Linkage of Sharia Banking and Sharia Fintech to Support the Sustainable Development Goals Program

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ABSTRACT

Background In addition to Sharia banking, Islamic finance includes an Islamic financial institution called Sharia Fintech, which is currently under development and whose asset size will reach 128.87 billion rupees in March 2023. Both institutions can have synergistic effects in supporting various economic activities. If all this time Islamic financial institutions stand and run individually, then through synergy it will be easy to achieve goals and contribute to the economy and development.

Purpose. This study aims to explain the development of Islamic banking and Islamic fintech in Indonesia, and forming relationships between Islamic banks and Islamic fintech in support of the SDGs.

Method. The research method used is a literature review using qualitative methods. The data source used was secondary data, which was processed from existing data. Data collection used the Financial Services Authority's data library and other data relevant to the research topic. We used descriptive qualitative methods to analyze the data and described the development of Islamic banks, the development of Islamic fintech, and the form of collaboration between Islamic banks and Islamic fintech in supporting the SDGs.

Results. According to the study, in the development of Islamic banking, from December 2020 to March 2023, assets increased by 33.61% and the number of customers increased by 35%. For Islamic fintech, assets increased by 72.56% during the same period, while Sharia fintech players decreased by 30%. The form of collaboration between Islamic banks and Islamic fintechs can become partners that point the way to financing, especially in the micro-segment.

Conclusion. Fintech has the advantage of flexible access, allowing Islamic financial institutions to store funds and distribute finance. Customers who cannot be reached by banks can access Shariah-compliant fintech services. The interconnection of the two can foster economic activity, especially under the SDG agenda: poverty reduction, wealth creation, decent work, economic growth, inequality reduction, and partnership for the goals.

KEYWORDS
Sharia Fintech, Sharia Banking, Sustainable Development Goals

INTRODUCTION

The national economy needs a system of Islamic financial institutions (IFIs), especially in the issue of capital available to develop the attractiveness of buying, selling, and promoting enterprises in the national economy. In need of. The formation of such IFIs is possible because they are driven by citizens' needs in the system of capital used to advance business. The financial need problem experienced by many people is actively addressed by those who lend a portion of their funds for the economic capital of
society. The funds lent to customers are generated from the MFI's funds or from the funds of customers who have deposited their funds with the MFI. (Katman & Firawati, 2021).

In an Islamic economy, several instruments of financial institutions can be used as social safety nets and can be distributed to the needy in the form of Zakat, Infaq, Shadak and Waqf (ZISWAF). In the context of MFIs and SMEs, ZISWAF can also be a solution to the problem of limited financial access faced by MFIs when providing financial services to SMEs. MFIs with ZISWAF can provide an outlet to meet the basic needs of society as consumers and can cover the basic investment needs of small and medium-sized enterprises. Sustainable financing that is not too expensive can maximize the financial needs of the real sector in the long term. IFIs with ZISWAF funds can then collaborate with Zakat management organizations (Baznas and Laznas) to provide an outlet to meet the basic needs of society that is consumptive and can cover the basic needs of small and medium-sized enterprises' investment. A suggestion for further research is to clarify the extent to which the presence of Islamic financial institutions influences poverty reduction and economic growth. (Marlina & Biki Zulfikri Rahmat, 2018)

The incentives for Islamic financial institutions to strengthen the SME sector are higher than for conventional banks. This is because Islamic values are used as principles, and the element of protection of the weak (mustadh'afin) comes to the fore. In addition, there is an Islamic tenet that Sharia economic activists should take note of, namely the principle of "likay laa duulatan baina aghniyaa-i minkum," that "wealth does not circulate among the rich" (QS Al Hasyr: 7). In the future, it will be possible to provide loans to disadvantaged small and medium-sized enterprises based on these Islamic values. This is already being done by Islamic financial institutions. Some Islamic financial institutions organize small and medium-sized enterprises into several groups. Islamic financial institutions organize borrowers and provide support in the form of concessional loans. Its purpose is to strengthen the business planning capabilities of small businesses. In this way, Islamic financial institutions can act as partners for small and micro enterprises, easily providing capital assistance as well as guidance and empowerment at the grassroots level. (Muheramthadi, 2017)

The contribution of Islamic economics and finance to Indonesia's post-pandemic economic recovery. First, there is a strong synergy between Islamic economics/finance and the government in rebuilding the national economy. Second, to play a role in supporting the sustainability of Shariah businesses through Shariah economic empowerment based on partnership principles, both in Shariah MSMEs and Islamic Boarding School Economic Units. Third, the role of Islamic financial institutions should be maximized and Islamic social finance should be optimized. (Ni’mah, 2022)

