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UNDERSTANDING PORTFOLIO DIVERSIFICATION STRATEGIES IN DIGITAL ISLAMIC INVESTMENT PLATFORMS

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Abstract: *This study examines portfolio diversification strategies applied in digital Islamic investment platforms and their role in managing risk and enhancing investment performance. The purpose of this manuscript is to analyze how Shariah-compliant digital platforms design and implement diversification across asset classes, sectors, and investment instruments while adhering to Islamic principles. The study employs a quantitative research approach using secondary data from selected digital Islamic investment platforms, complemented by a survey of platform users. Data were analyzed through descriptive analysis and portfolio risk–return evaluation to assess diversification effectiveness. The findings indicate that digital Islamic investment platforms increasingly apply diversified portfolios consisting of Islamic stocks, sukuk, Shariah-compliant mutual funds, and alternative halal assets. Effective diversification is shown to reduce portfolio risk and improve return stability, particularly during market volatility. However, challenges remain, including limited asset variety, low investor risk awareness, and constraints related to Shariah screening processes. The study concludes that portfolio diversification is a key strategy for strengthening the performance and resilience of digital Islamic investment platforms, supported by investor education and expanded Shariah-compliant asset offerings.*

Keywords: *Portfolio Diversification, Digital Islamic Investment, Shariah-Compliant Assets, Risk Management, Islamic Fintech*

INTRODUCTION

The development of digital technology has brought major changes in the global financial industry, including in the investment sector. The presence of a digital-based investment platform allows for easy access, increased transaction efficiency, and encourages wider public participation in investment activities. (Muhammad Syam'ani, 2024). In the last two years, the Indonesian capital market has shown a new trend with the increasing number of Islamic investors. As of April 2025, the Indonesia Stock Exchange recorded that the number of sharia investors has reached 174 thousand people. (IDX, n.d.). In line with these developments, the Islamic finance industry has also shown significant growth, which is reflected in the increasing number of digital Islamic investment platforms that provide various investment products in accordance with sharia principles, such as sharia stocks, sukuk, and sharia mutual funds.

In essence, sharia investment does not solely focus on achieving financial profits, but also focuses on compliance with Islamic principles, including the prohibition of riba, gharar, and maysir, as well as the obligation to place funds in the halal and productive business sector. Sharia investment emphasizes the application of ethical, moral, and justice values in fund management, so that it has the potential to have a wider positive impact on society. (Nugroho, 2024). Consequently, portfolio management in sharia investment has its own challenges, especially related to the limited choice of instruments and the scope of assets due to the Sharia screening process. This condition has the potential to increase the risk level of the portfolio if it is not managed effectively.

Portfolio diversification is one of the main strategies in investment management that aims to control risk. Modern financial theory explains that diversification can lower non-systematic risk through the spread of funds across different types of assets, sectors, and investment instruments. In sharia investment, the principle of diversification still has an important role, but its application must be adjusted to Sharia provisions and limitations. Therefore, the implementation of diversification strategies on digital Islamic investment platforms is a relevant issue to be studied in more depth, especially in assessing its effectiveness in managing risks and improving the stability of investment performance.

Currently, various digital Islamic investment platforms have sought to implement portfolio diversification strategies by combining a variety of halal instruments, such as sharia stocks, sukuk, sharia mutual funds, and alternative assets that are compliant with Sharia. However, in practice, there are still a number of obstacles, including limited asset variation, low levels of literacy and risk understanding among investors, and the complexity of the process of screening and supervising sharia compliance. On the other hand, the dynamics and volatility of the global market require investment platforms to have a portfolio management strategy that not only meets sharia principles, but is also able to maintain the resilience of investment performance in various market conditions.

Various previous studies have examined portfolio diversification and investment performance, both in the context of conventional and sharia investments. However, most of the research still focuses on the Islamic capital market in general or uses a quantitative approach based on statistical analysis. Research that specifically addresses portfolio diversification strategies on digital Islamic investment platforms, especially through a descriptive approach with the use of official secondary data and academic literature, is still relatively limited. This shows that there are research gaps that need to be filled to gain a more comprehensive understanding of diversification practices in the digital sharia investment ecosystem.

Based on this description, this study aims to examine and analyze the portfolio diversification strategies applied by digital Islamic investment platforms and their role in risk management and improving investment performance. It is hoped that this research can make a theoretical contribution to the development of literature in the field of Islamic investment, as well as provide practical benefits for investors, platform managers, and regulators in strengthening the resilience and sustainability of the digital Islamic investment industry.

