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INVESTMENT INSTRUMENTS IN THE ISLAMIC FINANCIAL SYSTEM: STRENGTHENING ISLAMIC FISCAL POLICY

INSTRUMEN INVESTASI DALAM SISTEM KEUANGAN SYARIAH: MEMPERKUAT KEBIJAKAN FISKAL SYARIAH

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Abstract
This study examines how investment tools in the Islamic financial system can strengthen Islamic fiscal policy. Islamic finance focuses on fairness, openness, and sustainability by avoiding riba, gharar, and maysir, and connecting financial activities to the real economy. Previous research has mostly looked at Islamic investment tools from financial growth and market views, but their role in enhancing Islamic fiscal policy is less explored. This study adds to the discussion by analyzing how these tools support fiscal sustainability and inclusive economic growth within the goals of maqasid al-shariah. Using a qualitative descriptive approach, this research analyzes secondary data obtained from academic literature, regulatory documents, and reports from Islamic financial institutions. Content analysis, comparative analysis across countries, and bibliometric mapping are employed to identify conceptual relationships and empirical patterns. The results show that Islamic investment instruments such as sukuk, mudharabah, musyarakah, and productive waqf contribute significantly to Islamic fiscal strengthening by supporting public financing, expanding the fiscal base, and promoting equitable wealth distribution. Sovereign sukuk provide an asset-backed and sharia-compliant alternative for infrastructure and social development financing, while profit-and-loss sharing instruments enhance economic participation and real-sector growth. Productive waqf supports long-term social expenditure without increasing fiscal burdens. However, the effectiveness of these instruments depends on regulatory support, market liquidity, and Islamic financial literacy. Overall, the study concludes that integrating Islamic investment instruments into fiscal policy frameworks can enhance fiscal sustainability and promote inclusive economic development in line with maqasid al-shariah.

Keyword : *Investment, Islamic Financial, Strengthening, Islamic Fiscal Policy*

Abstrak
Studi ini membahas peran instrumen investasi dalam sistem keuangan Islam sebagai mekanisme strategis untuk memperkuat kebijakan fiskal Islam. Keuangan Islam menekankan keadilan, transparansi, dan keberlanjutan dengan menghindari riba, gharar, dan maysir, sekaligus mengaitkan aktivitas keuangan dengan sektor riil. Dengan pendekatan deskriptif kualitatif, penelitian ini menganalisis data sekunder yang diperoleh dari literatur akademik, dokumen regulasi, dan laporan dari lembaga keuangan Islam. Analisis isi, analisis

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komparatif antar negara, dan pemetaan bibliometrik digunakan untuk mengidentifikasi hubungan konseptual dan pola empiris. Hasilnya menunjukkan bahwa instrumen investasi Islam seperti sukuk, mudharabah, musyarakah, dan wakaf produktif berkontribusi secara signifikan dalam penguatan fiskal Islam melalui mendukung pembiayaan publik, memperluas basis fiskal, dan mendorong distribusi kekayaan yang adil. Sukuk negara menyediakan alternatif berbasis aset dan sesuai syariah untuk pembiayaan infrastruktur dan pembangunan sosial, sementara instrumen bagi hasil meningkatkan partisipasi ekonomi dan pertumbuhan sektor riil. Wakaf produktif mendukung pengeluaran sosial jangka panjang tanpa menambah beban fiskal. Namun, efektivitas instrumen-instrumen ini bergantung pada dukungan regulasi, likuiditas pasar, dan literasi keuangan syariah. Secara keseluruhan, studi ini menyimpulkan bahwa integrasi instrumen investasi Islam ke dalam kerangka kebijakan fiskal dapat meningkatkan keberlanjutan fiskal dan mendorong pembangunan ekonomi yang inklusif sesuai maqasid al-shariah.

Kata kunci: *Investasi, Keuangan Islam, Penguatan, Kebijakan Fiskal Islam*
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INTRODUCTION

The Islamic financial system is one of the important pillars in economic development based on sharia values. Unlike conventional systems, which are often solely profit-oriented, Islamic finance emphasizes a balance between material and spiritual aspects, and promotes the principles of fairness, transparency, and sustainability. (Muhammad Mashduqi & Khusnudin, 2025).The growth of Islamic finance globally, particularly through sukuk and other sharia-compliant instruments, shows its increasing role in supporting economic development and sustainable financing. In this context, sharia investment instruments serve as a means to drive the economy while strengthening Islamic fiscal policy. These instruments not only function as a means of raising funds, but also as a mechanism for a more equitable distribution of wealth, thereby reducing social inequality and improving the overall welfare of society.(Taufiqurrahman & Manggala Putri, 2025).

