

 — FAI UNISMUH MAKASSAR —	International Conference on Actual Islamic Studies		
	Vol. 3, No. 1	Agustus 2024	e-ISSN: 2988-7925

Islamic Capital Market Accessibility and Fintech Innovation: Transformation of POJK 77/2016

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Abstrak

Kata Kunci: Pasar Modal Syariah; Fintech; Transformasi; POJK 77/2016; Maxim Behavior.

Penelitian ini bertujuan untuk menganalisis transformasi pasar modal syariah di Indonesia seiring dengan inovasi fintech, khususnya dalam konteks Peraturan Otoritas Jasa Keuangan (POJK) Nomor 77 Tahun 2016 tentang Layanan Pinjam Meminjam Uang Berbasis Teknologi Informasi. Metode penelitian yang digunakan adalah analisis deskriptif dengan pendekatan kualitatif. Data diperoleh melalui studi literatur dan analisis data sekunder terkait pertumbuhan pasar modal syariah, penggunaan fintech dalam sektor produktif, dan struktur norma dalam POJK 77. Hasil kajian ini menyimpulkan bahwa pasar modal syariah mengalami pertumbuhan yang signifikan dalam jumlah investor, nilai transaksi, dan jumlah emiten. Namun, terdapat fluktuasi yang signifikan dalam beberapa sektor terkait penggunaan fintech lending. Analisis norma dalam POJK 77 mengungkapkan ketidaksesuaian dengan teori Maximising Behavior dalam beberapa aspek, seperti persyaratan modal minimum yang tinggi dan kompleksitas proses perizinan. Penelitian ini merekomendasikan urgensi penyesuaian regulasi dalam POJK 77 Tahun 2016 yakni penyederhanaan persyaratan modal minimum, penyederhanaan perizinan, dan peningkatan dukungan untuk fintech syariah. Kolaborasi multipihak, dan peningkatan partisipasi investor.

Abstract

Keywords: The Islamic capital market; fintech; transformation; POJK 77/2016; maximising behaviour theory.

The objective of this study is to analyse the transformation of the Islamic capital market in Indonesia in conjunction with fintech innovation, particularly in the context of Financial Services Authority Regulation (POJK) Number 77 of 2016 concerning Information Technology-Based Money Lending and Borrowing Services. The research method employed is descriptive analysis with a qualitative approach. The data were obtained through a literature study and secondary data analysis related to the growth of the Islamic capital market, the use of fintech in the productive sector, and the norm structure in POJK 77. The findings of this study indicate that the Islamic capital

market has experienced a notable expansion in the number of investors, transaction value, and number of issuers. Nevertheless, there are notable fluctuations in certain sectors pertaining to the utilisation of fintech lending. An analysis of the norms in POJK 77 reveals inconsistencies with the Maximising Behaviour theory in several aspects. These include the high minimum capital requirements and the complexity of the licensing process. This study recommends that regulatory adjustments be made in POJK 77/2016, namely, that minimum capital requirements be simplified, licensing be made simpler, and support for Islamic fintech be increased. Multistakeholder collaboration and increased investor participation are essential for the advancement of the Islamic capital market.

INTRODUCTION

This research aims to examine the background issues in the Islamic capital market in Indonesia, which, despite its considerable potential, still faces challenges in increasing the participation and representation of Islamic investors. While the number of Islamic investors has reached 137,503, their participation rate in the capital market is still very low, at only 1.05% of the total conventional investors. This indicates not only a participation gap but also a representation gap, as Islamic investors are not yet proportionally represented in the Islamic capital market ecosystem (Otoritas Jasa Keuangan, 2023).

According to data from the Financial Services Authority, this gap is due to the complicated and time-consuming account opening process, which is an obstacle for potential investors. Therefore, this research proposes the use of fintech innovation as a solution to increase the accessibility

of the Islamic Capital Market (OJK, 2024).