The role of Islamic finance in supporting economic recovery: increasing productivity, financial stability, and sustainable and inclusive growth. This forum aims to promote the development of Islamic finance by covering the basics, applications, models, Islamic business issues, and Islamic financial products of Islamic finance in the economic recovery period after the Qowid-19 pandemic and in the future economic recovery period. It is a place for discussion. Over the past decade, Islamic finance has surpassed traditional financial markets and become one of the fastest growing sectors of the global financial industry. The World Islamic Economy Report (2020 Edition) estimates that Islamic financial assets increased by 13.9% in 2019 from $2.52 trillion to $2.88 trillion. Additionally, Islamic finance in Indonesia is likely to see positive growth in 2021 amid the pandemic and in line with rising global trends. On the banking side, in May 2021, Sharia banking assets increased by 15.6% (year-on-year) to reach $598.2 trillion. “As an emerging market, Indonesia continues to innovate in financial products, whether it is environmental initiatives or its belief in Sharia. The government believes that the practice emphasizes Islamic principles and values
such as fairness, and that the sector has great potential for development. In addition to the principle of fairness, the potential of Islamic finance can also be seen in Islamic capital markets, with the number of investors increasing in the first three months of 2021. As of July 2021 alone, Indonesia's sovereign sukuk has reached Rp 1,076.1 trillion, an increase of 10.75% (compared to the same period last year), and is expected to continue to grow. In the international market, Indonesia is one of the main participants in Sukuk issuance in the world. Also, Sukuk (national policy) has proven to be a reliable source of financing, with 3,447 sukuk issued between 2013 and 2021. Indonesia has new financing options through sukuk and blended finance, such as cash waqf linked sukuk (CWLS) and green sukuk. There is a huge opportunity to develop and optimize the Islamic financial market. (Indrawati, 2021)

This research needs to be done as a form that Islamic finance does not stand alone in its activities but can linkage so that the role and contribution and ease in realizing development in a sustainable manner. linkage can be built among Islamic financial institutions or with other institutions to support the economy properly. If previously many moved independently, it is time for Islamic financial institutions to synergize to support SDGs.

In general, financial institutions play an indispensable role in modern economies because they play the role of mediating between groups with surplus funds and groups in need of funds. Islamic financial institutions refer to institutions, whether banks or non-banks, in which the spirit of Islam exists in both services and products, and which are supervised by an organization called the Sharia Supervisory Board. Based on this understanding, it can be concluded that Islamic financial institutions encompass all aspects of finance that take place outside banking operations, such as banking and co-financing, corporate collateral, and insurance. Islamic financial institutions are fundamentally different from conventional financial institutions in their objectives, structure, authority, scope of activities, and responsibilities. Each institution of Islamic financial institutions is an integral part of the Islamic system. Islamic financial institutions are designed to assist the Islamic community in achieving its socio-economic goals. In the concept of Islamic financial institutions, many non-Muslim customers are actually users and customers of Islamic-based financial institutions and Islamic banks. This phenomenon should motivate Muslims to make greater use of Islamic financial institutions in their lives and economic activities. (Mensari & Dzikra, 2017)

Islamic financial institutions are part of the currently developing Islamic economic system, and in their activities IFIs have many instruments to support the existing economic system. Since the Islamic economy mainly encourages the activities of the real sector, the existence of the financial sector is in the context of supporting the economic activities of the real sector. IFI's various instruments and institutions work to stimulate economic activity. Islamic financial institutions are banks and non-bank Islamic financial institutions that handle a wide range of products, but all of them aim to fulfill the LCS role of promoting activities in the physical sector. This includes Sharia financial institutions that have a social nature and aim to improve living standards. The synergy of all IFIs can play a role in supporting many government programs, especially those related to economic activities. For example, IFIs can support several government programs to achieve the Sustainable Development Goals (SDGs). This also includes MFIs in the form of Shariah banking, which have various functions and products that can contribute to the SDGs. We also expect to see an increase in MFIs that can support many government interventions like the SDGs, including new MFIs in the form of Shariah FinTech institutions that can play a role in supporting the SDGs. This includes when MFIs synergize support for the SDGs with their respective business models and activities.
The Sustainable Development Goals (SDGs) aim to end poverty and hunger, fight inequality, protect nature and the resources it contains, and enable sustainable and equitable economic growth. Sustainable Development Goals (SDGs) as a development program aimed at meeting the needs of the present without compromising the ability of future generations to meet their needs. The Sustainable Development Goals are considered more valuable or better than the Millennium Development Goals. Riau province needs to adjust its development of the SDGs, and the local government needs to pay attention to the goals that are still behind, as well as the strategic guidelines of the Sustainable Global Development Goals (Handrian & Andry, 2020).