Islamic financial investment instruments have unique characteristics because they must comply with sharia principles, especially the prohibition of riba, gharar, and maysir. Beyond their compliance aspects, these instruments also have important fiscal functions in supporting public financing, economic development, and wealth distribution. Sukuk, for example, is an alternative to conventional interest-based bonds. Through asset-backed structures, sovereign sukuk can support government financing for infrastructure and social development without relying on interest-based debt mechanisms, thereby strengthening fiscal sustainability. In addition to sukuk, instruments such as mudharabah and musyarakah are partnership-based mechanisms where investors and business managers share risks and profits proportionally (Bahtiar, 2025). These instruments contribute to fiscal strengthening by promoting productive investment, expanding economic activities, and increasing public welfare through real-sector growth. This creates a healthier relationship between capital owners and business actors while encouraging a sustainable economic ecosystem that aligns with the objectives of Islamic fiscal policy.

In the context of Islamic fiscal policy, Sharia investment instruments play an important role as a source of financing for national development. The government can utilize sovereign sukuk to finance infrastructure, education, health, and social programs without having to rely on interest-bearing debt, which has the potential to create a long-term fiscal burden. Empirically, the implementation of sovereign sukuk in Indonesia, particularly through Sukuk Negara (SBSN), has contributed significantly to supporting government financing and funding various public infrastructure projects, including transportation, education, and social facilities. The continuous issuance of sovereign sukuk demonstrates its effectiveness as an alternative source of state financing while reducing dependence on conventional debt instruments. Thus, Sharia investment instruments are not merely financial products, but also strategic fiscal policy instruments. The existence of these instruments enables the state to optimize fiscal revenue in a halal, transparent, and socially just manner (Anisa & Fajri AF, 2024).

In addition, Islamic investment instruments also encourage public participation in development. Through productive waqf, for example, the public can channel assets or funds into beneficial economic activities, such as building schools, hospitals, or small businesses (Suhairi et al., 2021) Productive waqf not only provides long-term benefits for recipients, but also strengthens the Islamic fiscal base by creating sustainable economic resources. With active community participation, Islamic fiscal law becomes more robust because it does not only depend on taxes or state revenue, but also on productive voluntary contributions.

Sharia investment instruments also play an important role in expanding access to the Islamic capital market. The Islamic capital market provides opportunities for investors to invest in companies that comply with sharia principles, thereby creating a healthier and more ethical investment ecosystem. This not only strengthens Islamic finance through increased financial sector development but also promotes more inclusive economic growth. As more companies participate in the Islamic capital market, investment opportunities become increasingly diverse, and the public gains access to safer investment alternatives that align with Islamic values. However, strengthening Islamic fiscal policy through Islamic investment instruments also faces several challenges, particularly the limited level of Islamic financial literacy among the public. Many people still lack a comprehensive understanding of the fundamental differences between Islamic and conventional financial instruments, which contributes to limited participation in Islamic investment activities. Therefore, collaborative efforts from the government, financial institutions, and academic institutions are needed to improve Islamic financial literacy. Effective education and awareness programs can enhance public understanding of sharia-based instruments and encourage broader participation in strengthening the Islamic financial system.

Sharia investment instruments also play an important role in expanding access to the Islamic capital market. The Islamic capital market provides opportunities for investors to invest in companies that comply with sharia principles, thereby creating a healthier and more ethical investment ecosystem. The development of this market not only strengthens the Islamic financial system but also supports inclusive economic growth by increasing investment opportunities and encouraging greater public participation in sharia-compliant financial activities. Through these instruments, investors can access alternative investment products that align with Islamic values while contributing to the development of a sustainable financial system.

In addition to literacy, another important challenge is the availability of supportive regulations and policies for the development of Islamic investment instruments. The government needs to ensure that existing regulations provide legal certainty, transparency, and investor protection. In Indonesia, Law No. 19 of 2008 on State Sharia Securities (SBSN) established a legal basis for sovereign sukukk, fostering Islamic capital market growth and supporting infrastructure and public funding. Strong regulatory frameworks increase public confidence in sharia instruments, thereby encouraging greater participation in Islamic investment. Furthermore, supportive fiscal policies will accelerate the integration of Islamic investment instruments into the national financial system, allowing Islamic finance to function more effectively as a pillar of sustainable economic development.

In addition to literacy, another challenge is regulations and policies that support the development of sharia investment instruments. The government needs to ensure that existing regulations are able to provide legal certainty, transparency, and protection for investors. Strong regulations will increase public confidence in sharia instruments, thereby increasing participation in investment. On the other hand, pro-Islamic investment fiscal policies will accelerate the integration of these instruments into the national financial system, enabling Islamic finance to function optimally as a pillar of economic development.