The renewal of POJK 33/2014 on the Issuance and Trading of Islamic Securities has the potential to facilitate the use of information and communication technology (ICT) to improve the efficiency and effectiveness of the Islamic capital market. The utilisation of ICT can facilitate the acceleration and simplification of the account opening process and enhance the financial literacy of potential Islamic investors. The primary objective of this update is to enhance the efficiency of account opening procedures and to facilitate the involvement of Islamic fintech platforms in the capital market industry. (Otoritas Jasa Keuangan, 2023).

The initial objective of this research is to examine the necessity for more efficient and inclusive account opening arrangements as part of the POJK 33/2014 update. It is anticipated that the implementation of more streamlined and expeditious account opening procedures will enhance the appeal and

engagement of Islamic investors in the capital market. Furthermore, fintech applications can be enhanced with Islamic financial education and literacy features, thereby assisting potential investors in a more comprehensive understanding of the products and services available. (OJK, 2024).

Second, this research will investigate the potential of Islamic fintech platforms in the capital market industry to extend the reach of the Islamic capital market to a broader retail segment, including younger and millennial investors. The utilisation of technology and innovation is expected to facilitate the expansion of the Islamic capital market, rendering it more inclusive and attractive to a broader demographic, thereby enhancing liquidity and overall market growth (Amalia & Musa, 2023; Hambali & Ali, 2023).

Consequently, this research will make a significant contribution to the development of the Islamic capital market in Indonesia by applying fintech as a solution to enhance accessibility and investor participation. (Isman & Ahmad Zainul Muttaqin, 2024).

LITERATUR REVIEW

In light of the aforementioned focus of this paper, namely, Islamic Capital Market Accessibility and Fintech Innovation, it is necessary to consider the following: The transformation of POJK 33/2014 on Islamic Securities provides an opportunity to apply Richard Posner's theory of legal economic theory to the literature review

on this topic. According to Posner, a competitive market is essential for achieving economic efficiency. A competitive market will lead to a Pareto efficient equilibrium. This is pertinent to an essential concept in the theory of maximising behaviour, whereby Islamic capital market participants will endeavour to achieve optimal results. It is therefore important to understand how fintech regulation and innovation may affect the dynamics of the Islamic capital market and the endeavour to achieve the desired market efficiency (Mubarak & Mahfudz, 2023).

The fundamental concept of this idea is to examine the behaviour of businesses and consumers in terms of their economic utility and profit. Furthermore, an analysis of the spending patterns of capital market businesses and the decisions of issuers who are chosen to invest their capital will provide insights into how Islamic capital markets can be accessed and improved through fintech innovation. Additionally, the impact of the regulations and policies of the financial services authority on the behaviour of market participants will be examined (Hosseini & Mahmudhassan, 2023).

The dependent variables that are pertinent to the analysis of this topic include the overall performance of the Islamic capital market, such as the number of Islamic investors, the value of Islamic transactions, and the number of Islamic issuers. In contrast, independent variables may encompass factors such as market regulation, the

adoption of financial technology, Islamic financial literacy, and government policies related to the Islamic capital market. (Perencanaan Pembangunan Nasional, 2023).

The pattern of relationship between the independent variables and the dependent variable in the context of 'Islamic Capital Market Accessibility and Fintech Innovation' is as follows: The transformation of POJK 33 Year 2014 on Islamic Securities may be indicative of market participants striving to achieve optimal outcomes in accordance with their objectives, in alignment with the concept of maximising behaviour. To illustrate, the adoption of fintech innovation may influence the number of Islamic investors and the value of Islamic transactions, which may be reflected in the pattern of relationships between independent variables such as market regulation and dependent variables such as Islamic capital market performance.

The application of Posner's economic theory of law framework, which incorporates the concept of maximising behaviour, and the analysis of the related indicators, variables and relationship patterns in the context of 'Islamic Capital Market Accessibility and Fintech Innovation' will be undertaken. The transformation of POJK 33/2014 on Islamic Securities provides insight into the dynamics of the Islamic capital market and the impact of regulation and fintech innovation on increasing accessibility

and investor participation in the Islamic capital market. (Chandrarini et al., 2022; Harjoto & Rossi, 2023).

