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Financial Technology and Sharia Economic Empowerment in Indonesia: A Qualitative Study from a Digital Economy Perspective

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Abstract

This study examines the contribution of digital Sharia fintech to Islamic economic transformation and community economic empowerment in Indonesia. Although Islamic financial literacy and inclusion have improved, access to Sharia-compliant financial services remains lower than conventional finance. This study employed a descriptive qualitative approach using in-depth interviews with 15 purposively selected participants, including four Sharia fintech stakeholders, five MSME owners, three regulators, and three platform users in Jakarta, Bandung, and Yogyakarta. Interview data were complemented by official reports and relevant academic literature and analysed thematically through data reduction, data display, and conclusion drawing. The findings indicate that participants perceived Sharia P2P lending, profit-sharing crowdfunding, and e-waqf as accessible alternatives because they provide faster application procedures, transparent transactions, and financing mechanisms consistent with Sharia principles. MSME participants reported that fintech financing supported working capital and business expansion, while platform users emphasized transparency and Sharia compliance as key sources of trust. However, limited digital literacy, uneven internet infrastructure, insufficient product socialisation, and inadequate post-financing business mentoring remain barriers, particularly in rural areas. The study concludes that digital Sharia fintech can strengthen financial inclusion and community economic empowerment when supported by digital literacy, adaptive regulation, effective business mentoring, and collaboration among government, financial institutions, fintech providers, and local communities.

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INTRODUCTION

The development of digital technology has had a broad impact on various sectors, including the financial sector. Financial technology (fintech) has emerged as an innovation capable of improving efficiency, accelerating transactions, and expanding public access to financial services (Arner et al., 2016). The emergence of fintech aligns with the digital transformation that has become central to the global economy, where digital connectivity plays an important role in strengthening competitiveness and financial inclusion (Bank, 2022). In Indonesia, where the majority of the population is Muslim, fintech offers significant opportunities to be integrated with Islamic economic principles, thereby generating not only economic benefits but also social value through more inclusive and accountable financial services (OJK, 2021; Hudaefi & Beik, 2020).

However, the growth of digital financial services has not yet been followed by an equivalent expansion of Islamic financial inclusion. Based on the 2024 National Survey on Financial Literacy and Inclusion (SNLIK), national financial literacy reached 65.43%, while national financial inclusion reached 75.02%. In contrast, Islamic financial literacy was only 39.11%, and Islamic financial inclusion stood at 12.88%. Although the subsequent reporting period showed an increase in Islamic financial literacy to 43.42% and inclusion to 13.41% (OJK, 2025), the gap between awareness and actual use of Islamic financial services remains substantial. This indicates that improved knowledge of Islamic finance does not automatically lead to product adoption. The persistence of this gap may be associated with limited digital capability, uneven internet access, inadequate understanding of fintech products, concerns regarding data security, and uncertainty about the Sharia compliance of digital financial services. Therefore, the issue is not only whether people understand Islamic finance, but whether they have the capacity, trust, infrastructure, and access required to use Sharia-compliant digital financial services consistently.

Previous studies have identified several dimensions of this problem. Rahmawati (2022) focused on the relationship between Islamic financial literacy and financial inclusion but did not specifically examine the role of digital technology in converting literacy into actual access and use. Pratama (2021) emphasized the potential of fintech to expand access to formal financial services; however, the study focused on the general financial sector and did not incorporate the specific principles, trust mechanisms, and institutional requirements of Islamic finance. Similarly, Hidayat (2022) found that the utilization of Sharia-compliant digital applications continues to be constrained by low public digital literacy. These studies confirm that the potential of fintech is widely recognized, but they also suggest that the mechanisms through which digital fintech contributes to Sharia-compliant economic empowerment remain insufficiently understood.

The urgency of this issue is reinforced by the continued development of the Islamic fintech ecosystem in Indonesia. Sharia-compliant securities crowdfunding contributed 52.1% of total national fundraising throughout 2024, equivalent to IDR 1.53 trillion (Bisnis.com, 2024). In addition, Sharia-compliant fintech lending reached IDR 1.10 trillion in February 2025 before declining to IDR 840 billion in June 2025 (Kontan.co.id, 2025). These reports illustrate both the increasing acceptance and the fluctuating dynamics of Sharia-compliant digital financing. Nevertheless, these figures should not be interpreted merely as indicators of industry growth. They also raise a substantive question regarding sustainability: whether the expansion of Islamic fintech services has been accompanied by adequate public trust, digital literacy, regulatory protection, and mentoring support for users and MSMEs. This question is important because growth in transaction values or funding volumes does not necessarily demonstrate that fintech has generated sustained empowerment for its users.