Ultimately, investment instruments in the Islamic financial system are not merely financial tools, but also strategic instruments for strengthening Islamic fiscal policy. By optimizing instruments such as sukuk, mudharabah, musyarakah, and productive waqf, countries can build economic independence, reduce dependence on interest-bearing debt, and create a more equitable distribution of wealth. These instruments also encourage public participation in development, expand access to the Islamic capital market, and strengthen the Islamic fiscal base in a sustainable manner. Thus, strengthening Islamic fiscal policy through Islamic investment instruments is an important step in realizing the welfare of the people and creating a more equitable, ethical, and sustainable economic system.

Previous studies have examined the development of Islamic financial instruments, Islamic financial literacy, the strengthening of the Islamic economy, and the role of institutions in supporting the Islamic financial ecosystem. However, studies on how investment instruments in the Islamic financial system contribute directly to strengthening Islamic fiscal policy have not received adequate attention. Studies on Islamic financial literacy, for example, have focused more on its impact on financial planning and investment decisions of individuals and students. (Aisyah et al., 2025; Alfarizi & Ngatindriatun, 2022a; Diyah & Sholikha, 2025; Taufiqurrahman & Manggala Putri, 2025), even in the context of household financial resilience (Bahtiar, 2025), but has not yet linked how this increase in literacy encourages the optimization of fiscal instruments such as zakat, waqf, or state sukuk. On the other hand, several studies highlight the role of institutions in strengthening the sharia economy, such as the role of Bank Indonesia in empowering MSMEs (Diana Eravia et al., 2025) or the merger of Islamic banking entities to strengthen the industry (Junaedi & Maulana, 2025), However, it does not specifically discuss the contribution of Islamic investment instruments to the country's fiscal stability. In addition, research related to Islamic instruments such as Islamic capital markets, fintech, and digital innovation focuses more on structural aspects, competitiveness, innovation, and compliance (Alfarizi & Ngatindriatun, 2022b; Glavina et al., 2021; Karamillah, 2022; Sami, 2025), without considering how these instruments can strengthen the fiscal basis for public development.

Studies on Islamic social economics, such as the integration of zakat as a fiscal instrument (Judijanto et al., 2025) the role of Islamic public-social financing in inclusive welfare (Juhro et al., 2025), or strengthening Islamic values through social organizations (Hana & As, 2025) has also not linked the implementation mechanism of investment instruments with modern fiscal policy. Meanwhile, studies on financial system stability and financial inclusion (Dzulfian Syafrian, 2025) shows the importance of Islamic finance integration in the national economic system, but has not evaluated how Islamic investment instruments can become a source of state fiscal revenue. Other studies related to strengthening Islamic-based MSMEs (Alfarizi & Ngatindriatun, 2022a; Judijanto et al., 2025; Rukmanda et al., 2025) focus more on microeconomic impacts and empowerment, rather than fiscal contributions through Islamic investment instruments. There have even been studies on Islamic corporate governance and the financial performance of Islamic banks. (Permatasari et al., 2023; Syifa Nurmilla Fathiyyah & Muhammad Muflih, 2023) still focuses on corporate aspects, so it does not explain how Islamic financial institutions can strengthen the country's fiscal capacity through the development of investment instruments.

In addition, research related to digital literacy, Islamic education, and technological capacity building (Aldi & Khairanis, 2025; Elihami, 2025; Narulita et al., 2023) highlights the importance of the supporting ecosystem, but has not explored its implications for the optimization of modern investment-based sharia fiscal instruments such as digital sukuk, digital productive waqf, or fintech-based sharia investment platforms. Even the analysis of the concept of sharia hedging (Muhammad Mashduqi & Khusnudin, 2025) only discusses risk mitigation aspects, without examining their implications for fiscal sustainability. Thus, there is a significant research gap, namely the absence of a comprehensive study mapping out how investment instruments in the

Islamic financial system, such as state sukuk, productive waqf, investment zakat, sharia fintech, and sharia capital market instruments, can directly strengthen Islamic fiscal policy, both in increasing public revenue, expanding the fiscal base, and supporting national financial stability based on sharia principles.

