruction will allow the fatwa to remain a relevant normative foundation in addressing the dynamics of the digital financial industry while strengthening the achievement of the objectives of sharia economic law, namely, the creation of a fair, transparent, trustworthy, and community-oriented investment system.

F. Adaptive Sharia Governance Model as an Ideal Model for Implementing DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 on the Management of Sharia Mutual Funds in Indonesia

The analysis in the previous section indicates that the implementation issues of DSN-MUI Fatwa No. 20/DSN-MUI/IV/2001 lie not primarily in the inadequacy of the Sharia principles formulated in the fatwa, but rather in the need to strengthen the mechanisms for their implementation in a changing industrial environment. The DSN-MUI Fatwa provides the basis for contracts, investment limits, screening, cleansing, and Sharia supervision. The Financial Services Authority (OJK) regulations and capital market provisions then provide the institutional and operational framework for these principles. However, digitalization, the growth of retail investors, product complexity, and changes in information delivery patterns create the need for more adaptive governance structures.

Based on this, this study proposes the Adaptive Sharia Governance Model (ASGM) as a conceptual model for implementing the DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001. The ASGM is not intended as a new fatwa or a replacement for the provisions of Fatwa 20/2001, but rather as a governance model for translating the fatwa's principles into contemporary industry practices. This model maintains the substance of Sharia principles while updating the methods of oversight, transparency, coordination, and risk response.

Puture 1. ASGM operates through a cycle

This cycle demonstrates that fatwa implementation is not a one-way process from norm to practice but rather a continuous one. Supervision results, technological changes, risk developments, and changes in investor behavior serve as evaluation materials to improve implementation mechanisms without altering the fundamental Sharia principles.

The ASGM consists of four integrated pillars.

1. Substantive Shariah Compliance

The first pillar positions Sharia compliance as substantive rather than merely administrative. The use of wakālah and mudārabah contracts, portfolio compliance with the Sharia Securities List, cleansing, and the presence of a Sharia Supervisory Board (SSB) are core indicators. However, these indicators must be complemented by information transparency, accountability in fund management, investor protection, fairness, trustworthiness, and community welfare. Sharia compliance must be checked throughout the investment cycle: before a product is offered, when funds are raised, when portfolios are managed, when income is calculated and cleared, and when information and reports are provided to investors. Investors also need to receive understandable information, not just formal documents.

2. Risk-Based Shariah Supervision

The second pillar shifts the orientation of supervision from predominantly administrative compliance audits to risk-based supervision. The DPS not only conducts audits after activities have taken place but also identifies potential Shariah risks from the product design and investment mechanisms. Risk-based Shariah supervision encompasses Shariah risk identification, risk assessment, monitoring, preventive measures, audits, and corrective actions. The complexity of the technology requires the Sharia Supervisory Board (SPS) to understand the systems used by investment managers and digital platforms, including the potential risks of automation and algorithms.

3. Digital Sharia Governance:

The third pillar ensures that digitalization not only increases efficiency but also adheres to Sharia law. Digital governance encompasses information transparency, investor data protection, system security, accountability for algorithm use, and clarity in the investment recommendation process. From a Sharia economic legal perspective, investors must continue to have the opportunity to make informed decisions in the future. Digitalization should not result in investors simply following system recommendations without understanding the product characteristics and risks. The principles of riḍā, al-bayān, amanah, and ḥifẓ almāl are fundamental to ensuring technological efficiency while maintaining investor protection.

4. Collaborative Regulatory Framework

The fourth pillar connects the DSN-MUI, OJK, IDX, DPS, investment managers, academics, and industry players within a single coordination framework. Collaboration is necessary because product and technological changes can occur more rapidly than the creation or revision of regulations.

This framework includes coordination for the development of technical guidelines, supervision, Shariah compliance audits, improving investor literacy, product evaluation, and responding to innovation. Therefore, fatwa implementation is the responsibility of the system, not just a single institution alone.

