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Optimizing Sharia Investment Portfolio Management through Sharia Screening and Risk Management Strategies

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Abstract: *This study aims to examine efforts to optimize the management of sharia investment portfolios through the application of sharia screening and effective risk management strategies. In practice, Islamic investment must ensure that every asset selected complies with Islamic principles, making the screening process a core component in ensuring that investment activities are in line with Islamic values, as emphasized by Al-Mustafa (2023). On the other hand, strengthening risk management is a must because Islamic financial institutions face various potential risks such as market, operational, liquidity, and financing risks (Dianto & Udin, 2023; Marbun, 2022). The increasing interest of the younger generation in the Islamic capital market also reinforces the urgency of responsive and adaptive portfolio management (Faizah, 2023). This study uses a literature review approach by compiling and examining relevant findings related to investment strategies, risks, Islamic screening mechanisms, and opportunities and challage in the Islamic finance industry. The results of the analysis show that portfolio optimization can be achieved through the application of strict sharia screening, strengthening risk management, asset diversification, and improving the governance of Islamic financial institutions. With these steps, Islamic investment portfolios can develop in a more stable, secure, and sustainable manner in line with the dynamics of the modern financial sector.*

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Introduction

Sharia investment in Indonesia has experienced rapid growth along with increasing public awareness of the importance of financial instruments that are in accordance with Islamic values. Sharia-based investment is not only oriented towards financial gain, but also emphasizes ethics, sustainability, and compliance with the principles of justice in economics (Al-Mustafa, 2023). This enthusiasm is also evident among the younger generation, who are actively entering the sharia capital market because they consider sharia products to be safer and more in line with their spiritual values and financial character (Faizah, 2023).

In practice, sharia portfolio management requires a rigorous screening process to ensure that the selected assets are free from riba, gharar, and maysir. The presence of increasingly complex financial products requires sharia financial institutions to have an accurate and comprehensive selection system to maintain portfolio integrity (Kharisah, 2022; Sari, 2023). In addition to sharia compliance, strengthening risk management is a very important aspect considering that Islamic financial institutions face various risks such as market, operational, liquidity, and non-performing financing risks (Dianto & Udin, 2023; Rolianah, 2021; Marbun, 2022). Asset protection and the sustainability of these institutions are also key issues in maintaining the stability of the Islamic finance industry (UIN Kiai Haji Achmad, 2025).

Amid these challenges, the development of digital technology has opened up great opportunities for more efficient and accessible Islamic investment products. Digitalization has also encouraged the emergence of Islamic services that are more adaptive to the needs of modern investors (License, 2024). Profit-sharing-based products such as mudharabah also remain in demand because they provide a more equitable cooperative relationship between capital owners and business managers (Kasih & Fahlefi, 2024). However, the SME sector, which is one of the main users of Islamic financing, still requires adequate risk management because it is classified as a vulnerable business category (Aulia, 2023).

Given these developments, research on the optimization of sharia investment portfolio management is highly relevant to ensure the halal status and resilience of portfolios amid economic dynamics. This study is expected to provide an understanding of how the integration of sharia screening mechanisms and risk management strategies can strengthen the overall performance of sharia investments. With this approach, sharia financial institutions can not only improve the efficiency of their portfolio management, but also expand opportunities for the development of the sharia investment industry in the future.

Research Methods

This research was conducted using a literature study approach, which involved searching for, reviewing, and integrating various scientific publications related to sharia investment, the sharia screening process, and risk management practices in sharia financial institutions. All sources analyzed were derived from previous studies that discussed the basic concepts of Islamic investment, risk dynamics in small and medium enterprises, risk management models in Islamic financial institutions, and investor behavior trends in the

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Islamic capital market (Al-Mustafa, 2023; Aulia, 2023; Dianto & Udin, 2023; Faizah, 2023). This approach was chosen to provide a comprehensive overview of the development of thinking and practices in sharia portfolio management.

The analysis was conducted systematically. The first step was to select sources relevant to the research topic, including studies reviewing murabahah financing risk control strategies, the urgency of protecting Islamic bank assets, and the transformation of Islamic investment in the digital era (Marbun, 2022; UIN Kiai Haji Achmad, 2025; License, 2024). After that, each source is analyzed to find core concepts such as sharia screening, market risk, operational risk, and compliance mechanisms that form the basis for investment decision-making (Kharisah, 2022; Rolianah, 2021). The next stage is to summarize the results of the analysis into a series of interrelated findings that reflect an integrated way of thinking about sharia portfolio optimization.