LITERATURE REVIEWS

1. Islamic fiscal concepts and sharia principles

Literature on Islamic fiscal policy positions the management of public revenue and expenditure as an important instrument for creating social justice, macroeconomic stability, and community welfare through mechanisms that are free from usury, gharar, and maysir. This principle is emphasized in contemporary studies that highlight the function of zakat, waqf, and other social instruments as fiscal policy tools that are relevant to the modern context (Judijanto et al., 2025;Adolph, 2025). The framework of maqasid al-shariah serves as the normative basis for formulating fiscal policies that emphasize the protection of property, life, offspring, and intellect, while also guiding the use of productive and ethical investment instruments Rahma & Hadi Imawan (2025). Regarding fiscal practices during the Khulafaur Rasyidin period, it is evident that the management of baitul mal, the kharaj tax system, and the distribution of zakat are sources of inspiration for modern Sharia-based fiscal models. Meanwhile, Siti Nur Rohmah et al., (2025) emphasize that Islamic fiscal policy models based on social justice require the integration of social instruments such as zakat and waqf with the state fiscal system. (Putri Amirah & Imsar, 2025) add that Islamic fiscal policy also provides a conceptual approach to the challenge of resource scarcity through the optimization of sharia instruments in macroeconomic management. Thus, contemporary literature positions Islamic fiscal policy as a system that is not only normative but also adaptive to modern economic challenges through the integration of market instruments and social mechanisms.

2. Sukuk, Mudharabah, Musyarakah, and Productive Waqf

Sukuk has developed into an asset-based financing instrument capable of replacing interest-bearing bonds through structures such as ijarah, murabahah, mudharabah, and musyarakah. Research shows that sukuk significantly contribute to sustainable infrastructure development, especially in Indonesia (Ambarawati, 2025). Hassan et al., (2023), Kabir (2026) and Naz et al., (2025) It is emphasized that the issuance of sukuk has a positive effect on the liquidity and profitability of Islamic banks. The mudharabah and musyarakah structures, as forms of profit-sharing financing, are considered capable of encouraging entrepreneurship despite facing issues related to information and governance, as noted by (Sami, 2025). Productive waqf has also developed into an instrument that supports long-term social financing, with modern models such as share waqf and investment fund waqf that have demonstrated significant socio-economic impacts. (Elmahgop et al., 2025;Yaum & Asady, 2025). Research of (Mubarak, 2025) highlighting the importance of resolving wakaf disputes in maintaining the accountability of wakaf assets, whereas (Juhro et al., 2025; Asadov, 2024) stating that the combination of waqf with public financial instruments can improve social welfare.

3. Empirical evidence from countries with strong Islamic ecosystems

Malaysia and Indonesia are often cited as examples of countries with a dynamic Islamic financial ecosystem. Malaysia is supported by standardization and a deep sukuk market Mohd et al., (2024), Meanwhile, Indonesia shows a significant increase in the use of government sukuk for financing strategic projects (Ambarawati, 2025). In the GCC region, the development of sukuk can help drive economic diversification that was previously dependent on oil. (Baita et al., 2024). Yusuf et al., (2025) found that sukuk play an important role in economic growth and poverty reduction in ASEAN countries. Additionally, research (Hassan et al., 2025; Naz et al., 2025) shows the convergence of cross-country Islamic financial development, providing evidence that strengthening Islamic regulations and market integration can promote stability and the effectiveness of Islamic instruments. Research (Zahirah et al., 2025; Zahirah & Hadi, 2025) also supports the findings that Islamic finance acts as a catalyst for economic growth in Indonesia, especially through productive financing and Islamic capital market instruments.

4. *Governance, Standardization, and Shariah Compliance*

Governance in Islamic finance becomes an important issue in ensuring market integrity and adherence to Shariah principles. Permatasari et al., (2023) emphasizes that Islamic Corporate Governance (ICG) and Islamic Corporate Social Responsibility

(ICSR) have a significant impact on the financial performance of Islamic banks. The sharia standardization issued by global institutions such as AAOIFI and IFSB serves as an important reference in creating clear contracts, risk management, and investor protection. (Karamillah, 2022). Challenges related to differences in interpretation across jurisdictions, tensions between efficiency and the authenticity of sharia, and the need for transparent sharia audits are also major concerns, as emphasized by (Alfarizi & Ngatindriatun, 2022). In the context of wakaf produktif, Yaum & Asady (2025) showing that the implementation of good waqf accounting is an important foundation for asset accountability. Overall, the literature emphasizes that strong governance, adequate contract documentation, and the independence of the Shariah board are fundamental factors in maintaining the credibility of the Islamic financial market.

Sharia financial instruments have great potential to expand the country's revenue base, improve the efficiency of social spending, and strengthen macroeconomic stability. Judijanto et al., (2025) emphasizes the importance of zakat as a fiscal policy tool in reducing poverty and stabilizing the economy. The integration of zakat, wakaf, and social sukuk is considered effective in strengthening the social safety net without increasing the burden of interest. (Adolph, 2025;Juhro et al., 2025). Soleman (2022) shows that Islamic bank financing can promote economic growth through asset-based mechanisms and avoid dependence on interest-based credit. Dzulfian Syafrian (2025) also found that Islamic financial inclusion contributes to macro financial system stability. Therefore, the effectiveness of Islamic-based fiscal integration heavily depends on inter-agency coordination, project planning capacity, and integration with the broader Islamic financial system.