Islamic fintech has the potential to address long-standing barriers faced by MSMEs and underserved communities, including limited collateral, restricted access to formal financing, geographic distance from financial institutions, and administrative requirements that are difficult for informal businesses to meet. Through peer-to-peer financing, profit-sharing crowdfunding, digital zakat, and e-waqf, Islamic fintech may provide more accessible and transparent alternatives for financing and social fund distribution. However, the digitalisation of Islamic financial services can also reproduce exclusion when users lack adequate devices, internet connectivity, digital skills, or confidence in the security and Sharia compliance of the platforms. Consequently, the central research problem is not simply the availability of digital Sharia fintech, but the extent to which it can transform access to finance into meaningful and sustainable economic empowerment.

This study identifies three interconnected research gaps. First, the theoretical gap concerns the limited integration of digital economy perspectives with Islamic economic empowerment. Previous studies often treat fintech as a technological innovation, a financial-inclusion instrument, or a Sharia-compliant financial alternative, but have not adequately explained the interaction between digital access, Sharia compliance, trust, literacy, and empowerment. Second, the empirical gap concerns the limited qualitative evidence regarding the experiences of fintech stakeholders, MSME actors, regulators, and users. Existing studies commonly focus on literacy levels, adoption intentions, or general industry development, while evidence on how different actors experience the benefits, constraints, and empowerment outcomes of Islamic fintech remains limited. Third, the methodological gap concerns the predominance of quantitative surveys and literature-based studies, which are useful for identifying statistical relationships but are less able to explore how actors interpret trust, Sharia compliance, accessibility, and empowerment in their practical engagement with digital fintech.

Based on these gaps, this study aims to analyse the role of digital fintech in strengthening Islamic economic transformation and enhancing community empowerment in Indonesia from a digital economy perspective. Using a descriptive qualitative approach, the study draws on in-depth interviews with Sharia fintech stakeholders, MSME actors, regulators, and users, complemented by official reports and relevant academic literature. The study is expected to contribute theoretically by connecting digital economy perspectives with Islamic economic empowerment; empirically by providing stakeholder-based evidence on the opportunities and barriers of Sharia fintech; and practically by identifying the importance of digital literacy, adaptive regulation, business mentoring, and collaboration among government, financial institutions, fintech providers, and local communities.

LITERATURE REVIEW

The Concept of Financial Technology (Fintech)

Financial technology (fintech) refers to the integration of digital technology into financial services to improve efficiency, transaction speed, accessibility, and interaction between financial-service providers and users. In the Indonesian context, fintech should not be understood merely as a technological innovation. Rather, it represents a transformation of the financial-service delivery system, in which digital platforms reduce physical and administrative barriers that have traditionally limited access to formal finance. Sitompul (2018) positions fintech as an innovation that redefines access, cost efficiency, and transaction speed, while Rahadiyan (2021) emphasizes that this transformation requires an adequate legal framework to preserve market order, consumer protection, and institutional accountability. These perspectives indicate that the effectiveness of fintech depends not only on technological capability but also on the institutional environment in which it operates.

The development of fintech services, including payment gateways, e-wallets, peer-to-peer lending, and crowdfunding, has expanded the range of financial products available to individuals and MSMEs (Saripudin et al., 2021). However, the relationship between fintech availability and financial inclusion is not linear. The presence of a digital platform does not automatically ensure that users can access, understand, trust, and benefit from the service. Setiani (2020) demonstrates that Sharia fintech can broaden MSME access to financing, yet its effectiveness is constrained by business feasibility assessment and users' digital literacy. Similarly, Yahya et al. (2020) show that fintech-based financing requires operational readiness and institutional coordination. Taken together, these studies suggest that fintech contributes to inclusion only when digital services are accompanied by accessible procedures, appropriate financing mechanisms, user capability, and reliable institutional support.

The adoption of fintech is also shaped by the business model and collaborative ecosystem surrounding the platform. Aswirah et al. (2024) identify collaboration among banks, fintech startups, and agents as an important mechanism for expanding fintech adoption, particularly among communities that have been underserved by conventional financial institutions. Rolando (2024) further argues that partnership models involving fintech providers, banks, and smart agents can accelerate service penetration and support financial inclusion. Nevertheless, rapid expansion without adequate governance may increase risks related to consumer protection, data security, financing quality, and platform sustainability. This concern is reinforced by Syahrani and Pradesa (2023), who highlight the importance of risk governance and financial literacy in ensuring that fintech use produces sustainable benefits rather than short-term access alone.