RESEARCH METHOD

This research is based on legal research with a normative approach. In this research, the law is conceptualised as a hierarchically structured system of norms. The legal norms are interrelated and refer to higher norms. The fundamental norm (*Grundnorm*) serves as the foundation of the entire legal system (Isman, 2023b).

The data utilised in this study are derived from secondary sources, namely, literature and scientific articles that examine the growth of the Islamic capital market, research results on trends in the use of fintech in Indonesia, research on account opening constraints, analysis of changes in Islamic capital market regulations, and surveys or studies on financial literacy. The data were collected through a systematic literature review involving the following stages: identification, collection, selection, analysis, and interpretation. This approach was employed to support the analysis of this research topic (Isman, 2023a).

The data that have been processed will be analysed qualitatively, based on deductive logic carried out in stages. The first stage involves evaluating the suitability of the data with existing concepts and theories. The second stage entails identifying patterns or trends in the data. Finally, the third stage will entail drawing conclusions and

implications from the results of the analysis (Brown et al., 2016; Taekema, 2021).

RESULTS AND DISCUSSION

The growth of the Islamic capital market in Indonesia can be taxonomically categorised through three main dimensions: growth in the number of Islamic investors, transaction value, and the number of Islamic issuers. Furthermore, other indicators, such as the Islamic Stock Index (ISSI), sovereign sukuk, and Islamic investment funds, also demonstrate robust growth trends, reflecting the attractiveness and potential of the Islamic capital market in Indonesia.

The number of Islamic investors has increased by 205,291 since 2022, although there has been a decline of 130,497 in September 2023. This may be due to external factors or unstable market conditions. The value of Islamic transactions also demonstrated a positive growth trend, reaching IDR 1,424,776 billion in 2022 and IDR 833,680 billion in September 2023. However, the year-on-year increase decreased from 34.54% to 30.51%. Concurrently, the number of Islamic issuers continues to increase, albeit at a more gradual pace than that observed in the preceding year. Furthermore, other indicators, such as the Islamic Stock Index (ISSI), state sukuk, and Islamic investment funds, also demonstrated positive growth, reinforcing confidence

in the potential of the Islamic capital market in Indonesia.

In terms of temporal sequence, the number of sharia issuers in Indonesia has demonstrated a consistent increase over time. In 2018, there were 584 sharia issuers, which increased to 622 in 2019, representing a growth of 6.52%. This growth trend continued in 2020, albeit at a slightly lower rate, with the number of issuers reaching 636, representing a growth of 2.25%. In 2021, the growth in the number of issuers increased significantly, reaching 687, which represents an increase of 8.07%. The year 2022 also demonstrated a positive growth trend, with the number of issuers reaching 731, representing a growth of 6.37%. (Otoritas Jasa Keuangan, 2023).