Sustainable Development with Environmental Dimensions, or Sustainable Development Goals, are goals set by world leaders to reduce poverty and inequality and stem the effects of global climate change. It is an agreed policy program framework. The Islamic concept is unilateral/sustainable to the goals of the SDGs. Islam also proposes fighting poverty through zakat, fasting, and simple living, giving equal rights to women and men, emphasizing that there is no equal status between them, and managing the environment wisely. It enjoins people to maintain the balance of nature. Mobilizing the Islamic masses to support the achievement of the SDGs, as a form of devotion to Allah, is a challenge for governments, social organizations, and academics in the dissemination of the SDGs (Humaida et al., 2020).

One of the financial instruments being developed is the Green Sukuk, which is an innovation in the field of environmental finance. namely, the protection of religion (hifdzu ad-din), the protection of the soul (hifdzu al-nafs), the protection of the heart (hifdzu aql), the protection of descendants (hifdzu al-nasl), and the protection of property (hifdzu al-maal). The potential for green sukuk issuance can also be seen in the fact that investors are becoming increasingly aware of the importance of environmental protection. The involvement of influential parties such as governments and the United Nations in the development of green sukuk shows the potential of this instrument. The difficulty in issuing green sukuk is that it involves sophisticated, new and complex technology, and therefore is highly risky. Furthermore, since green sukuk involve large amounts of capital, they are not simple operations and require checks and balances and appropriate management. (Fitrah & Soemitra, 2022)

Religiosity, faith, and perceived behavioral control have a positive and significant relationship with intention to donate through online platforms. Furthermore, in terms of specific categories of SDG programs, the community sector has the highest priority, followed by the prosperity and peace sector. (Tumewang et al., 2021) The presence of the Islamic economy and its components plays an important role in achieving the Sustainable Development Goals (SDGs), prosperity and poverty alleviation. Islamic banks, as intermediaries that collect and channel funds, can contribute to the SDGs. Furthermore, it can contribute to the SDGs through the Shariah Non-Bank Financial Industry (IKNB Syariah). Through IKNB’s various Shariah products, societies can easily access Shariah-based finance, enabling them to obtain additional capital and leverage access to investments. The role of social institutions in the collection and socialization of Zakat, Infaq, Shadak, donations and other social instruments is highly conducive to the implementation of the SDGs. Through social institutions, wealth distribution can be achieved as part of efforts to overcome poverty and distribute income equally. Show consideration for your neighbors. (Trimulato & Rahmatia, 2020)

It is certain that both the implementation managers and implementation supervisors have received positive responses from the relevant communities regarding the implementation of this SDGs program. The community is very enthusiastic about the volunteers responsible for the implementation of the SDGs program, as they hope that the implementation of this SDGs program...
is one of the steps to get out of poverty and reap its benefits. Be cooperative. The first step for village governments to implement the SDGs is data collection and mapping. Steps to eradicate poverty have already been taken, but we do not yet know how to optimize them. (Nawir et al., 2022)

Islamic economics can play a transformative role in supporting the implementation of Sustainable Development Goals (SDGs) programs. The SDGs are freedom from poverty and hunger, healthy and prosperous lives, quality education, gender equality, clean water and adequate sanitation, clean and affordable energy, decent work and economic growth, industry, and innovation. and infrastructure, reducing inequality, sustainable cities and communities, responsible consumption and production, combating climate change, marine ecosystems, terrestrial ecosystems, peace, justice, and sustainable institutions, achieving the goals. It consists of 17 goals, including partnerships. (KNEKS, 2019)

Based on the above explanation, researchers believe that a more detailed examination of the role of Islamic financial institutions (IFIs) in supporting SDGs is necessary. For example, in the form of the relationship between Sharia Banking and Sharia FinTech's respective business mechanisms in supporting the SDGs. While Shariah banking is constrained in its operations by directional finance limited to time and place, non-Shariah Islamic financial institutions in the form of peer-to-peer Shariah fintech are able to conduct business from a more flexible time and place. It has the advantage of being flexible. The synergy between Sharia banking and Sharia fintech will open up greater access for businesses, especially in terms of raising capital to the public. In this way, the combination of Sharia banking and Sharia fintech can support several points of the SDGs program.