The increase in Islamic financial literacy is a key factor in expanding public participation in sharia-based investment instruments. Aisyah et al., (2025), Anisa & Fajri AF, (2024) and Taufiqurrahman & Manggala Putri, (2025). Consistently found that Islamic financial literacy has a significant influence on financial planning decisions and investment interest among young generations. In the context of inclusion, Mohd et al., (2024) and Bahtiar (2025) emphasizes the role of Islamic fintech in expanding financial access for households and MSMEs. Safira et al., (2025) also shows that the adoption of fintech lending among Southeast Asian Muslim millennials is influenced by literacy and Shariah trust. From a social impact perspective, Rukmanda et al., (2025) highlighting the contribution of sharia instruments in empowering MSMEs, creating jobs, and promoting economic equality. The findings of this study are supported by the results of Diana Eravia et al., (2025) which shows that strengthening the Islamic finance ecosystem can enhance the community's economic capacity through empowering MSMEs.

The literature highlights the issue of sukuk market liquidity as a major challenge in the development of the global Islamic capital market (Ledhem, 2022). Billah, (2025) shows a relationship between the development of the sukuk market and financial stability, although volatility can increase if market-making is not optimal. Shariah hedging instruments, such as wa'ad or urbun, are increasingly discussed as solutions to exchange rate risk and return risk, but they still raise discussions regarding their Shariah compliance. (Muhammad Mashduqi & Khusnudin, 2025). The development of technology such as blockchain is also considered to be able to improve transparency and asset tracking. (Aisyah et al., 2025; Sami, 2025). Meanwhile, risk management in productive waqf requires strong operational governance, as noted by (Bahtiar, 2025; Mubarak, 2025). Hassan et al., 2023; Hassan et al., 2025) emphasizes that increasing market depth and the involvement of institutional investors such as takaful and shariah pension funds are important factors for the stability of shariah instruments.

RESEARCH MODEL, AND METHODOLOGY

Research Methodology

Research methodology encompasses four main components: research approach, types and sources of data, data collection techniques, and data analysis techniques. Each component is structured to ensure a comprehensive analysis of how Islamic investment instruments operate and play a role in strengthening Islamic fiscal policy. The research model used in this study is designed to analyze how investment instruments within the Islamic financial system contribute to the strengthening of Islamic fiscal policy. This model employs a descriptive qualitative approach, allowing researchers to explore in depth the conceptual relationships between Islamic investment instruments such as sukuk, mudharabah, musyarakah, and productive waqf with fiscal mechanisms based on Sharia principles. Through this model, investment instruments are positioned as key components analyzed for their connection to fiscal sustainability, government financing strategies, and economic stability within the framework of Islamic fiscal policy. The model also facilitates the identification of relationships between Islamic finance concepts and fiscal policy, as well as comparing implementation practices across various countries that have integrated Sharia-based instruments into their fiscal systems.

Research Approach

This study uses a descriptive qualitative approach, chosen because it aligns with the research objectives, which are to gain an in-depth understanding of the conceptual foundations and the dynamics of Islamic investment instrument practices. This approach provides space for researchers to explore how sukuk, equity-based instruments such as mudharabah and musyarakah, as well as productive waqf, support fiscal functions, including public project financing, reducing budget deficits, and enhancing long-term fiscal sustainability. Unlike the quantitative approach, the qualitative approach allows for a deeper investigation into Islamic fiscal principles, regulatory frameworks, and variations in implementation across countries.

Types and Sources of Data

This research uses secondary data obtained from various credible academic and institutional sources. These sources include scientific journals, books related to Islamic finance and fiscal policy, official reports from Islamic financial institutions, as well as regulatory documents from governments and international organizations. Data from the Islamic Financial Services Board (IFSB) and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) are also used to understand global standards related to Islamic investment instruments and their fiscal implications. The selection of secondary data was made because this study focuses on conceptual and comparative analysis that requires broad and in-depth references.

Data Collection Techniques

Data collection techniques are conducted through library research. The researcher reviews, selects, and classifies relevant literature related to Islamic investment instruments and Islamic fiscal policies. Classification is based on main themes such as types of instruments, fiscal functions, regulatory frameworks, and implementation in various countries. This process facilitates the researcher in organizing a coherent analysis and allows for comparisons between countries that have implemented Islamic instruments in their fiscal policies. Using library research ensures that the analysis is based on authoritative and valid references.