Through this literature review approach, the study examines how sharia screening practices and risk management contribute to forming a stable and sharia-compliant portfolio. In addition, this method allows researchers to review the opportunities and challenges faced by the industry in line with the development of digital technology and modern investor preferences, including the relevance of mudharabah products and SME financing in the sharia financial ecosystem (Kasih & Fahlefi, 2024; Aulia, 2023). Thus, the overall research results were obtained through a complementary literature data processing process, providing a comprehensive understanding of optimal sharia investment portfolio management strategies.

Results and Discussion

The results of the study indicate that the sharia screening mechanism plays a central role in forming an optimal sharia investment portfolio. This process is not only to ensure the halal nature of investment instruments, but also serves as an initial mitigation tool to reduce potential risks from the asset selection stage. The principles of avoiding riba, gharar, and maysir are the main foundations in determining the feasibility of an instrument, so that the resulting portfolio has high value and trust (Al-Mustafa, 2023). These findings indicate that the more rigorous the screening process, the greater the chance of creating long-term portfolio stability. Compliance with sharia principles is ultimately not only normative but also a management strategy that contributes to the quality of investment management (Kharisah, 2022; Sari, 2023).

Strengthening risk management has also proven to be an important element in maintaining the resilience of Islamic investment portfolios. Sharia financial institutions face various potential risks, such as market fluctuations, operational disruptions, liquidity constraints, and problematic financing risks that can affect investment performance if not managed systematically (Dianto & Udin, 2023; Rolianah, 2021; Marbun, 2022). The results of the analysis show that an anticipatory risk management approach, through the process of risk identification, measurement, monitoring, and control, can reduce the negative impacts that may arise. Asset protection and operational sustainability efforts are also important factors in maintaining investor confidence in Islamic financial institutions (UIN Kiai Haji Achmad, 2025).

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In addition, asset diversification plays a strategic role in balancing the level of risk and potential returns in a sharia portfolio. Allocating funds to various instruments that have passed sharia screening helps reduce risk concentration and improve investment performance stability. This strategy is in line with the principle of prudence in asset management according to the Islamic perspective (Kharisah, 2022; Dianto & Udin, 2023). On the other hand, profit-sharing financing schemes such as mudharabah show great potential in strengthening portfolio structure because they foster a fair pattern of cooperation between fund owners and business managers (Kasih & Fahlefi, 2024). However, the involvement of the small and medium-sized business sector still requires more intensive risk management, given the high vulnerability of this sector to economic pressures (Aulia, 2023).

The development of digital technology has had a significant impact on the management of sharia investment portfolios. Digitalization has made the screening process, portfolio performance monitoring, and investment transactions faster, more transparent, and more accessible to the public (License, 2024). This condition has also changed investor behavior, especially among the younger generation, who are increasingly active in utilizing digital platforms to invest in the Islamic capital market (Faizah, 2023). The results of the study reveal that portfolio management that is responsive to technological developments is an important key in maintaining the competitiveness of Islamic financial institutions. However, digital transformation also gives rise to new risks, such as technology-based operational risks and threats to data security, thus requiring the continuous strengthening of internal control systems (Rolianah, 2021; Dianto & Udin, 2023).

Overall, the results of this study show that the optimization of Islamic investment portfolios can only be achieved through the harmonious integration of sharia compliance and the effective implementation of risk management. Strict sharia screening maintains the purity of the principles and religious legality of investment instruments, while comprehensive risk management plays a role in maintaining the stability and sustainability of portfolios in the face of market dynamics. Support from digital technology, improvements in institutional governance, and an understanding of the characteristics of modern investors further strengthen the foundations of sustainable sharia portfolio management (Al-Mustafa, 2023; Dianto & Udin, 2023; Faizah, 2023).

Conclusion and Recommendation

Overall, the success of sharia investment portfolio management is largely determined by strict sharia screening mechanisms, the implementation of structured risk management, and asset diversification strategies that balance potential returns and risks. The use of digital technology also enhances efficiency and transparency in portfolio management, thereby supporting the stability and sustainability of long-term investments. Sharia financial institutions are advised to improve the consistency of sharia compliance, strengthen human resource competencies, and develop risk management and internal control systems that are adaptive to market changes and technological developments. Further research is expected to explore technology-based portfolio management with empirical data support and examine the role of MSMEs in strengthening the sharia investment ecosystem.

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