LITERATURE REVIEW

Portfolio Diversification

Portfolio diversification is a key concept in investment management that aims to minimize risk through the spread of funds across different asset classes and financial instruments. This idea was first put forward by Harry Markowitz who emphasized that asset ownership with a low correlation rate can help reduce the impact of losses from one asset through the performance of another asset. By implementing a diversification strategy, investors can not only reduce the overall risk of the portfolio, but also increase its stability as well as potential returns in the long run. Therefore, diversification is an important strategy in safer and more structured investment planning, as it is able to reduce portfolio volatility without having to sacrifice the expected rate of return. (Harahap, 2024)

Risk diversification in investment consists of two main types: systematic risk and non-systematic risk. Systematic risk is linked to factors that affect the market or the economy as a whole, such as fluctuations in interest rates or macroeconomic conditions, so it cannot be eliminated through diversification, although wise asset allocation can help reduce its impact on the portfolio. On the other hand, non-systematic risk is one that is specific to a particular company or industry and can be minimized by spreading investments across a variety of uncorrelated assets. With a good diversification approach, losses from one instrument can be offset by the positive performance of other instruments in the portfolio, thus helping to maintain stability and overall investment performance. (Edwin J. Elton, 2014)

Modern Portfolio Theory (MPT) states that by combining assets that have strategically different risk characteristics and rates of return, investors can optimize portfolio performance. This approach allows investors to obtain maximum returns at a given level of risk, or otherwise squeeze the risk as low as possible for the desired rate of return. The main principle of MPT is the formation of portfolios that are at the efficient frontier, which is a collection of portfolios that provide the most optimal combination of risk and return. (Flint E, 2020)

Portfolio Strategy

A portfolio strategy is an approach to achieving pre-set investment goals, which includes active, passive, and structured strategies. Active strategies utilize information and forecasting techniques to try to obtain higher performance than a portfolio that is only broadly diversified, taking into account factors that affect assets such as predicted earnings or interest rates. In contrast, passive strategies rely more on diversification to reflect the performance of the market or index without much prediction, as it assumes the price of a security already reflects all available information. Meanwhile, a structured strategy is designed so that the portfolio can meet future payment obligations by matching investment returns to these obligations. (Sunaryo, 2023)

METHOD

This study uses a literature study method with a descriptive qualitative approach. The research aims to comprehensively examine the concepts and empirical findings related to portfolio diversification strategies on sharia digital investment platforms and their role in risk management and investment performance improvement. This approach was chosen because it is able to provide an in-depth conceptual understanding through analysis of various relevant scientific sources. The research data is sourced from secondary data, obtained through articles in national and international journals, academic books, and official reports of institutions related to finance and the Islamic capital market. Data collection was carried out through a systematic literature search using keywords related to portfolio diversification, sharia investment, and digital investment platforms. The collected literature is then selected based on the relevance of the topic, the quality of the source, and the novelty of the publication. Data analysis is carried out by content *analysis*, which is to review and synthesize concepts, theories, and results of previous research to identify key patterns and findings related to the effectiveness of portfolio diversification in Islamic digital investment.

RESULT AND DISCUSSION

Digital Islamic investment platforms have grown rapidly and have played an important role in expanding investors' access to Islamic instruments that are relevant to Islamic principles. Investors' trust in sharia fintech is influenced by operational transparency and compliance with sharia principles, while the perception of risks related to data security and yield uncertainty is often an obstacle to the platform's adoption. These findings are important in the context of investing, as investors' level of understanding and awareness of risk will influence their decision to diversify their portfolios through digital platforms. (Nok Silvi Rohmawati, 2025)

This phenomenon is motivated by advances in financial technology (fintech) which not only simplify investment transaction mechanisms, but also allow investors to allocate funds more flexibly across various halal asset classes through one platform. Previous research noted that the digitization of Islamic investments makes the transaction process more efficient and transparent, creating wider access for retail investors who may have previously been hindered by information limitations and high transaction fees on traditional mechanisms. (Muhammad Syam'ani, 2024)

A number of digital Islamic investment platforms currently provide various sharia instruments such as sharia stocks, sharia mutual funds, sukuk, and other halal alternative instruments. The existence of this variety of instruments allows investors to spread risk through investment allocation in various asset classes with different risk characteristics. For example, based on the literature, Islamic mutual funds show a positive growth trend in the number of products and the number of investors in Indonesia, in line with the increasing digital ecosystem that supports online monitoring and transactions. Islamic mutual fund instruments tend to be more diversified because they usually consist of a collection of professionally managed sharia securities, so they can help reduce the specific risk of one issuer. In addition, sukuk offerings through digital channels are also a reinforcement of portfolio diversification strategies, because sukuk has characteristics that tend to be stable and related to real assets, so that it can be an instrument that balances a stock-dominant portfolio. (Bisnis.com, n.d.)