Data Analysis Techniques

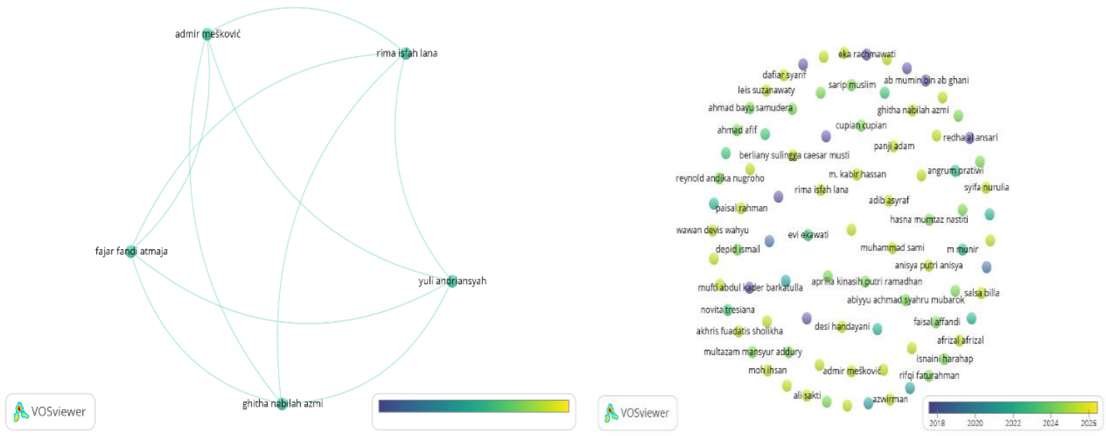
Data analysis is carried out using content analysis. This technique is used to identify main themes, arguments, and empirical evidence related to the contribution of Islamic investment instruments to fiscal strengthening. Content analysis enables the researcher to examine the relationship between basic Islamic finance concepts and the structure of public fiscal policy, as well as evaluate how instruments like sukuk and productive waqf can serve as efficient fiscal financing tools. Additionally, this study employs comparative analysis to compare practices in countries such as Indonesia, Malaysia, and GCC countries. Through a comparative approach, the researcher can assess success factors and challenges in implementing Islamic instruments within fiscal policies.

Besides qualitative analysis, this research also uses bibliometric analysis with VOSviewer software to map research developments related to Islamic investment and fiscal policy. Bibliometric data is obtained from the Scopus database and processed to produce visualizations such as keyword co-occurrence maps, author collaboration networks, and inter-topic relationships. This analysis helps identify current research trends, the most frequently discussed research areas, and open research gaps. The visualizations from VOSviewer provide a stronger foundation for constructing theoretical arguments and strengthening the position of this research within the global literature.

Results and Discussion

Research Results

This study found that Islamic investment instruments significantly contribute to strengthening Islamic fiscal policy, both in terms of government revenue and wealth distribution among society. State sukuk has proven to be the main instrument used by the government to finance strategic projects, such as transportation infrastructure, energy, education, and health. Secondary data shows that sukuk issuance not only provides a halal alternative financing option but also increases confidence among domestic and international investors regarding the country's fiscal stability. In addition to sukuk, partnership-based instruments like mudharabah and musyarakah offer opportunities for the development of small and medium enterprises (SMEs). The study results indicate that the profit-sharing model can strengthen the real economy base, reduce dependence on interest-based financing, and encourage community participation in economic development. Productive waqf also emerges as a potentially valuable instrument to support Islamic fiscal policy, especially in financing social services such as education and health. With professional management, productive waqf can become a sustainable long-term funding source.



Figures 1 & 2.

Researchers' Collaboration Network in Islamic Financial Investment Instrument Studies

This visualization shows the collaborative relationships among researchers contributing to studies on investment instruments within the Islamic financial system as an effort to strengthen Islamic fiscal policy. Deductively, this image affirms that the strengthening of Sharia-based fiscal policy cannot be separated from an active academic network producing quality research. The dots represent authors, while the lines indicate collaborative relationships illustrating the intensity of scientific cooperation. The formed network reveals groups of interconnected researchers, indicating a dynamic academic ecosystem supporting the development of Islamic fiscal policy through

Sharia-compliant investment instruments. The image also shows the distribution of researchers based on publication years related to investment instruments in the Islamic financial system. Deductively, this visualization demonstrates that research interest in Sharia investment instruments as a foundation for strengthening Islamic fiscal policy has been increasing year by year. The color of each point represents a time range, illustrating that research has been growing more recently. The broad distribution of researchers indicates that this topic attracts attention across disciplines and generations, thereby strengthening the academic foundation for implementing more responsive and adaptive Islamic fiscal policies through Sharia-compliant investment instruments.

