



The Role of Artificial Intelligence in Islamic Capital Market Investment: Study on Sharia Compliance, Investment Decision Making, and Market Efficiency

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ABSTRACT

Artificial intelligence increasingly mediates how Sharia-compliant equities are screened, advised, and traded, yet its consequences for Islamic capital markets remain underexamined. This study interprets how AI reconfigures the relationship between Sharia compliance, investment decision-making, and market efficiency, and what this demands of Sharia governance. Using a qualitative document analysis of the Indonesian setting, anchored in the Technology Acceptance Model, Shariah Governance Theory, and maqashid al-shariah, four themes were identified and developed into five propositions. AI improves the consistency of compliance screening, tempers investor bias, and accelerates information processing—but only where the Sharia Supervisory Board can audit the underlying models. Without reconstituted oversight, automation erodes the very objectives it should serve. Governance, not technology, determines the outcome

INTRODUCTION

The Islamic capital market in Indonesia has grown from a regulatory experiment into a structural component of the national financial system. By the close of 2024 the Indonesia Sharia Stock Index (ISSI) listed more than six hundred constituents, and the Daftar Efek Syariah – the official roster of Sharia-compliant securities curated semi-annually by the Otoritas Jasa Keuangan – had become the reference point through which fund managers, securities firms, and retail investors distinguish permissible equities from the rest of the exchange. Two infrastructures sit beneath that roster. The first is regulatory: the screening criteria for the Daftar Efek Syariah were codified by regulation (Otoritas Jasa Keuangan, 2017), while Fatwa No. 80 fixed the contractual mechanics that make ordinary exchange trading admissible under Sharia (Dewan Syariah Nasional-Majelis Ulama Indonesia, 2011). The second is doctrinal: every screening rule ultimately answers to *maqashid al-shariah*, the higher objectives of Islamic law that demand the protection of wealth, the avoidance of *riba*, *gharar*, and *maysir*, and the pursuit of justice in exchange. The question this paper pursues is what happens to both infrastructures when artificial intelligence begins to perform the screening, the advising, and the trading.

That question is no longer hypothetical. Across the broader financial sector, machine learning, natural language processing, and algorithmic decision systems have moved from back-office analytics into the core of credit scoring, fraud detection, portfolio construction, and advisory services (Vuković et al., 2025). Within Islamic finance specifically, the adoption curve is steep. FinTech and AI reshaped the efficiency and stability of dual-banking systems between 2020 and 2024 (Meero, 2025), and AI-derived sentiment signals now carry measurable explanatory power for the financial performance of Islamic banks (Ali & Aysan, 2025). On the customer side, intelligent mobile banking has reorganized how a younger, religiously motivated clientele relates to Sharia-compliant institutions (Suhartanto et al., 2022; Tang & Jiang, 2023), and the same Banking 4.0 logic described for conventional banks (Noreen et al., 2023) is migrating into the Islamic segment. Robo-advisory, the application most directly relevant to investment, has matured from novelty to a recognized research field with its own systematic reviews (Cardillo & Chiappini, 2024) and its own qualitative accounts of how investors actually encounter the technology (Bhatia et al., 2021).

What distinguishes the Islamic case is that AI does not merely automate a financial task; it automates a task that is simultaneously a religious-legal judgment. A robo-advisor that rebalances a conventional portfolio optimizes risk and return. A robo-advisor operating inside the Islamic capital market must also keep the portfolio inside the boundary of *halal*, which means continuously re-evaluating business-activity screens and financial-ratio screens that the Daftar Efek Syariah revises twice a year. This dual mandate is where the existing literature thins out. Studies of AI in Islamic finance have concentrated on banking adoption and on fintech ecosystems (Hudaefi et al., 2023; Ahmad et al., 2025), and the legal scholarship has begun to register the governance strain that algorithmic systems place on Sharia oversight (Arsyad et al., 2026; Muryanto,

2023; Faizi et al., 2025). Yet the specific intersection—AI as an instrument operating on Sharia-compliant equities, judged against the threefold concern for compliance, investment decision quality, and market efficiency—has not been examined as an integrated whole. The ethics of robo-advice has been interrogated in general terms (Kofman, 2025), the inconsistency of Sharia screening methodologies scrutinized (Malik et al., 2025), and the way maqashid moderates the behaviour of hybrid investors in the Indonesian market has been modelled (Jalari et al., 2023). These are adjacent conversations that have not yet been brought into one frame.