Accordingly, the existing literature shows that fintech adoption is determined by the interaction of four interconnected dimensions: technological accessibility, business-model collaboration, regulatory governance, and user literacy. Technology enables faster and broader financial access; collaborative business models extend the reach of services; regulation provides legal certainty and consumer protection; and literacy determines whether users can make informed and responsible financial decisions. Fahlefi (2021) emphasizes that regulation and user capacity are essential for ensuring that fintech benefits the public, while Norrahman (2023) conceptualizes fintech development through the interconnected sequence of technology, business models, regulation, and literacy. Rather than functioning as separate factors, these dimensions mutually reinforce one another. Weakness in one dimensionfor example, low digital literacy or inadequate consumer protection may reduce the inclusive and empowering potential of fintech, even when technological infrastructure and financial products are available.

This synthesis provides the theoretical foundation for the present study. It positions fintech as a socio-technical financial ecosystem rather than a stand-alone digital tool. In the context of Sharia fintech, this ecosystem must also accommodate Sharia compliance, public trust, and the objective of economic empowerment. Therefore, this study examines digital fintech not only in terms of its capacity to provide financial services, but also in terms of how technology, institutional governance, user literacy, collaboration, and Sharia-based values interact to influence access, adoption, and economic empowerment among MSMEs and communities in Indonesia.

Sharia Economics and the Principle of Empowerment

Sharia economics is founded on principles that distinguish it from a purely profit-oriented financial system, including the prohibition of riba, the promotion of justice, risk sharing, transparency, social responsibility, and the pursuit of collective welfare (*maslahah*). In this perspective, financial activities are not assessed solely by their capacity to generate returns but also by their contribution to equitable resource distribution and improved socio-economic conditions. Indonesian studies emphasize that Sharia instruments, including zakat, waqf, and infaq, have redistributive and empowering functions when managed productively (Harahap, 2024). Thus, Sharia economics provides a normative foundation for economic empowerment by directing financial resources toward productive activities, reducing exclusion, and strengthening the capacity of economically vulnerable groups.

The contribution of Sharia principles to economic empowerment through fintech can be explained through three interconnected mechanisms. First, the principle of justice and equitable access encourages fintech providers to develop financing mechanisms that are accessible to groups commonly excluded from conventional financial institutions, particularly MSMEs with limited collateral and incomplete administrative records. Digital platforms can reduce transaction costs, simplify access to information, and expand the geographical reach of financing services. In this mechanism, fintech functions as a channel for widening access, while Sharia principles ensure that access is oriented toward fairness and inclusion rather than merely market expansion.

Second, the principle of risk sharing and prohibition of riba supports financing arrangements that connect financial returns with real economic activities. Profit-sharing crowdfunding and Sharia-compliant equity financing may enable MSMEs to obtain capital without relying on fixed-interest mechanisms that can increase repayment pressure. Indriana et al. (2022) highlight the role of Sharia equity crowdfunding in expanding financing opportunities for MSMEs, while Tripalupi (2019) demonstrates that Islamic crowdfunding can serve as an alternative source of capital for small businesses. However, these instruments generate empowerment only when financing is directed toward productive activities, supported by transparent contracts, and accompanied by appropriate governance. Therefore, Sharia compliance is not limited to the formal use of Islamic contracts; it also requires that financing arrangements promote fair risk allocation and sustainable business development.

Third, the principle of social solidarity and collective welfare positions Islamic social finance as an instrument for strengthening the productive capacity of communities. Zakat, waqf, and infaq can be mobilised through digital platforms to improve the efficiency, transparency, and reach of fund collection and distribution. D. Hidayat et al. (2024) show that digital management of Islamic social funds can increase accountability and public acceptance, particularly when funds are linked to productive investments and mentoring mechanisms. Through fintech, these instruments can be distributed more quickly, monitored more transparently, and targeted more effectively toward beneficiaries who require business capital, training, or market access. In this mechanism, digital technology supports operational efficiency, whereas Sharia social principles ensure that financial resources are directed toward social welfare and long-term empowerment.

These mechanisms demonstrate that fintech does not automatically produce economic empowerment. The empowering effect of Sharia fintech depends on the interaction between accessible digital services, Sharia-compliant financing structures, transparent governance, and capacity-building support. Ansori (2016) argues that sustainable empowerment requires more than financial assistance; it requires the integration of financing, entrepreneurship training, and market access. Accordingly, fintech-based Sharia empowerment should be understood as a process in which digital platforms facilitate access to resources, Sharia principles guide the fairness and social orientation of financial transactions, and mentoring strengthens the capacity of beneficiaries to use financial resources productively.