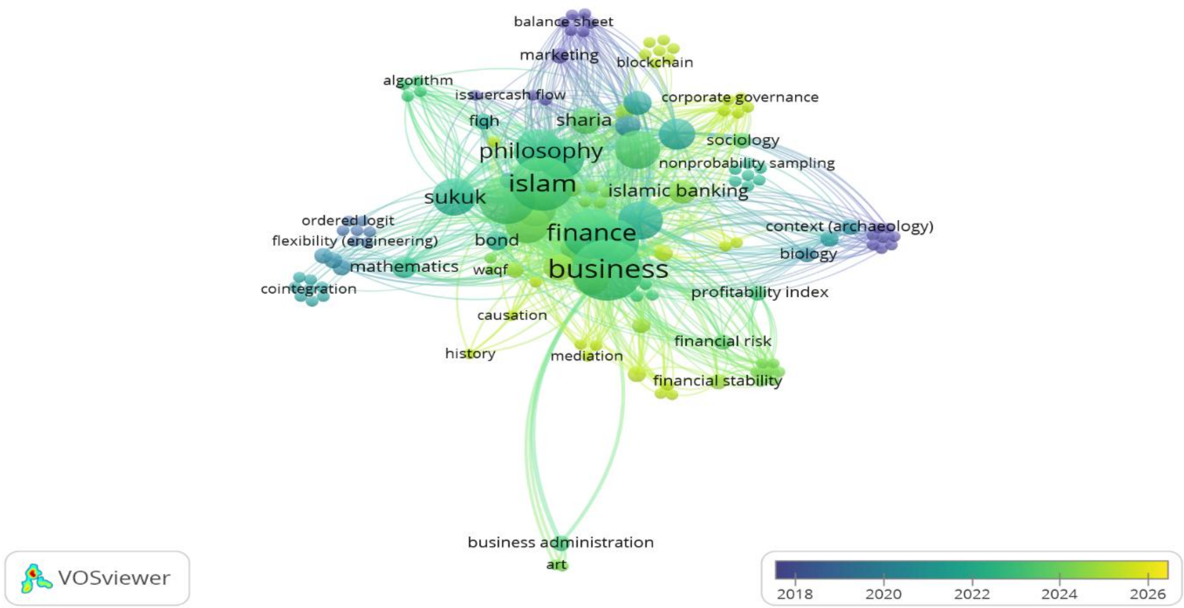


Figure 3.

Concept Map and Main Keywords in Islamic Financial Investment Instrument Research

This concept visualization displays the relationships among key terms that frequently appear in research related to investment instruments within the Islamic financial system. Deductively, this diagram emphasizes that strengthening Islamic fiscal policies heavily depends on a comprehensive understanding of financial instruments such as sukuk, waqf, Islamic banking, and various other Islamic economic concepts. The size and position of the terms reflect their level of importance and the intensity of their interconnections. The complex interrelationships among terms—from finance, sukuk, business, sharia, to financial stability—illustrate that Islamic investment instruments play a strategic role in building fiscal stability and supporting economic development based on Islamic principles..

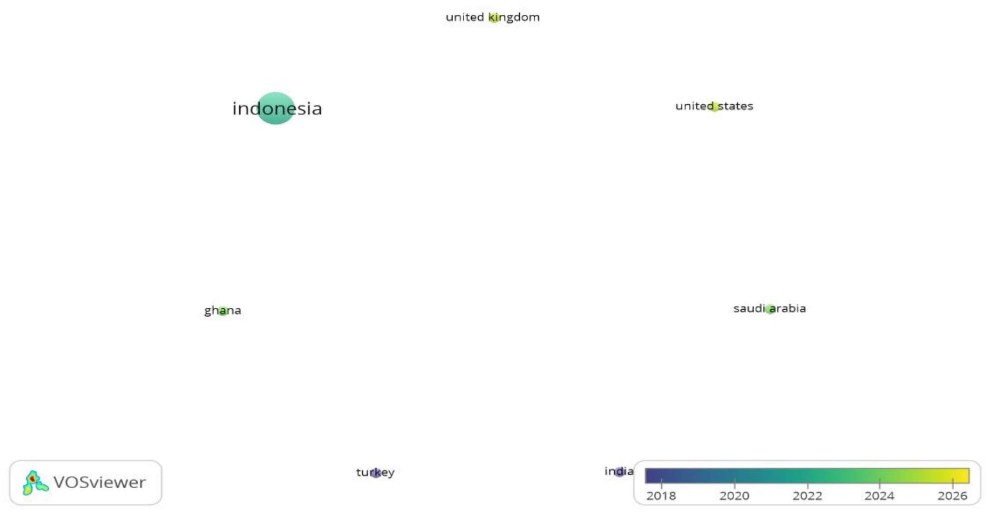


Figure 4

Global Publication Distribution Map Related to Investment Instruments in the Islamic Financial System (2018–2026)