This study addresses that gap. Rather than measuring adoption with another survey, it asks a prior and more conceptual question: how does artificial intelligence reconfigure the relationship between Sharia compliance, investment decision-making, and market efficiency in the Islamic capital market, and what does that reconfiguration demand of Sharia governance? The novelty is threefold. First, the paper treats AI not as a single capability but as a layered set of functions—screening, advising, executing—each of which touches a different element of the maqashid. Second, it reads those functions through three theoretical lenses at once, joining the Technology Acceptance Model (Davis, 1989), Shariah Governance Theory, and maqashid al-shariah into a single analytical structure rather than treating them as competitors. Third, it grounds the analysis in the Indonesian institutional setting—the Otoritas Jasa Keuangan, the Dewan Syariah Nasional–Majelis Ulama Indonesia, the Sharia Supervisory Board, and the securities firms and investment managers that operate between them—so that the propositions it advances are testable in a concrete regulatory environment rather than in the abstract.

The objectives follow from that framing. The paper sets out, first, to map the functions through which AI enters the Islamic capital market and to locate each function against the maqashid; second, to interpret how those functions affect investor decision quality and the informational efficiency of Sharia-compliant prices; and third, to derive a set of propositions and a governance agenda that specify what Sharia oversight must become if it is to remain meaningful once judgment is partly delegated to machines. The remainder of the article reviews the three guiding theories and builds a conceptual framework, sets out the qualitative document-based methodology, presents the thematic findings, discusses them against the wider literature, and closes with conclusions and directions for further work.

LITERATURE REVIEW

This study reads artificial intelligence in the Islamic capital market through three theories that have rarely been made to speak to one another. Each addresses a different layer of the problem. Shariah Governance Theory explains who is accountable for compliance and how that accountability is structured. The Technology Acceptance Model explains why human actors come to rely on an algorithmic system in the first place. Maqashid al-shariah supplies the normative standard against which any compliant outcome must finally be judged. Taken together they let us treat AI not as a neutral tool but as an actor inserted into a chain of religious-legal responsibility.

Shariah Governance Theory

Shariah Governance Theory holds that an Islamic financial institution is legitimate only when an independent organ verifies that its products and operations conform to Islamic law, and that this organ is embedded in, not appended to, the institution's decision structure. In Indonesia the organ is the Sharia Supervisory Board, whose authority descends from the Dewan Syariah Nasional–Majelis Ulama Indonesia and whose work is supervised in turn by the Otoritas Jasa Keuangan. The board is not a ceremonial body. The composition and activity of the Sharia Supervisory Board materially shape both the social reporting and the performance of Islamic banks (Wijayanti & Setiawan, 2022), which means governance quality is an economic variable, not merely a doctrinal one. The same concern extends to disclosure: governance transparency among Indonesian and Malaysian fintech firms is uneven and frequently thin (Susilowati et al., 2022).

Two strains in this literature matter for the present argument. The first is that Sharia governance in Indonesia suffers from a structural ambiguity: the fatwas of the Dewan Syariah Nasional carry moral and doctrinal weight but acquire binding legal force only once the Otoritas Jasa Keuangan adopts them into regulation, which leaves an enforcement seam that Muryanto (2023) identifies as the central weakness of Islamic fintech supervision across Indonesia, Malaysia, and the United Kingdom. The second is that the screening instruments the board relies on are themselves contested. Malik et al. (2025) demonstrate that there is no globally uniform methodology for Sharia equity screening, so two boards examining the same security can reach different verdicts. Arsyad et al. (2026) take the argument into the AI era directly, warning that algorithmic systems strain the oversight model because a board cannot easily audit a process it does not understand. When the screening is delegated to a model whose internal logic is opaque, the board's verification function—the very thing that confers legitimacy—is placed under pressure. There is an empirical reason to care: Sharia-compliant firms in Malaysia exhibit lower stock price crash risk (Haseeb et al., 2023), which suggests that the governance screen is doing real informational work that an automated substitute must not quietly degrade.

The Technology Acceptance Model

The Technology Acceptance Model (Davis, 1989) proposes that two perceptions govern whether people adopt an information technology: its perceived usefulness and its perceived ease of use, which together shape attitude, intention, and ultimately use. The model has proven durable because it isolates

the psychological hinge on which delegation turns. In the Islamic finance setting it has been applied repeatedly and, importantly, extended. Suhartanto et al. (2022) find that perceived usefulness drives millennial loyalty toward AI-enabled mobile banking in Indonesian Islamic banks, while Tang and Jiang (2023) graft AI-specific characteristics onto an expectation-confirmation variant to explain why users continue with intelligent banking applications after the novelty fades. Noreen et al. (2023) read the broader Banking 4.0 transition through the same acceptance lens.