This conceptual framework is relevant to the present study because it positions digital Sharia fintech as more than a financing platform. It is an instrument that can translate Islamic economic principles into practical empowerment outcomes through inclusive access, fair financing, transparent social-fund management, and capacity development. The study therefore examines whether and how these mechanisms operate in the experiences of fintech stakeholders, MSME actors, regulators, and users in Indonesia.

The Digital Economy as a Perspective for Strengthening Sharia Fintech

The digital economy refers to an economic system in which digital infrastructure, platforms, mobile applications, data analytics, and network connectivity reshape the production, distribution, and consumption of goods and services. Within financial services, digitalisation reduces geographical and transactional barriers by enabling users to access information, conduct transactions, apply for financing, and monitor financial activities through digital platforms. In the Indonesian context, the digital economy provides an important perspective for understanding the development of Sharia fintech because it explains how technological infrastructure can expand the reach, efficiency, and accessibility of Sharia-compliant financial services.

A'yun and Putri (2022) explain that the digitalisation of Sharia banking within the Society 5.0 framework can improve institutional performance, service efficiency, and customer experience. This finding indicates that digital technology is not merely an operational tool; it is an enabling infrastructure that changes the way Sharia financial institutions interact with users. Through mobile applications, digital platforms, and data-based services, Sharia fintech can provide faster access to financing, payment services, crowdfunding, digital zakat, and e-waqf. Consequently, the digital economy creates the technological conditions through which Sharia financial services can reach communities and MSMEs that may be geographically distant from formal financial institutions.

The relationship between the digital economy and Sharia fintech can be understood as a sequential process. Digital infrastructure and technological innovation enable the development of Sharia fintech platforms. These platforms then provide Sharia-compliant products, including peer-to-peer financing, profit-sharing crowdfunding, e-waqf, and digital zakat. The availability of these products can promote financial inclusion by reducing transaction costs, simplifying access procedures, improving information availability, and extending financial services to previously underserved users. However, financial inclusion should not be understood only as account ownership or platform registration. Meaningful inclusion occurs when users are able to access, understand, trust, and use Sharia fintech services productively and sustainably.

The effect of financial inclusion on economic empowerment depends on the quality of access and the productive use of financial services. When MSMEs and communities obtain suitable financing, transparent transactions, and access to Islamic social funds, they may strengthen working capital, increase production capacity, expand market networks, and improve household welfare. Atmajaya and Mubarok (2022) show that digital Sharia economic innovation can support the expansion of Sharia financial services, while Nusaibah (2023) demonstrates that younger users are more responsive to Sharia digital services. Nevertheless, these findings also indicate that technological availability alone does not guarantee inclusive outcomes, because adoption is shaped by users' digital capability, confidence in Sharia compliance, and understanding of financial products.

Accordingly, this study proposes a conceptual framework in which the digital economy functions as the enabling environment for Sharia fintech, Sharia fintech functions as the intermediary mechanism for financial inclusion, and financial inclusion functions as a pathway toward economic empowerment. This relationship is moderated by digital literacy, Sharia trust, regulatory support, data protection, infrastructure quality, and business mentoring. Digital literacy enables users to navigate platforms and assess financial products; Sharia trust encourages users to adopt services perceived as compliant with Islamic principles; regulation and data protection strengthen institutional credibility; infrastructure determines the practical accessibility of services; and mentoring supports the productive use of financing and social funds. If these supporting conditions are weak, the expansion of digital platforms may increase access for digitally capable groups while leaving vulnerable communities excluded.

RESEARCH METHODS

This study employed a descriptive qualitative design to examine how digital Sharia fintech contributes to Islamic economic transformation and community economic empowerment in

Indonesia. This approach was selected because the study sought to understand the meanings, experiences, perceptions, and practical challenges encountered by actors involved in Sharia fintech rather than to measure causal relationships or test statistical hypotheses. A qualitative design was therefore appropriate for exploring how stakeholders interpret digital access, Sharia compliance, trust, financial inclusion, and empowerment in their everyday engagement with fintech services. As Creswell (2014) explains, qualitative research enables researchers to investigate social phenomena within their natural contexts and to interpret participants' perspectives in depth.

The analysis was guided by three interconnected concepts: fintech, Islamic economics, and the digital economy. Fintech was understood as technology-enabled financial innovation that improves efficiency, accessibility, and service delivery (Kusumastuti & Khoiron, 2019). Islamic economics provided the normative perspective of justice, transparency, risk sharing, and social welfare (Abdussamad & Sik, 2021). The digital economy was used to explain how digital infrastructure, platforms, and data-based services expand the reach of Islamic financial services (Sari et al., 2022). These concepts guided the development of the interview protocol and the interpretation of the findings. The study involved 15 purposively selected informants from Jakarta, Bandung, and Yogyakarta, Indonesia. The participants consisted of four Sharia fintech stakeholders, five MSME owners, three regulators, and three Sharia fintech platform users. The participants were selected because they represented different positions within the Sharia fintech ecosystem and could provide complementary perspectives on service provision, regulation, adoption, financing access, and economic empowerment.