Based on Figure 4, the bibliography above shows that Indonesia dominates global publications in this field, as evidenced by the largest node size compared to other countries, reflecting a high research intensity on Shariah investment instruments and the strengthening of Islamic fiscal policies. This dominance aligns with empirical findings indicating that Indonesia is one of the countries with a continuously developing Islamic financial ecosystem through instruments such as sovereign sukuk and strategic project financing. Other countries such as the United Kingdom, United States, Saudi Arabia, Ghana, Turkey, and India also appear in the publication network, albeit with less intensity. This illustrates a convergence of cross-country research, as mentioned in the studies by Hassan et al. (2025) and Naz et al. (2025), which show that strengthening Shariah regulations and market integration drive the effectiveness of Islamic fiscal instruments across various jurisdictions. The presence of GCC countries, including Saudi Arabia, further supports the evidence that the sukuk market plays a strategic role in diversifying the economy in the region, in line with the findings of Baita et al. (2024). The emergence of non-Muslim countries such as the UK and the US in this map also indicates that academic interest in Shariah investment instruments is not limited to Muslim countries but has become a global concern in the context of fiscal stability and financial innovation.

Discussion

This study's findings reinforce previous literature emphasizing the importance of integrating Islamic investment instruments into national fiscal policy. For example, government sukuk not only serve as financing instruments but also as mechanisms for fiscal discipline because they are based on real assets and clear cash flows. This differs from conventional bonds, which are interest-based and can potentially create long-term fiscal burdens. Therefore, sukuk offers a more sustainable solution aligned with Islamic principles of justice.

Partnership instruments such as mudharabah and musyarakah also have significant implications for Islamic fiscal policy. By sharing risks and profits, these instruments create a healthier and more ethical business ecosystem. The government can utilize this model to support financing for productive sectors, especially MSMEs, which are the backbone of the economy. As MSMEs become more productive, the tax base and state revenue will also increase, strengthening Islamic fiscal policy further. On the other hand, productive waqf provides a unique social dimension within Islamic fiscal policy. Unlike zakat, which is obligatory, waqf is voluntary but has great potential to create long-term economic resources. With professional management, waqf can be used to finance public services without burdening the state budget. This aligns with the goal of Islamic fiscal policy to create equitable and sustainable community welfare.

However, the discussion also highlights several challenges that need to be addressed. First, public literacy regarding Islamic investment instruments remains low, so participation in Islamic investments has not been optimal. Second, regulations and fiscal policies supporting the development of Islamic instruments still need to be strengthened, especially in terms of contract standardization, transparency, and investor protection. Third, the liquidity of the secondary sukuk market is still limited, reducing its attractiveness to investors who require flexibility.

Conclusion

Islamic instruments play a strategic role in building a fair, sustainable, and inclusive fiscal system. Sukuk, mudharabah, musyarakah, and productive waqf are proven not only as financial tools but also as public policy instruments capable of strengthening state revenue, supporting infrastructure development, and improving community welfare.

Integrating Islamic investment instruments into fiscal policy provides an alternative halal financing option free from usury, while also creating a direct link between the financial sector and real economic activities. This makes Islamic fiscal policy more stable and oriented toward sustainability because asset-based and profit-sharing financing can reduce dependence on interest-bearing debt and mitigate volatility risks. Additionally, Islamic instruments encourage active community participation in development through mechanisms like productive waqf and partnership-based investments. This participation strengthens the Islamic fiscal base by creating sustainable economic resources and reducing social inequality through more equitable wealth distribution. Thus, Islamic fiscal policy functions not only as a tool for managing national finances but also as a means to achieve maqasid al-shariah, namely the protection and welfare of the community.

However, this research also emphasizes that the success of strengthening Islamic fiscal policy through Islamic investment instruments depends on several key factors: increasing public literacy, strong and consistent regulations, and the development of a liquid and transparent Islamic capital market. Without adequate policy support and broad public understanding, Islamic instruments may not optimally contribute to Islamic fiscal strengthening. Islamic investment instruments have great potential to become a main pillar in strengthening Islamic fiscal policy. With professional management, supportive regulations, and active community participation, these instruments can help the country build economic independence, reduce reliance on conventional systems, and realize sustainable social welfare. Therefore, strengthening Islamic fiscal policy through Islamic investment instruments is a strategic step that must continue to be developed in order to create a more just, ethical economic system aligned with Islamic principles.

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