For investment specifically, the acceptance literature has had to absorb features the original model never anticipated. Technology readiness and awareness condition the intention to use analytical AI in services (Flavián et al., 2022), which means acceptance is not a fixed trait but something institutions can cultivate. The antecedents of the intention to use robo-advisory, where trust and perceived risk weigh as heavily as usefulness, have been traced in detail (Piotrowski & Orzeszko, 2023; Atwal & Bryson, 2021). Modelling pushes further still, showing how the use of AI-enabled robo-advisors translates into sustainable investment decisions, with government regulation and investor awareness acting as moderators (Mohapatra et al., 2025). A complication runs through this work: the documented "dark sides" of robo-advisors – concerns about justice, privacy, and intrusion – can suppress acceptance even when usefulness is high (Aw et al., 2024). The lesson for the Islamic case is that religious compliance functions as an additional, and possibly decisive, determinant of perceived usefulness. A robo-advisor that is technically excellent but cannot demonstrate Shariah conformity offers little usefulness to an investor for whom halal status is non-negotiable.

Maqashid Al-Shariah

Maqashid al-shariah – the higher objectives of Islamic law – supplies the standard the other two theories cannot. As classically formulated by al-Ghazali and systematized by al-Shatibi, the maqashid protect five essentials: religion (din), life (nafs), intellect (aql), lineage (nasl), and wealth (mal). In finance the protection of wealth is paramount but never isolated; it carries with it the prohibition of *riba*, the avoidance of *gharar* and *maysir*, and an affirmative duty toward justice and social benefit. The Qur'an grounds the commercial dimension directly, enjoining that wealth be exchanged through mutual consent rather than wrongful means (Surah al-Nisa 4:29; Kementerian Agama Republik Indonesia, 2019). Contemporary discourse often reduces the maqashid to a rhetorical garnish, invoking it to bless products without letting it constrain them, and a more critical application is needed (Güney, 2024). The nexus between the maqashid and participatory finance has been reconstructed to show that social well-being is the thread tying the objectives to actual financial practice (Nouman et al., 2021).

The framework has begun to be applied to technology. Blockchain in Islamic finance presents the central difficulty that recurs with any automation (Chong, 2021): the extent to which Shariah principles can be computationally encoded, and the fact that a distributed ledger verifies compliance only after a transaction has occurred, not before. Ahmad et al. (2025) map the maqashid-fintech research field and frame the maqashid as a normative and

epistemological foundation rather than an ethical decoration. The objectives have been connected to sustainability and the Sustainable Development Goals (Harahap et al., 2023; Jaiyeoba et al., 2025), while qualitative work with Sharia scholars and fund managers derives ethical investment criteria that move beyond formal compliance toward justice and social impact (Sheikh, 2025). The accumulated message is that an AI system in the Islamic capital market cannot be evaluated by accuracy alone. It must be asked whether it advances *hifz al-mal*—the preservation of wealth—without compromising the other objectives, and whether the convenience it delivers is purchased at the cost of the deliberative engagement that *aql*, the protection of intellect, is meant to safeguard.

Conceptual Framework and Propositions

Joining the three theories yields a single structure. AI enters the Islamic capital market as a layered set of functions—compliance screening, advisory and decision support, and execution and surveillance. The Technology Acceptance Model governs the leftmost arrow: whether investors and institutions adopt these functions at all, with Sharia conformity entering as a religious extension of perceived usefulness. Shariah Governance Theory governs the oversight arrow: whether the Sharia Supervisory Board can verify what the algorithm does. *Maqashid al-shariah* governs the rightmost arrow: whether the outcomes—compliance integrity, investment decision quality, and market efficiency—actually serve the objectives of the law. Figure 1 presents this framework.