The inclusion criteria were as follows: (1) Sharia fintech stakeholders had at least one year of experience in managing, developing, or operating Sharia-compliant fintech services; (2) MSME owners had used Sharia fintech services for financing, payment, crowdfunding, or business-related transactions; (3) regulators were involved in financial regulation, supervision, consumer protection, or Islamic finance policy; and (4) platform users had actively used a Sharia fintech application or service within the previous twelve months. Participants were identified through professional networks, fintech communities, MSME associations, and relevant institutional contacts. Initial prospective participants were contacted directly and were included after confirming their eligibility and willingness to participate.

This study used primary and secondary data. Primary data were obtained through semi-structured, in-depth interviews conducted with the 15 informants. Semi-structured interviews were selected because they enabled the researchers to use a consistent set of core questions while allowing participants to elaborate on experiences and issues that emerged during the conversation. The interview protocol covered five areas: (1) participants' understanding and use of Sharia fintech; (2) perceived benefits and barriers to adoption; (3) the role of digital literacy, trust, and Sharia compliance; (4) the contribution of fintech to MSME financing and economic empowerment; and (5) regulatory, infrastructure, and mentoring needs.

Each interview lasted approximately 45–60 minutes and was conducted either face-to-face or through online communication platforms, depending on participant availability and location. With participants' consent, interviews were audio-recorded and subsequently transcribed verbatim. Field notes were prepared during and immediately after each interview to document contextual observations, preliminary interpretations, and issues requiring further clarification. Secondary data were collected from the National Survey on Financial Literacy and Inclusion (SNLIK), publications issued by the Financial Services Authority (OJK), Bank Indonesia reports, relevant regulations, and national and international academic publications. The literature review and documentation were used to contextualise interview findings, identify developments in the Sharia fintech ecosystem, and compare participants' accounts with official data and prior research.

Trustworthiness was strengthened through source triangulation and method triangulation. Source triangulation was implemented by comparing information obtained from four participant groups Sharia fintech stakeholders, MSME owners, regulators, and platform users. For example, statements from MSME owners regarding access to financing and business benefits were compared with explanations from fintech stakeholders concerning service mechanisms and with regulators' perspectives on consumer protection and Sharia compliance.

Method triangulation was conducted by comparing interview findings with secondary data from OJK and Bank Indonesia reports, regulatory documents, and peer-reviewed academic literature. This process enabled the researchers to assess whether participants' experiences were consistent with broader trends in Islamic financial literacy, inclusion, fintech development, and regulatory conditions. Member checking was also conducted by sharing preliminary summaries of the findings with selected participants and requesting confirmation, clarification, or correction of the researchers' interpretations (Moleong, 2017; Niam et al., 2024).

Data were analysed thematically using the interactive model of Miles and Huberman (2014), consisting of data condensation, data display, and conclusion drawing and verification. First, interview recordings were transcribed and read repeatedly to achieve familiarity with the data. Second, meaningful statements related to the research objectives were assigned initial codes. Examples of initial codes included access to capital, simplified financing procedures, digital literacy barriers, trust in Sharia compliance, platform transparency, internet limitations, regulatory protection, and business mentoring.

Third, codes with similar meanings were grouped into broader categories. These categories were then developed into five analytical themes: (1) Islamic financial literacy and digital capability; (2) adoption and accessibility of digital Sharia fintech; (3) economic empowerment through financing and Islamic social-finance instruments; (4) trust, Sharia compliance, and platform transparency; and (5) regulatory, infrastructure, and mentoring challenges. Fourth, the themes were displayed in narrative matrices to compare similarities and differences across participant groups. Finally, the themes were interpreted using the conceptual framework linking the digital economy, Sharia fintech, financial inclusion, and economic empowerment.

The conclusions were continuously verified by comparing the themes with interview excerpts, field notes, secondary documents, and relevant literature. This iterative process ensured that the findings were grounded in participants' accounts and supported by contextual evidence rather than based solely on the researchers' assumptions.

RESULT AND DISCUSSION

This study aims to analyze the role of digital fintech in strengthening the transformation of the Islamic economy and increasing community empowerment in Indonesia. The results are presented based on primary data from interviews with Islamic fintech stakeholders, MSMEs, regulators, and application users, as well as secondary data from official reports and academic literature. The analysis focuses on five main themes: (1) the level of Islamic financial literacy and inclusion, (2) the adoption of Islamic digital fintech, (3) economic empowerment through Islamic fintech, (4) implementation challenges and obstacles, and (5) synergy between digital fintech and Islamic economic principles.