Portfolio diversification through a combination of various halal instruments has been proven to be helpful in managing risk without having to sacrifice the potential return on investment significantly. Asset allocation strategies that combine Islamic stocks (instruments with relatively higher volatility) and money market-based sukuk or mutual funds (more stable instruments) provide more balanced interoperability between risk and portfolio returns. In Islamic portfolio management, more conservative instruments such as sukuk or money market mutual funds can mitigate the impact of stock market fluctuations, thus providing a higher level of stability in investment value compared to portfolios that rely on only one asset class. (Fata Habibullah, 2024)

Diversifying investment portfolios in sharia instruments has been proven to provide benefits in reducing risk while generating more stable returns for investors. Although Islamic stocks generally have lower rates of return than conventional stocks, the application of diversification by involving various Islamic stocks is able to form an optimal portfolio with more controlled risk and more consistent returns. (Hadiat, 2024)

Table 1: Investment Diversification Portfolio Allocation

Types of Investment Instruments	**Allocation (%)**
Mutual Funds	50%
Bonds	30%
Stock	20%

-50% on Mutual Funds: ABF Indonesia Bond Index Fund has historically had stable returns with managed risk. In addition, there is the BNI-AM Ardhani Sharia Fixed Income Fund for sharia options.
-30% on Bonds: There are FR Bonds such as FR0076 that provide fixed and safe returns, the yield will not change if held until maturity.
-20% on Stocks: Choose stocks from major banks such as Bank Central Asia (BBCA) or Bank Mandiri (BMRI) whose shares continue to grow over time.

Diversification is an investment strategy into different types of assets. When the performance of one asset decreases, the portfolio will remain optimal with the performance of the other assets. Diversification techniques therefore help reduce the overall volatility of the portfolio and protect investments from unexpected market fluctuations. (Bibit, n.d.)

Digital platforms also play a role in increasing Islamic financial inclusion by opening access for small-scale or beginner investors to invest in Islamic instruments. Digitalization allows investors to transact at any time without geographical constraints and with competitive transaction fees. Research shows that the increasing number of sharia products and the increasing interest of retail investors are a sign that sharia fintech is contributing to an inclusive investment ecosystem. (Rukoyah, 2025)

The implementation of portfolio diversification strategies on sharia digital investment platforms plays a positive role in risk management and improving investment performance. Portfolios that are structured by spreading investments across various Islamic asset classes, such as Islamic stocks, sukuk, and Islamic mutual funds, tend to have a lower level of risk and more stable returns than undiversified portfolios. These findings are consistent with previous studies that have shown that portfolios with a combination of several asset classes have value *sharpe ratio* higher yields, so they are more efficient at balancing risk and return, as described in modern portfolio theory. (Andreansyah, 2025)

In addition, the application of the Markowitz optimal portfolio model to stocks classified as sharia stocks in the Jakarta Islamic Index (JII) shows that the formation of a diversified portfolio is able to reduce the total risk of the portfolio compared to the risk borne by each stock individually. These results emphasize that diversification is an effective strategy in reducing investment risks, as well as being relevant and applicable in the management of sharia investment portfolios. . (Luqmanul Hakiem Ajuna, 2025)

Although the potential for diversification through digital Islamic investment platforms is quite broad, there are some challenges identified from the literature and practice in the field. The first challenge is the limited variety of publicly available sharia products, especially for retail investors who rely on digital platforms. Although the number of instruments is increasing, the variation is still less than in the conventional capital market. High risk perception and lack of Islamic financial literacy are the main obstacles for investors in building a truly diversified portfolio. Without adequate understanding, investors tend to make decisions based solely on emotional preferences or recommendations, rather than on rational risk-return analysis.

CONCLUSION

Digital Islamic investment platforms play an important role in expanding investors' access to investment instruments that comply with sharia principles and enable the implementation of effective portfolio diversification strategies. The platform provides a wide range of sharia instruments, including sharia stocks, sharia mutual funds, sukuk, and halal alternative assets, so investors have the opportunity to spread risk through a combination of assets with different characteristics. This diversification has been proven to be able to reduce non-systematic risks, increase the stability of investment returns, and maintain portfolio performance, especially during periods of market volatility. The results of the analysis also show that the success of diversification strategies depends not only on the availability of products, but also on the literacy and understanding of risks possessed by investors, as well as the transparency of the information provided by the platform. Good literacy allows investors to allocate assets optimally, while transparency and compliance with sharia principles increase investor confidence in digital platforms.

Nevertheless, this study finds several key challenges that need to be overcome to maximize the effectiveness of digital sharia portfolio diversification, including: limited variety of available sharia products, high risk perception among investors, and constraints related to the complex sharia screening process. Therefore, the development of investor education, the increase in the number and variety of sharia instruments, and the transparency of product information are key factors to strengthen the performance and resilience of portfolios on digital Islamic investment platforms.

Thus, this study emphasizes that the portfolio diversification strategy is one of the main principles in digital sharia investment, which is able to optimize risk management while improving investment performance, as long as it is supported by adequate financial literacy and products that comply with halal principles. These findings make an important contribution to the development of sharia fintech, the formulation of sharia-based portfolio strategies, and the improvement of financial inclusion and literacy in society.

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