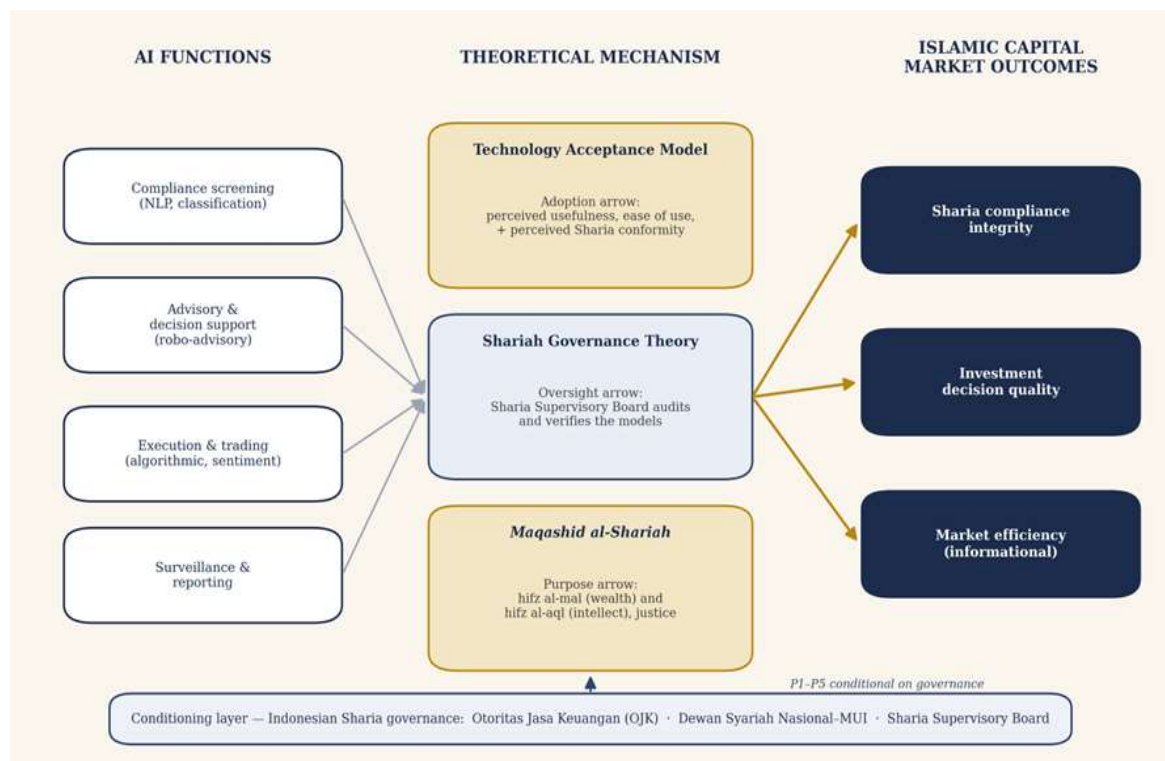


Figure 1. Conceptual Framework Linking AI Functions, the Three Theoretical Lenses, and Islamic Capital Market Outcomes

Source: Authors' construction, 2026

P1. AI-based screening improves the consistency and timeliness of Sharia compliance relative to periodic manual screening, but only where the model's criteria are auditable by the Sharia Supervisory Board; opacity converts an efficiency gain into a governance liability.

P2. AI advisory tools raise investors' perceived usefulness and adoption intention in the Islamic capital market when, and largely because, they make Sharia status legible at the point of decision.

P3. Delegation of investment judgment to AI improves decision quality by reducing behavioural bias, yet risks eroding the protection of intellect (*hifz al-aql*) when investors accept recommendations without comprehension.

P4. AI-driven information processing increases the informational efficiency of Sharia-compliant prices, narrowing the reaction lag around screening revisions and disclosure events.

P5. The net contribution of AI to *maqashid al-shariah* is conditional on governance: it is positive where Sharia oversight is reconstituted to audit algorithms, and negative where oversight remains procedurally unchanged.

METHODOLOGY

This study adopts a qualitative, descriptive design built on document analysis and a conceptual case study of the Indonesian Islamic capital market. The choice follows the nature of the research question. We do not seek to measure the magnitude of an effect but to interpret how a technology reconfigures a set of relationships—between compliance, decision-making, and efficiency—that are institutional and normative before they are statistical. For questions of this kind, an interpretive design that works from authoritative texts and the scholarly record is more appropriate than a survey, and it has precedent in Islamic finance research. Hudaefi et al. (2023) combined text analytics with qualitative interpretation to reconstruct the Indonesian Islamic fintech ecosystem, and Faizi et al. (2025) used exploratory qualitative work to examine how Sharia compliance is actually secured on Indonesian fintech platforms. The present study sits in that tradition, with the analytical unit being the system of practice rather than the individual firm.