Level of Sharia Financial Literacy and Inclusion

Sharia financial literacy and inclusion are showing an increasing trend, but remain relatively low compared to conventional financial literacy and inclusion. Based on the 2025

National Survey on Financial Literacy and Inclusion (SNLIK), sharia literacy reached 43.42 percent, while inclusion was recorded at 13.41 percent (OJK, 2025). Interviews with the public and sharia fintech users indicate that the majority understand the basic principles of sharia economics, but understanding of digital fintech products remains limited, especially in remote areas. Digital literacy is a major barrier to service utilization.

Community-based education programs and digital training are crucial for increasing public understanding of sharia fintech products. Regulatory informants stated that product socialization to the public is uneven, resulting in suboptimal literacy and inclusion. Literature studies emphasize that good literacy is a prerequisite for financial technology adoption and successful economic empowerment through fintech (Hakim & Nisa, 2024).

Table 1. Development of National Sharia
Financial Literacy and Inclusion in 2024–2025

Year	Islamic Financial Literacy (%)	Sharia Financial Inclusion (%)
2024	39,11	12,88
2025	43,42	13,41

Source: Data Processing 2025

The data above demonstrates improvements in literacy and inclusion, but significant gaps remain. This demonstrates the need for a more focused educational strategy, including guidance on the use of fintech applications and the dissemination of easily understood Sharia principles. Interview findings indicate that digital literacy shaped participants' ability to access and use Sharia fintech services. MSME owners and platform users who were familiar with smartphone-based applications reported that they could register accounts, upload required documents, monitor transactions, and access financing information more independently. In contrast, participants with limited technological experience described difficulties in navigating application features, understanding digital procedures, and assessing information related to financing terms and Sharia compliance. These differences suggest that digital literacy is an important enabling condition for meaningful Sharia financial inclusion, as access to a platform alone does not ensure that users can utilise its services effectively and sustainably.

Therefore, strengthening Sharia financial literacy and inclusion requires synergy between education, regulatory dissemination, and the provision of easily accessible technology. These efforts serve as a crucial foundation for the development of Sharia fintech in Indonesia.

Adoption of Sharia Digital Fintech

Sharia-compliant digital fintech has begun to be implemented in various financial services, such as peer-to-peer lending, crowdfunding, and e-waqf platforms. Interviews with business owners indicate that Sharia-compliant fintech enables MSMEs and the public to access capital more quickly and transparently than conventional banking. A Sharia-compliant profit-sharing system is a key advantage, building user trust while maintaining compliance with Islamic principles. Despite the significant potential, data shows fluctuations in funding disbursement. For example, Sharia-compliant fintech lending loans reached IDR 1.10 trillion in February 2025, but declined to IDR 840 billion in June 2025 (Kontan.co.id, 2025). This decline is related to stricter business feasibility evaluations and the MSME business cycle, ensuring that Sharia-compliant fintech remains oriented towards prudential principles and Sharia compliance.

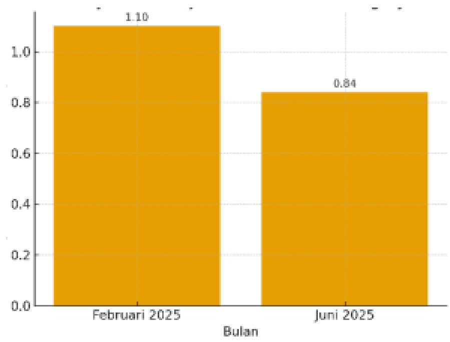

Figure 1: Graph of Sharia Fintech Lending Loan Disbursement in 2025

Furthermore, collaboration between Islamic banks, smart lending agents, and local communities is expanding the penetration of digital fintech services. Informants stated that ease of access, transparency, and security are key factors in selecting a Sharia fintech platform. This collaborative model enables communities in previously underserved areas to access Sharia financial services. However, adoption remains limited by digital literacy and limited infrastructure, particularly in rural areas. Some communities lack adequate devices or internet connections, resulting in uneven use of Sharia digital platforms.

Economic Empowerment through Sharia Fintech

Sharia-compliant fintech has proven to be a crucial instrument for economic empowerment, particularly for MSMEs and communities that have previously struggled to access conventional financing. Interviews indicate that Sharia-compliant crowdfunding and P2P lending services have helped businesses obtain additional capital previously unavailable through banking channels. This access to capital not only increases production capacity but also enables MSMEs to expand their marketing network to a wider area. With a profit-sharing system in accordance with Sharia principles, businesses feel more comfortable and confident in utilizing these services, as they do not violate their religious values. This makes Sharia-compliant fintech not merely a financial instrument but also a means of building socio-economic trust within the community.