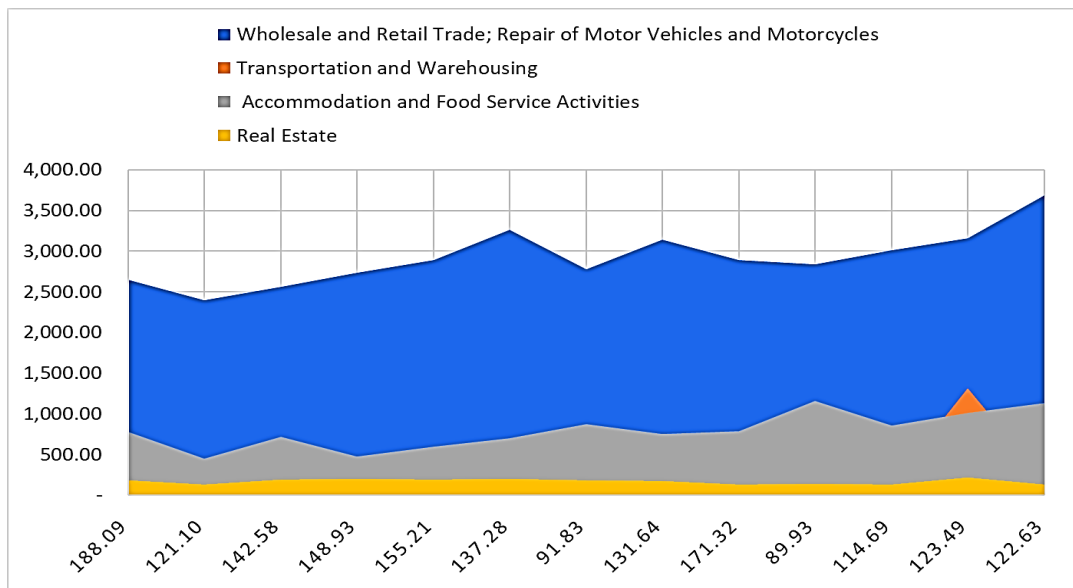
Nevertheless, in September 2023, the growth in the number of issuers decreased slightly with the addition of 752 Islamic issuers, which represents a year-on-year growth of 2.88%. In conclusion, this growth trend reflects sustained efforts to develop and expand the Islamic capital market in Indonesia (Otoritas Jasa Keuangan, 2023).

The distribution of productive sector loans through fintech lenders can be categorised according to the number of loans granted to each sector, with the largest sector receiving the most loans and the smallest sector receiving the fewest. For instance, the sector that received the greatest number of loans in March 2024 was the Wholesale and Retail Trade; Repair and Maintenance of Cars and Motorcycles sector, with a

loan amount of 3,687.12 billion. The next largest sector was that of accommodation and food provision, with a loan amount of 1,129.95 billion, followed by transport and warehousing, with a loan amount of 182.87 billion. Moreover, the manufacturing industry sector also received a considerable loan of 77.26 billion (Alwahidin et al., 2023; Koos, 2022). Nevertheless, other sectors received smaller loans, including the mining and quarrying sector, with a loan of 41.62 billion, and the financial and insurance activities sector, with a loan of 23.78 billion. The data indicate that the trade sector and the provision of accommodation and food are the

primary recipients of fintech lending, while other sectors receive loans on a smaller scale. (Alwahidin et al., 2023; Koos, 2022).

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Gambar 1: Lending Fintech in the Productive Sector

As illustrated in Figure 1, the sector exhibiting the most pronounced fluctuations in terms of both increases and decreases and even approaching extremes is the wholesale and retail trade sector. This is evidenced by the significant increase in IDR

2,565,000,000.00 recorded in the Repair of Motor Vehicles and Motorcycles subsector in May 2023. Nevertheless, there was also a notable decline in November 2023, amounting to Rp1,137,870,000.00. (OJK, 2024;

Otoritas Jasa Keuangan, 2023; Otoritas Jasa Keuangan, 2024).

This implies that this sector is highly susceptible to fluctuations in economic circumstances. Moreover, the accommodation sector and the provision of food and beverages are also affected. In this sector, there was a notable increase in Rp1,129,950,000.00 in March 2024. However, there was also a significant decline in the IDR of 446,160,000.00 in April 2023. This implies that this sector is similarly susceptible to fluctuations in economic circumstances. (OJK, 2024).

A review of the literature reveals that fluctuations in the two sectors are influenced by changes in consumer demand. Furthermore, changes in government regulatory policies, particularly those that impede fintech funding for specific sectors, can also have a significant impact (Mali & Prakash, 2020).

The structure and scope of POJK Number 77 Year 2016.

The norm structure in OJK Regulation No. 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services (Fintech) includes legal subjects, legal objects, legal acts, legal events, and legal relationships. The legal subjects of this regulation include the Financial Services Authority (OJK), other financial services institutions, organisers, loan recipients, lenders, users, directors, and commissioners. In

contrast, the category of legal objects encompasses information technology-based money lending and borrowing services, as well as related agreements, electronic documents, electronic certificates, and electronic signatures.