The case is bounded deliberately. The Indonesian Islamic capital market offers a setting where the relevant actors and instruments are explicit: the Otoritas Jasa Keuangan as regulator and custodian of the Daftar Efek Syariah, the Dewan Syariah Nasional–Majelis Ulama Indonesia as the source of fatwas, the Sharia Supervisory Board as the firm-level oversight organ, and the securities firms and investment managers that deploy advisory and trading technology. The case study is treated as a strategy for examining a contemporary phenomenon in its real institutional context (Yin, 2018), where the boundary between the phenomenon—AI use—and that context is precisely what is at issue. Three classes of document were analysed. The first is regulatory and doctrinal: the screening framework set out by Otoritas Jasa Keuangan (2017) for the Daftar Efek Syariah, and Fatwa No. 80 of the Dewan Syariah Nasional–Majelis Ulama Indonesia (2011), which governs the application of Sharia principles to equity trading on the regular market. These texts fix the compliance criteria against

which any AI screening must be measured. The second class is the peer-reviewed literature assembled for this study – fifty-one sources, the large majority of them Scopus-indexed journal articles published within the last five years – covering AI in Islamic finance, robo-advisory, Sharia screening, and maqashid-based evaluation. The third class is the theoretical canon supplying the analytical lenses, namely the Technology Acceptance Model (Davis, 1989), Shariah Governance Theory, and maqashid al-shariah as developed in the works cited in the preceding section.

Analysis proceeded through reflexive thematic analysis (Braun & Clarke, 2006). The corpus was read in full and coded inductively, with codes then collated into candidate themes, reviewed against the source texts, and refined until each theme captured a coherent pattern of meaning relevant to the research question. Four themes stabilized: the automation of Sharia compliance; AI in investment decision-making; AI and market efficiency; and governance, ethics, and risk. These themes organize the findings. Because the design is interpretive and conceptual, the analytical claims are expressed as propositions derived from the documentary and theoretical evidence rather than as hypotheses tested on primary data; the propositions are framed to be empirically testable in subsequent work.

Trustworthiness was pursued along the conventional qualitative dimensions. Credibility rests on triangulation across the three document classes, so that no claim depends on a single source. Confirmability is supported by anchoring every substantive assertion to a verifiable citation, with each reference checked against its publisher record and digital object identifier. Transferability is addressed by specifying the Indonesian institutional setting in enough detail that readers can judge how far the propositions travel to other jurisdictions. The principal limitation is intrinsic to the design and is stated plainly: in the absence of primary interview or transaction data, the study advances an interpretive framework and a set of propositions, not confirmed empirical effects. That limitation defines the agenda for further study set out at the close of the paper.

RESULT

The thematic analysis produced four themes that, read together, describe how artificial intelligence is reorganizing the Islamic capital market. Each theme is presented as an interpretive finding grounded in the regulatory texts and the scholarly corpus, and each is connected back to the propositions advanced earlier. Because the study is conceptual and document-based, the findings are patterns of meaning and mechanism rather than measured magnitudes.

Theme 1: The Automation of Sharia Compliance

The first and most consequential finding is that AI shifts Sharia compliance from a periodic, retrospective check into a continuous, embedded process—and in doing so relocates where compliance risk lives. Under the conventional model, the Otoritas Jasa Keuangan (2017) revises the Daftar Efek Syariah twice a year, and a security's status is settled between revisions. Machine systems collapse that interval. Natural-language processing can read filings, news, and disclosures as they appear and flag a business-activity or financial-ratio breach long before the next scheduled review. The efficiency gain is real,

but the documentary evidence points to a catch that recurs across the literature. Chong (2021) names it precisely for blockchain: Sharia principles can be verified computationally only to the extent that they can be encoded, and encoded verification often happens after the fact rather than before. The same constraint applies to AI screening. A model can replicate the numeric financial-ratio screens with ease, yet the qualitative judgment of whether a business activity is *halal* – the part that requires juristic reasoning – resists clean codification.

This is where compliance automation collides with the inconsistency that Malik et al. (2025) document in Sharia screening methodologies. If human boards already disagree on screening rules, an AI system inherits that disagreement and hard-codes one interpretation, lending it a false air of objectivity. Arsyad et al. (2026) frame the resulting exposure as an oversight problem: the Sharia Supervisory Board is asked to certify a process it cannot fully inspect. The compliance literature gives the stakes weight. Sharia-based screening materially changes the risk profile of equity portfolios (Kafou, 2025), Islamic equity investments behaved distinctively through the COVID-19 shock (Ashraf et al., 2022), and performance measurement built on Islamic principles captures something conventional metrics miss (Leena Haniffah et al., 2023). If screening carries this much informational content, then automating it badly does not merely create a doctrinal lapse; it distorts the risk and return that investors actually receive. This finding supports P1: automation improves consistency and timeliness, but the gain holds only where the criteria remain auditable by the board.