These four pillars form a unified whole: Substantive Sharia Compliance establishes value orientation; Risk-Based Sharia Supervision provides control mechanisms; Digital Sharia Governance ensures technological adaptation; and the Collaborative Regulatory Framework provides institutional coordination.

This model creates three protective layers. The first layer is normative protection through DSN-MUI Fatwas and regulations. The second layer is institutional protection through investment managers, custodian banks, and the Sharia Supervisory Board (DPS). The third layer is adaptive protection through technology, risk-based monitoring, transparency and inter-institutional coordination.

This study focuses not only on the naming of ASGM but also on a systematic construction that links the implementation of Fatwa 20/2001 to four contemporary needs: substantive compliance, risk-based supervision, digital governance, and collaborative regulation. Thus, the model offered is a synthesis of the normative analysis of fatwas, regulations, concepts of Islamic economic law, and developments in industry practices discussed above.

In practice, the ASGM can be used as an evaluation tool. The implementation of Sharia mutual funds can be assessed through questions such as: Are the contracts and investment objects compliant with Sharia law? It examines whether Sharia risks have been identified early on, whether investors receive understandable information, whether technology and data are managed responsibly, whether the Sharia Supervisory Board

(DPS) has adequate supervisory capacity, and whether there is effective coordination between the DSN-MUI, the Financial Services Authority (OJK), the IDX, and the industry.
Using this approach, this study confirms that reconstructing the implementation of DSN-MUI Fatwa No. 20/DSN-MUI/IV/2001 does not require fundamental changes to the substance of its Shariah principles. Reconstruction is needed at the governance, oversight, technology, transparency, and coordination levels. ASGM is an ideal model that bridges Sharia norms with the needs of the contemporary Sharia mutual fund industry.

CONCLUSION
This study shows that DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 remains a crucial normative basis for the implementation of Islamic mutual funds in Indonesia. The fatwa regulates the basic principles of Islamic investment through the use of wakālah and mudārabah contracts, prohibitions on investing in business activities that conflict with Islamic law, mechanisms for screening Islamic securities, cleansing of non-halal income, and supervision by the Sharia Supervisory Board. These provisions were then integrated into the regulations of the Financial Services Authority (OJK) and the Indonesia Stock Exchange, thus forming a legal system that provides legal certainty while ensuring Sharia compliance in the management of Islamic mutual funds.
The research also shows that the implementation of DSN-MUI Fatwa Number 20 of 2001 has generally been successful and serves as the operational basis for the Islamic mutual fund industry in Indonesia. However, its effective implementation still faces various challenges arising from the development of digital technology, the increasing number of retail investors, the complexity of investment products, and the changing characteristics of the Islamic capital market. These challenges demonstrate that an implementation approach solely focused on administrative compliance cannot fully meet the needs of the contemporary Islamic investment industry.
Based on the analysis of Islamic economic law, this study concludes that the substance of the DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001 does not require fundamental changes because the principles contained therein are still relevant to the development of the Islamic financial industry in Indonesia. What is needed is To strengthen its implementation model, more adaptive, integrative, and risk-based Islamic governance must be developed. Therefore, this study proposes the Adaptive Sharia Governance Model (ASGM) as an ideal model for implementing the DSN-MUI Fatwa Number 20/DSN-MUI/IV/2001. The model is built on four main pillars: Substantive Sharia Compliance, Risk-Based Sharia Supervision, Adaptive Sharia Governance, and the Collaborative Regulatory Framework. These four pillars constitute a unified system aimed at strengthening the implementation of fatwas through the harmonization of Islamic principles, state regulations, institutional supervision, and technological developments.
Theoretically, this study contributes to the development of Islamic economic law by expanding the paradigm of fatwa implementation from a normative to an adaptive approach to Islamic governance. Practically, the results of this study can serve as a basis for the National Sharia Council (DSN-MUI), the Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), the Sharia Supervisory Board (SBSB), and investment managers in developing more effective policies and oversight mechanisms, enabling the management of Islamic mutual funds to achieve the objectives of Islamic economic law, namely, justice, welfare, transparency, and investor protection.

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