The legal actions regulated in this regulation include the implementation of information technology-based money lending and borrowing services, the making of loan and borrowing agreements, the making of electronic documents, the issuing of electronic certificates, and the use of electronic signatures. In addition, the legal events that occur include the registration of the organiser, the application for a business permit, the granting of a business permit, the implementation of money lending and borrowing services, the receipt and distribution of loans, the payment of installments, the collection of loans, and the resolution of disputes (Hossein & Hassan, 2024; Mubarak & Mahfudz, 2023; Suadi & Affandi, 2023).

The legal relationship that is formed encompasses the relationship between OJK and the organiser, the relationship between the organiser and the lender, and the relationship between the organiser and the loan recipient. Furthermore, the relationship between the organiser and OJK is administrative in nature with regard to regulation and supervision. In contrast, the relationship between the organiser and the lender and loan recipient is civil in nature in the context of a lending and borrowing agreement. The regulation is structured in a clear manner, with the objective of

providing a comprehensive legal framework for the implementation of information technology-based money lending and borrowing services.

OJK Regulation No. 77/POJK.01/2016 on Information Technology-Based Money Lending Services comprises two distinct categories of norms: reactive norms and responsive norms. These norms collectively reflect OJK's response to changes in the capital market ecosystem (Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016).

Reactive norms, such as Article 4, which regulates the minimum capital that must be owned by service providers, demonstrate a response after the service provider operates without focusing on preventing risks at the outset. Likewise, Articles 11 and 25, which regulate periodic reporting and the use of data centers, are reactive in nature because they only apply after business activities or disruptions occur.

On the other hand, responsive norms, such as Article 5, which requires service providers to provide services that meet the needs of users, and Article 14, which regulates the quality of human resources, demonstrate a response to changing market needs and improve the quality of services (Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016).

The Financial Services Authority Regulation (POJK) Number 12 of 2018, which governs the Implementation of

Digital Banking Services by Commercial Banks, does not directly address the transformation of the Islamic capital market or the adoption of fintech technology in financial services. The focus of this POJK is on the implementation of digital banking services by commercial banks, including the definition of digital banking services, implementation requirements, governance, risk management, and consumer protection. Nevertheless, several articles in this POJK show relevance to the transformation and adoption of technology in the context of the Islamic capital market.

Article 4 on Definitions includes Digital Sharia Banking Services, opening up opportunities for commercial banks to digitally provide sharia banking services. Article 10 mandates the use of information technology in the implementation of digital banking services, in line with the transformation of the Islamic capital market and the adoption of fintech. Meanwhile, Article 15 mandates the development of good governance, including risk management and consumer protection, which is relevant in the context of the transformation of the Islamic capital market and the adoption of fintech technology.

Article 22 pays attention to digital banking service risk management, identifying, measuring, monitoring, and managing risks such as technology, operational, legal, and reputational risks.

On the other hand, Article 27 mandates digital banking service consumer protection, including the right to information, privacy, and dispute resolution. Although not directly regulating the Islamic capital market and fintech, this POJK provides a relevant and important legal basis for the development of digital Islamic financial services and the transformation of the financial industry in Indonesia. (Peraturan OJK Nomor 77 Tahun 2016 Tentang Layanan Keuangan Digital, 2016).

Maximising Behavior and Transformasi Pasar Modal Syariah

An explanatory analysis of OJK Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services and the transformation of the Sharia capital market reveals several causal relationships that are not entirely consistent with the maximising behavior theory in Posner's law and economics (Siegel, 1999; Tunick, 2008). The maximising behavior theory posits that regulators design legal norms with the objective of maximising economic welfare and minimising social costs. Nevertheless, in the context of regulations and the transformation of the Sharia capital market, there are some discrepancies with this theory (Khan & Mushtaq, 2009; Miller, 2009).