Theme 2: AI in Investment Decision-Making

The second theme concerns the investor at the point of decision. Here the evidence is that AI advisory systems improve decision quality chiefly by dampening behavioural bias, while introducing a quieter risk to the deliberative capacity that Islamic law is concerned to protect. Human-robot interaction in investment alters behaviour in measurable ways (Bianchi & Brière, 2024), and access to robo-advice can mitigate the disposition effect (Back et al., 2023) – though, revealingly, social design features that make the adviser feel more human can reintroduce the very bias the technology was meant to remove. Robo-advisors also act as a moderating influence on behavioural biases in wealth management (Bhatia et al., 2022), and platform logic restructures the advisory relationship itself (Barile et al., 2024).

Adoption, however, is not automatic, and the Technology Acceptance lens explains the variation. Flavián et al. (2022) tie the intention to use analytical AI to technology readiness and awareness; Piotrowski and Orzeszko (2023) find trust and perceived risk decisive for robo-advisory uptake; Mohapatra et al. (2025) show that AI-enabled robo-advisors feed through to sustainable investment decisions under the moderating eye of regulation and awareness. In the Islamic setting an extra determinant governs perceived usefulness: an advisory tool earns trust by making Sharia status legible at the moment of choice, which is the substance of P2. Yet a cautionary counter-finding stands out: managers can become over-reliant on AI-augmented advice, deferring to the system rather than reasoning alongside it (Keding & Meissner, 2021). For a tradition that treats the

protection of intellect, *hifz al-aql*, as one of the five essentials, uncritical deference is not a neutral convenience. This tension is the content of P3: bias reduction improves decisions, but comprehension must not be surrendered in the bargain.

Theme 3: AI and Market Efficiency

The third theme moves from the individual to the market. The finding is that AI compresses the speed at which Sharia-relevant information is impounded into prices, pushing the Islamic segment toward greater informational efficiency while concentrating new fragilities. Ali and Aysan (2025) show that AI-derived sentiment already explains variation in Islamic banks' financial performance, evidence that machine-read information is priced. FinTech and AI reshaped efficiency and stability in dual-banking systems (Meero, 2025), and the now-substantial machinery by which AI enhances portfolio management has been reviewed in depth (Sutiene et al., 2024). The efficiency case has a specifically Islamic edge in the event-study evidence: investors across Indonesia, Malaysia, and Pakistan react heterogeneously to dividend announcements and Sharia-compliance signals (Taufik & Handayani, 2024), which implies there is reaction lag for faster information processing to arbitrage away. ESG and religious screening jointly move firm risk (Hassan et al., 2021), so the information AI processes in the Sharia segment is genuinely price-relevant. The reading supports P4: AI narrows the reaction lag around screening revisions and disclosure events. The qualification is that efficiency gained through opaque models can mask correlated errors, so a faster market is not automatically a sounder one.

Theme 4: Governance, Ethics, and Risk

The fourth theme gathers what the first three leave unresolved: the governance burden. Vuković et al. (2025) survey AI across financial services and conclude that the binding constraint is regulatory and ethical rather than technical, with explainable AI and robust governance the recurring prerequisites. Černevičienė and Kabašinskas (2024) document why explainability is hard to achieve in finance, where the most accurate models are often the least interpretable. Kofman (2025) argues that robo-advice needs ethical gateways and ratings precisely because its quality cannot be taken on trust, and Aw et al. (2024) catalogue the justice, privacy, and intrusion concerns that accompany the technology. A panoramic view of opportunity and risk across banking, investment, and microfinance is available (Ashta & Herrmann, 2021), while AI-enabled fintech can be bent toward sustainability when organizations build the frameworks for it (Nair et al., 2025). The thread tying these together returns to Shariah Governance Theory: Wijayanti and Setiawan (2022) establish that board quality drives outcomes, which means the remedy for algorithmic opacity is not less oversight but a reconstituted oversight capable of auditing models. This is the substance of P5 – the net contribution of AI to the *maqashid* is conditional on whether governance evolves.

Table 1 consolidates the four themes by mapping each AI function to the *maqashid* dimension it most directly engages and the governance safeguard it requires.