Table 2. MSME Perceptions of the Impact of Sharia-compliant Fintech

Empowerment Indicators	Strongly Agree (%)	agree (%)	Neutral (%)
Access to capital increased	40	50	10
Revenue Growth	35	55	10
Increasing Human Resources Capacity	30	50	20
Wider Marketing Network	45	45	10

Source: Data Processing, 2025

The data above shows that the majority of respondents agreed that Sharia fintech improves access to capital, with 90 percent of respondents choosing the agree or strongly agree category. This finding indicates that Sharia fintech makes a significant contribution to increasing MSME capital, enabling them to expand their businesses and increase competitiveness. Meanwhile, the revenue growth indicator also shows a positive trend, with 90 percent of respondents agreeing or strongly agreeing. This demonstrates the direct impact of utilizing Sharia fintech on increasing business revenue, although a small proportion (10 percent) of respondents felt the impact was neutral or insignificant.

Digital Sharia instruments such as e-waqf or productive zakat also contribute to expanding the scope of economic empowerment. Digital platforms enable the distribution of capital assistance or Islamic social funds to be more efficient, accountable, and transparent. Interviews with platform managers indicated that real-time reporting systems make it easier for the public to track the flow of funds, thereby increasing accountability. Thus, the benefits of Islamic fintech extend beyond capitalization, but also to strengthening public trust in Sharia-compliant fund management. When accompanied by effective mentoring, the digitalization of zakat and productive waqf (zakat) can drive significant socio-economic transformation.

Mentoring recipients of Islamic fintech funds is a key factor in ensuring the program's success. Several MSME informants stated that funds obtained through fintech do not necessarily yield maximum returns without increased managerial capacity. Therefore, entrepreneurship training, financial literacy, and mentoring in business management are crucial. MSMEs that receive mentoring tend to be able to use capital productively, increase business assets, and improve human resource capacity. Conversely, recipients who lack training support risk using funds consumptively, resulting in a lack of significant impact on business growth.

In addition to its economic impact, Islamic fintech also contributes to social aspects. Through a transparent and Sharia-compliant fund distribution mechanism, fintech helps narrow the social gap between groups with access to finance and those who have been marginalized. The application of the profit-sharing principle encourages a fair partnership between fund providers and beneficiaries. This aligns with the core values of Islamic economics, which emphasize justice, willingness, and social welfare. Several cases found in the field demonstrate that Islamic fintech funds have been used to finance women's micro-enterprises, farmer groups, and local communities, thereby improving the welfare of families and the surrounding community.

Islamic fintech can create a multiplier effect in the local economy. The business capital obtained is used to increase production capacity, which in turn creates new job opportunities for the surrounding community. Thus, Islamic fintech not only benefits direct recipients but also creates a more dynamic business ecosystem. This aligns with the goal of Islamic economic empowerment, which is to improve collective welfare, not just individual welfare. However, despite its positive impact, significant challenges remain in the implementation of Islamic fintech. Low digital and financial literacy levels among some communities are major obstacles. Regulatory informants emphasized that many people still don't fully understand how Sharia-compliant digital applications work. This situation has prevented the potential of Sharia fintech from being optimally utilized, especially in rural areas. Furthermore, limited infrastructure, such as internet access and digital device ownership, also hinders the expansion of fintech services.

Therefore, regulatory support and outreach programs are crucial. Clear regulations can provide legal protection for Sharia fintech providers and users, while also building public trust. Meanwhile, education and outreach programs need to be expanded to the local community level to ensure the public understands the benefits and how to utilize Sharia fintech wisely. These educational efforts can take the form of community-based training, school-based Sharia financial literacy programs, and the widespread use of digital media to disseminate information. With strong regulatory support, increased digital literacy, and collaboration between the government, financial institutions, and local communities, Sharia fintech has significant potential to become a means of sustainable economic empowerment. Its presence can strengthen the position of MSMEs, expand

Sharia financial inclusion, and encourage more equitable social welfare. Therefore, the results of this study emphasize the importance of strengthening literacy, developing regulations, and business mentoring as three main factors that will determine the sustainability of the Islamic fintech ecosystem in Indonesia.