First, with regard to the minimum capital requirements (Article 4), the maximising behavior theory postulates

that the OJK will set minimum capital requirements that are sufficient to maintain the financial stability of fintech providers and to protect consumers. Nevertheless, POJK 77 establishes high minimum capital requirements, which may impede the participation of new market entrants and diminish innovation, contrary to the objective of maximising economic welfare.

Furthermore, with regard to the periodic reporting and data centre usage requirements (Articles 11 and 25), the maximising behaviour theory postulates that the OJK will impose such requirements in proportion to the associated risks. Nevertheless, POJK 77 introduces a plethora of intricate and costly reporting requirements, which may prove onerous for Fintech providers, particularly those of a smaller scale, and impede operational efficiency. With regard to Obligation to Develop Products and Services (Article 5), the Maximising Behavior theory postulates that the OJK will facilitate the development of Fintech products and services that are in demand by consumers and the market. Nevertheless, POJK 77 requires fintech providers to develop innovative and high-quality products and services, which may impose a significant burden on fintech providers, particularly smaller ones, and divert attention from fundamental consumer needs (Germann, 2004; O'Rourke & Brown, 2003).

Finally, the absence of support for Sharia fintech is also highlighted. Maximising behavior theory posits that the OJK will provide targeted support for the advancement of Sharia Fintech, thereby facilitating the transformation of the Sharia capital market. Nevertheless, POJK 77 does not explicitly regulate Sharia Fintech services and does not provide specific support for the development of this sector (Bazzani et al., 2004; Valdes & Gnaegy, 1996).

In conclusion, although POJK 77 demonstrates OJK's efforts to respond to the transformation of the Sharia capital market and the adoption of fintech, there are some causal relationships in these regulations that are not entirely consistent with maximising behavior theory. Consequently, the OJK must undertake a review of these regulations to ensure compliance with the aforementioned theory and to facilitate the transformation of the Sharia capital market and Fintech. Furthermore, the OJK must consider the needs and capacities of fintech providers, particularly those of smaller entities, when designing regulations and policies. Additionally, it should provide specific support for the development of Sharia Fintech, with the aim of promoting the transformation of the Sharia capital market (Devos et al., 2009; Komarovska et al., 2015).

A critical analysis of the transformation of the Sharia Capital Market (SCM) and Sharia Fintech in

Financial Services Authority (OJK) Regulation No. 77/POJK.01/2016 reveals several inconsistencies with the Maximising Behavior theory in the normative structure. SCM in Indonesia has the potential to be a significant contributor to the financial sector, yet the low level of investor penetration highlights the necessity of enhancing accessibility and investor participation. Sharia fintech is regarded as a strategic solution due to its potential for efficiency and inclusivity (Gawel & Möckel, 2011; Lesch & Hellmich, 2014).

The analysis of the causal relationships between POJK 77/2016 and the transformation of SCM indicates an imbalance between the objective of welfare maximisation and the regulatory barriers that have been introduced. The high minimum capital requirements, the complex reporting requirements and the obligation to develop innovative products may place undue burdens on Sharia Fintech providers, which may contradict the principle of maximising economic welfare. Furthermore, the lack of specific support for Sharia Fintech is problematic, as POJK 77 does not explicitly regulate these services, hindering the growth and transformation potential of SCM (Robson, 2011; Zetterberg et al., 2012).

To address these inconsistencies, several recommendations are proposed. First, a review of POJK 77 is necessary to ensure a balance between consumer protection, stability, and support for

Sharia Fintech. To support Sharia Fintech, more accommodating regulations, fiscal incentives, and market education could be implemented. Furthermore, the development of digital platforms and Sharia Fintech applications is needed to facilitate efficient and inclusive account opening and reach retail investors (Conrad, 2012; Hilty, 2011).

Furthermore, it is essential that the government, industry players, and academia collaborate in a multistakeholder manner. To this end, it is necessary for the OJK, Bank Indonesia, and relevant ministries to coordinate to formulate policies that support Sharia Fintech. Industry players, including Sharia banks and securities companies, must collaborate to develop innovative products and services. Furthermore, it is essential that academia play a role in the research and development of Sharia fintech to support the advancement of this industry (Fabuš & Csabay, 2018; Kassens, 2019; Qin, 2014).