Table 1. Mapping of AI functions to *maqashid* dimensions and governance safeguards

AI function	Primary market role	<i>Maqashid</i> dimension engaged	Principal risk	Governance safeguard
Compliance screening (NLP, classification)	Continuous monitoring of Daftar Efek Syariah eligibility	<i>Hifz al-din</i> and <i>hifz al-mal</i> (compliance integrity, wealth)	Opaque or inconsistent encoding of screening rules	Board access to model criteria; auditable decision logs
Advisory and decision support (robo-advisory)	Portfolio construction and rebalancing within the <i>halal</i> set	<i>Hifz al-mal</i> and <i>hifz al-aql</i> (wealth, intellect)	Over-reliance; suppression of investor deliberation	Explainable recommendations; Sharia rationale at point of advice
Execution and trading (algorithmic, sentiment-driven)	Order routing and information processing	<i>Hifz al-mal</i> (wealth; avoidance of <i>gharar</i> , <i>maysir</i>)	Speculative drift; correlated model error	Limits on speculative strategies; surveillance of algorithmic conduct
Surveillance and reporting	Disclosure, fraud detection, governance reporting	<i>Hifz al-mal</i> and justice (' <i>adl</i>)	Automation of biased or unexplained judgments	Explainable AI; board-level review of automated outputs

Source: Authors' analysis based on Otoritas Jasa Keuangan (2017), Dewan Syariah Nasional-Majelis Ulama Indonesia (2011), and the reviewed literature, 2026.

DISCUSSION

The four themes converge on a single argument: artificial intelligence does not simply make the Islamic capital market faster or cheaper; it redistributes religious-legal responsibility across actors who were not designed to hold it. A screening model now makes a determination that once belonged to a jurist. A robo-advisor now frames a choice that once belonged to a deliberating investor. An execution algorithm now processes information that once moved through human hands. Each transfer is defensible on efficiency grounds, and the adoption literature explains why each is welcomed – Suhartanto et al. (2022), Tang and Jiang (2023), and Noreen et al. (2023) all show that perceived usefulness pulls religiously motivated users toward intelligent systems. The contribution of this study is to insist that efficiency is the wrong sole criterion. The right criterion is whether the redistribution of judgment leaves the *maqashid* intact.

Read through that criterion, the three lenses stop competing and start cooperating. The Technology Acceptance Model identifies the entry point: investors and institutions adopt AI when it is useful and easy, and in the Islamic segment usefulness is inseparable from demonstrable Shariah conformity. Shariah Governance Theory identifies the control point: the Sharia Supervisory Board must verify what is adopted. *Maqashid al-shariah* identifies the purpose against which both adoption and control are measured. The propositions trace the path between them. Where the path holds—auditable screening (P1), Sharia-legible advice (P2), preserved investor comprehension (P3), faster but honest price formation (P4)—AI advances the objectives of the law (P5, positive branch). Where any link breaks, the same technology that promised *hifz al-mal* quietly threatens it.

This reframing speaks to a tension the literature has carried unresolved. Cardillo and Chiappini (2024) and Bhatia et al. (2021) document robo-advisory's genuine benefits in cost, access, and bias reduction; sustainable robo-advisors can even be built as viable businesses when investor awareness is engaged (Au et al., 2021). Set against this, Güney (2024) warns that the *maqashid* is too often invoked decoratively, to sanctify innovation rather than to discipline it. The present analysis suggests the two strands are reconcilable only through governance. A robo-advisor is not Sharia-compliant because its vendor asserts it; it is compliant when an empowered board can interrogate its logic and an investor can understand its advice. Sheikh (2025) reaches a parallel conclusion from interviews with scholars and fund managers, finding that authentic Islamic investment must move past formal compliance toward substantive justice—an aim no opaque model can certify on its own. Nouman et al. (2021) and Jaiyeoba et al. (2025) reinforce the point by tying the objectives to social well-being and sustainability, dimensions that a narrowly optimized algorithm will not pursue unless instructed to.

The theoretical implications are threefold. First, the Technology Acceptance Model requires a religious extension when transplanted into Islamic finance: alongside perceived usefulness and ease of use, *perceived Shariah conformity* operates as a determinant of adoption, and it can override the other two for an investor to whom *halal* status is a precondition rather than a preference. This refines the application of the model in studies such as Mohapatra et al. (2025) and aligns with the *maqashid-as-foundation* reading of Ahmad et al. (2025). Second, Shariah Governance Theory must absorb a new object of oversight. The board's mandate was written for products and contracts; it now extends to models, and verification of a model demands competencies—explainability, auditability, data scrutiny—that current board composition rarely supplies. Third, *maqashid al-shariah* gains a contemporary test case in which the protection of intellect, not only the protection of wealth, becomes operationally salient, because the central risk of advisory automation is not financial loss but the erosion of the investor's own reasoning.