Synergy between Digital Fintech and the Sharia Economy

The integration of digital fintech with Islamic economic principles has created significant synergies in expanding financial access, improving service efficiency, and strengthening transparency in the economic system. Interviews with several Islamic fintech users in Jakarta and Bandung revealed that the public has greater trust in digital platforms that implement Islamic principles, as the profit-sharing system and Sharia compliance are considered fairer than the interest mechanisms of conventional institutions. Furthermore, fintech players emphasize that the combination of technology and Islamic principles not only increases user trust but also significantly expands the user base, thus encouraging financial inclusion across various segments of society that previously had difficulty accessing formal banking (Mutmainnah & Yuwana, 2024). This increased transparency in digital transactions also facilitates monitoring of fund flows, reduces the risk of misuse, and enhances the accountability of Islamic financial institutions (M. A. Y. Pratama, 2025).

Innovative products such as profit-sharing crowdfunding, Islamic peer-to-peer lending, and e-waqf platforms have become strategic instruments in community economic empowerment. Interviews with MSMEs in Yogyakarta indicate that access to capital through Islamic fintech enables businesses to increase production capacity, expand marketing networks, and significantly increase revenue. Secondary data indicates that Islamic fintech lending reached IDR 1.10 trillion in February 2025, and although this figure decreased to IDR 840 billion in June 2025, this still demonstrates the significant contribution of Islamic fintech in providing fast and efficient business capital (Kontan.co.id, 2025). Digital-based e-waqf and productive zakat also increase the distribution of social funds in a more equitable and accountable manner, maximizing the potential for economic empowerment when accompanied by good governance and mentoring (Alwi et al., 2023).

The successful integration of digital fintech and the Islamic economy depends heavily on education, mentoring, and clear regulations. Interview findings indicate that digital literacy and an understanding of Islamic economic principles are key factors in enabling the public to optimally utilize fintech services. Previous research confirms that sound financial literacy is a key prerequisite for financial technology adoption and successful economic empowerment through Islamic fintech. Adaptive regulations and adequate legal protection are also crucial for building public trust and encouraging the sustainable growth of the fintech ecosystem.

The synergy between digital fintech and the Islamic economy provides opportunities for new market segmentation, particularly for the younger generation, who are more responsive to digital services. Quantitative studies show that millennials and Gen Z have a high propensity to adopt Islamic digital applications, enabling faster adoption of technology- and Sharia-compliant product innovations (Nabila & Fasa, 2025). Thus, Islamic fintech is not only a financing alternative but also a means of socio-economic innovation, adapting services to user needs and digital market trends. This approach requires adequate governance and monitoring to ensure service expansion remains safe, efficient, and compliant with Sharia principles.

The findings of this study confirm that the success of Islamic fintech requires a holistic approach that combines technology, digital literacy, regulation, and economic empowerment strategies in an integrated manner. Integration of digital platforms with Sharia-compliant instruments, regulatory support, and community capacity building are key to ensuring fintech's sustainability and positive impact on public welfare (Fauzi, 2019). Furthermore, strengthening digital literacy and education on Sharia principles must be continuously carried out to enable the public to maximize the use of services, thus enabling Sharia fintech to play a role in driving financial inclusion and sustainable economic empowerment in Indonesia.

CONCLUSION

Based on the research analysis, it can be concluded that digital fintech has become an important catalyst in accelerating the transformation of the Islamic economy in Indonesia. Sharia-based digital financial services, including peer-to-peer financing, profit-sharing crowdfunding, and digital waqf platforms, not only provide alternative access to capital but also strengthen transparency, accountability, and public trust in the Islamic financial ecosystem. This study contributes novelty by highlighting that the success of Islamic fintech adoption is not solely determined by technological availability but also by the interaction between digital literacy, Islamic financial understanding, and institutional support. The findings extend previous discussions on financial inclusion by emphasizing that Islamic fintech functions as a socio-economic empowerment mechanism that integrates technological innovation with Islamic economic values.

Theoretically, this study contributes to the development of Islamic fintech literature by proposing a more holistic perspective in which technology adoption, financial literacy, and Sharia principles collectively influence the sustainability of digital Islamic financial services. This perspective strengthens the understanding that fintech transformation within the Islamic economy requires not only technological readiness but also social and religious acceptance. Practically, the findings imply that policymakers, fintech providers, Islamic financial institutions, and educational institutions need to strengthen digital and Islamic financial literacy programs, develop inclusive fintech regulations, and provide business assistance for MSMEs and underserved communities. Such collaborative efforts are essential to ensure that Islamic fintech can effectively support economic empowerment and sustainable development.

Future research is recommended to examine empirical models of Islamic fintech adoption across different demographic groups and economic sectors. Further studies may also explore the role of artificial intelligence, digital trust, and regulatory innovation in enhancing the effectiveness and sustainability of Islamic fintech ecosystems in Indonesia.

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