In summary, the transformation of SCM and Sharia Fintech in POJK 77/2016 highlights both challenges and opportunities in achieving inclusivity and efficiency in the Sharia financial market. With the implementation of regulatory reviews, appropriate support, and strong collaboration, it is anticipated that the Sharia capital market and Sharia Fintech will develop more effectively and benefit society at large (Díaz et al., 2017; Minkler & Prakash, 2017; Schoukens, 2017).

Sharia Capital Market Transformation and Proposed Changes to the Norms of POJK Number 77 Year 2016

The transformation of the Islamic Capital Market (ICM) in Indonesia has become a significant concern in recent years, particularly in light of the development of Islamic Fintech. The Financial Services Authority (OJK) Regulation No. 77/2016 on the Implementation of Information Technology-Based Money Lending Services (Fintech Lending) has served as the foundation for the regulation of Sharia Fintech.

The maximising behaviour concept emphasises the use of law as a tool to achieve economic goals, including welfare optimisation. For Sharia Fintech, this principle encompasses investor protection, market stability, and balanced industry growth. The maximising behaviour concept emphasises the use of law as a tool to achieve economic goals, including welfare optimisation. For Sharia Fintech, this principle encompasses investor protection, market stability, and balanced industry growth.

The data and analyses indicate that there have been significant fluctuations in the Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles, and Accommodation and Food and Beverage Supply sectors. The fluctuations in the aforementioned sectors can be attributed to two

underlying factors: changes in consumer demand and government regulatory policies. For instance, increased demand in the lead-up to Lebaran and alterations to credit policies may influence the performance of the pertinent sectors.

While POJK No. 77/2016 is designed to protect investors and encourage the growth of Islamic fintech, certain provisions may limit access to funding in certain sectors. The implementation of high minimum capital requirements, complex licensing procedures, and limitations on the disbursement of funds by the business sector present significant challenges that must be addressed (Canto, 2017; Rohe et al., 2017).

To facilitate greater access to funding for Islamic Fintech, it is necessary to implement regulatory adjustments to POJK 77/2016. This encompasses the reduction of capital requirements for small-scale Sharia Fintechs, the simplification of the licensing process, and the review of limits on fund disbursement. Moreover, the advancement of Sharia Fintech necessitates the development of enhanced financial education and literacy in conjunction with the expansion of technological infrastructure (Habersack, 2018; Liu et al., 2021).

The analysis of the research data presented indicates a strong causal relationship between the growth of the Islamic capital market in Indonesia and the profit-maximising behaviour of

business actors in the sector. This phenomenon is consistent with the maximising behaviour formula, which posits that individuals and economic entities act rationally to maximise their profits or benefits, taking into account the economic incentives and consequences of their actions (Arosemena et al., 2019; Aydın & Üstün, 2021; Petrunenko et al., 2020).

The expansion of the Islamic capital market in Indonesia is evidenced by the considerable increase in the number of Islamic investors, which reached 205,291 by 2022. This surge demonstrates that financial sector participants recognise the substantial potential of the Islamic capital market and are striving to develop novel Islamic products and services. The objective is to maximise profits from an expanding investor base (Pashentsev et al., 2019).

Furthermore, the value of Islamic transactions also increased significantly, reaching an IDR of 1,424,776 billion in 2022. This increase is indicative of the success of businesses in attracting investors and increasing trading activity in the Islamic capital market, which in turn increases transaction volume and profits.

In addition to the pursuit of profit, the research data indicate that businesses operating within the Islamic finance sector also consider other factors, such as moral norms and formal laws. In addition to focusing on profitability, businesses in the Islamic

finance sector also ensure that their products and services comply with Shariah principles.

Furthermore, the expansion of the Islamic capital market is consistent with government regulations and policies that facilitate the growth of Islamic markets. This indicates that businesses are operating in accordance with formal legislation and are engaged in collaborative efforts with the government to achieve shared objectives.