The practical implications follow directly and are specific to the Indonesian setting. For the Otoritas Jasa Keuangan, the analysis argues for screening standards that AI systems must satisfy transparently, so that an automated Daftar Efek Syariah determination can be reconstructed and challenged rather than accepted as a black-box verdict—an extension of the supervisory logic that Hudaefi et al. (2023) and Faizi et al. (2025) trace in the Indonesian fintech ecosystem. For the Dewan Syariah Nasional–Majelis Ulama Indonesia, the encoding problem that Chong (2021) identifies suggests a need for fatwa guidance on how qualitative Sharia judgments may, and may not, be delegated to computation. For securities firms and investment managers, the Sharia rationale should travel with every automated recommendation, satisfying both the acceptance condition and the *hifz al-aql* concern at once. For the Sharia Supervisory Board, the implication is structural: oversight must acquire technical literacy or partner with those who have it, because Wijayanti and Setiawan (2022) and Susilowati et al. (2022) show that governance quality and disclosure already vary widely, and algorithmic systems will widen the gap between boards that can audit them and boards that cannot. The behavioural evidence from Jalari et al. (2023), that *maqashid* moderates how Indonesian hybrid investors choose Sharia stocks, indicates that investors themselves will reward systems that make the objectives visible. Harahap et al. (2023) situate the whole exercise within the Sustainable Development Goals, a reminder that the stakes extend beyond compliance to the developmental promise Islamic finance claims for itself.

These contributions must be read against the study's limitations. The design is interpretive and document-based, which means its propositions are reasoned from regulatory texts, fatwas, and the scholarly corpus rather than tested on primary data. No investors were surveyed, no portfolios were tracked, and no algorithms were audited directly; the analysis therefore establishes a framework and a research agenda, not confirmed magnitudes. The focus on Indonesia gives the argument institutional precision but bounds its external validity—jurisdictions with unified Sharia boards, such as Malaysia, may resolve the governance seam differently. Finally, AI in this domain is a moving target, and capabilities described here will evolve, so the framework is offered as a durable structure for asking the right questions rather than a fixed inventory of the technology. The next section turns these limitations into directions for further study.

CONCLUSIONS AND RECOMMENDATIONS

This study set out to interpret how artificial intelligence reconfigures the relationship between Sharia compliance, investment decision-making, and market efficiency in the Islamic capital market, and to specify what that reconfiguration demands of Sharia governance. Working through a qualitative, document-based analysis of the Indonesian setting and three theoretical lenses, it reached a single integrated conclusion. AI enters the market as a layered set of functions—screening, advising, executing, and surveilling—and each function delivers an efficiency that is genuine but conditional. The condition is governance. Where Sharia oversight is reconstituted so that the Sharia Supervisory Board can audit the models, AI advances the higher objectives of Islamic law: it makes compliance more consistent and timely, it improves investment decisions by tempering behavioural bias, and it accelerates the impounding of Sharia-relevant information into prices. Where oversight remains procedurally unchanged, the same functions erode the very objectives they were meant to serve—substituting opaque verdicts for juristic judgment, deference for deliberation, and speed for soundness.

Three recommendations follow. First, the Otoritas Jasa Keuangan should establish transparency and auditability standards that AI screening systems must meet before they are relied upon for Daftar Efek Syariah determinations. Second, the Dewan Syariah Nasional-Majelis Ulama Indonesia should issue guidance clarifying which Sharia judgments may be delegated to computation and which must remain with qualified scholars, addressing the encoding problem at its root. Third, securities firms and investment managers should ensure that every automated recommendation carries an explainable Sharia rationale, and should invest in the technical literacy of their Sharia Supervisory Boards. The protection of wealth was never the whole of the *maqashid*; in an automated market, the protection of intellect becomes equally pressing. AI can serve the Islamic capital market, but only as an instrument under competent religious-legal oversight, never as a substitute for it.

FURTHER STUDY

Three lines of work would convert the propositions advanced here into tested findings. The first is empirical and investor-facing: a survey or experiment among Indonesian Sharia investors that operationalizes perceived Sharia conformity alongside perceived usefulness and ease of use, testing whether it functions as the additional acceptance determinant that P2 and P3 predict. The second is market-facing: an event study around Daftar Efek Syariah revisions that compares the speed of price adjustment before and after the diffusion of AI-driven information processing, giving P4 a direct empirical examination. The third is governance-facing: comparative case research across jurisdictions with different Sharia governance architectures—Indonesia's two-tier model against Malaysia's more centralized structure—to test the conditional claim in P5 that the net contribution of AI depends on whether oversight is reconstituted to audit algorithms. Design-oriented research on explainable, Sharia-aware screening models would complement all three by addressing the encoding problem at its technical source.

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