Another example of the efforts of businesses in the Islamic finance sector to maximise profits while having a positive impact on society and the economy is the optimisation of the use of resources and the channelling of fintech lending to productive sectors (Linder & Svedberg, 2019; Tsukerman et al., 2019).

The analysis of the research data indicates a robust correlation between the growth of the Islamic capital market and the profit-maximising behaviour of businesses. Businesses operating within the Islamic finance sector act in a rational and strategic manner to maximise their profits, taking into account a range of factors, including incentives, economic consequences, moral norms and formal laws. This demonstrates that the pursuit of profit and adherence to Sharia principles can be mutually reinforcing, leading to sustainable economic growth (Barabash et al., 2023; Darrow et al., 2021; Roldán & Cabrales, 2021).

A review of the research data and the concept of maximising behaviour in the context of Islamic capital market transformation revealed several discrepancies with the expected predictions. First, there was a marked decline in the number of Islamic investors, from 205,291 in 2022 to 130,497 in September 2023. This was despite predictions from the maximising behaviour concept indicating the opposite. Second, although it is predicted that the value of Islamic transactions will increase in conjunction with the expansion of Islamic products and services, in reality, there will be a downwards trend, with the proportion of Islamic transactions decreasing from 34.54% in 2022 to 30.51% in September 2023. Furthermore, there were notable fluctuations in the growth and decline of Islamic issuers, which did not align with the anticipated stability and consistency of the concept of maximising behaviour.

This discrepancy can be attributed to a number of factors. First, global and domestic economic uncertainties can reduce investor confidence and affect the decision of businesses to invest in the Islamic capital market. Second, alterations in governmental policies that impede the provision of financial technology (Fintech) funding for specific sectors also contribute to fluctuations in sectors within the Islamic capital market. Furthermore, investors' psychological factors, such as fear and panic, can also influence their investment behaviour in the Islamic

capital market, particularly in the context of unstable economic conditions.

The concept of maximising behaviour provides a basic framework for understanding the behaviour of businesses in the Islamic capital market. However, it is important to recognise that other factors, such as economic uncertainty, government policy changes, and investor psychological factors, also have a significant influence. Consequently, a more comprehensive analysis that incorporates these factors is necessary to gain a more nuanced understanding of the evolution of the Islamic capital market.

CONCLUSION

The concept of maximising behaviour in legal economic theory is of significant importance in the context of promoting Islamic capital market accessibility and fintech innovation, particularly in the context of the POJK 77/2014 transformation of Islamic securities. This concept emphasises the use of law as a tool to achieve economic goals, including investor protection, market stability and balanced industry growth.

The data indicate that the Islamic capital market in Indonesia has experienced considerable growth in several key areas, including the number of Islamic investors, transaction value, and the number of Islamic issuers. Nevertheless, there are notable fluctuations in specific sectors, such as

wholesale and retail trade and the accommodation and food and beverage sector, which are influenced by shifts in consumer demand and government regulatory policies. In the regulatory context, POJK 77/2014 was designed to protect investors and encourage the growth of Islamic fintech. However, certain provisions in the regulation may limit access to funding in certain sectors. The high minimum capital requirements, the complex licensing process, and the restrictions on the distribution of funds based on the business sector represent significant obstacles that must be overcome. To encourage the accessibility of the Islamic capital market and the innovation of fintech in accordance with the concept of maximising behaviour, it is necessary to adjust to the POJK 77/2014 regulations. It would be beneficial to reduce the capital requirements for small-scale Islamic fintechs, simplify the licensing process, and review the limitations of fund disbursements. Furthermore, enhanced financial education and literacy, as well as technological infrastructure, are also necessary to facilitate the growth of Islamic fintech. In conclusion, by adopting an approach that is in line with the concept of maximising behaviour, the transformation of Islamic capital markets and Islamic fintech can be optimised to achieve maximum economic welfare in accordance with the principles of legal economic theory.

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