**Sustainable Development Goals (SDGs)**

The SDGs make eliminating poverty a top priority. This means the world has agreed to eliminate poverty in all its forms in all parts of the world, including Indonesia. Poverty eradication is closely linked to other global goals such as a world without hunger, health and well-being, quality education, gender equality, clean water and sanitation, and clean and affordable energy. Demonstrates the importance of partnerships to achieve goals. The concept of SDGs was born at the United Nations Conference on Sustainable Development held in Rio de Janeiro in 2012. The goal set at this conference was to obtain universal common goals that can support the balance of the three dimensions of sustainable development: environmental, social and economic. In order to maintain a balance between these three dimensions of development, the SDGs have five pillars: These are people, planet, prosperity, peace and partnership, which will enable us to achieve the three noble goals of 2030: eradicating poverty, achieving equality and tackling climate change. Poverty remains an important and major problem apart from the other two outcomes. (Ishatono & Rahiarjo, 2016)

Given the increasing number of SDG targets as well as the increasingly high achievement rates, hard efforts are required from all stakeholders. On the other hand, according to the Bappenas report, of Indonesia's 67 SDG indicators, 49 were achieved and 18 were not achieved. This indicates that there are obstacles to achieving the indicators. In the era of the SDGs, they should be completely abolished and become inclusive, allowing everyone to participate, so further efforts are needed. The SDGs/TPB are global development commitments that will be realized through the development of countries and regions. National and local governments have taken many steps to integrate SDG targets and indicators into regional development. According to Article 15 of Presidential Decree (PDP) 59 of 2017 on the implementation of the Sustainable Development Goals (SDGs/SDC), “To achieve the region's SDG goals, the Governor shall Develop five annual SDG RADs with the regents/mayors of each district, with the involvement of the government, academia,
and other stakeholders. Thus, state governments are required to prepare regional action plans (RAPs) for the SDGs, including various relevant elements, together with district/city governments. (Sofianto, 2019)

Realization of SDGs that will achieve economic growth without destroying the environment in the future. From the perspective of Islamic economics, it is possible to realize the SDGs in Indonesia. This is clear from the results. Measured through several models tested, the DPF of Islamic banks was shown to always have an impact on poverty reduction. This means that if more Islamic financial DPFs are provided in the form of loans and quality loans, poverty will be reduced. This is in line with the principle of Islamic banks’ existence, which is not just about profit-seeking but also has a social orientation of reaching out to as many poor people as possible. Thus, sustainable development is development that utilizes procedures that pay attention to the sustainability, capacity, and functioning of the components of the natural environment in ecosystems to sustain current and future development. Sustainable development thus involves meeting people's needs by increasing productive capacity while ensuring equal opportunities for all. (Perawati, 2018)


Financial technology (FinTech) is the combination of financial management and the use of technology systems. FinTech is attracting attention in society because it provides many services that make life convenient from a financial perspective, such as being used by cooperative financial institutions, banks, and insurance. To make Indonesia the largest digital economy in 2024, the government, as Indonesia's economic regulator, will ensure that all Indonesians living in rural and remote areas across the country can feel the positive effects of technology in the future. It is necessary to Today's technology relationship is closely tied to the presence of the Internet as the primary means of access. The presence of fintech can be one of the driving forces behind the movement to improve financing for MSMEs, especially those in low- and middle-income societies. The development of digital technology, including in the Islamic finance industry, can no longer be stopped. Thanks to financial technology (FinTech), all forms of transactions are becoming faster, easier and more efficient without the need for face-to-face meetings. The emergence of fintech cannot be separated from the advancement of innovation. To finance this financial concept, a startup (new entrepreneur) needs to build a business. (Rahmawati et al., 2020)

All Sharia fintech transactions use technological systems, financing transactions are in accordance with Sharia principles, and collusion contracts are considered valid if the parties follow
Sharia when transferring ownership. The development of Sharia-compliant fintech, which is still a novelty in Indonesia, presents major future development opportunities for Indonesia's predominantly Muslim society. The need to develop policy instruments that protect both Sharia FinTech operators and the safe use of accountable information technology in online loan issuance, as well as the need to protect the rights of consumers as subjects of financial services. Sexuality should continue to be updated with the development of technology, including the socialization of digital literacy related to the existence of safer Shariah financial technology services that do not involve profit. It is hoped that the next study will provide a deeper analysis of the activities of Sharia FinTechs, which are truly developing Sharia financial businesses in accordance with the guidance of the Quran and Hadith. (Winarsih, 2022)

Leveraging Islamic financial technology (Fintech) from an Islamic economic perspective means that Islamic Fintech not only has an Islamic economic foundation, but also a clear and already existing legal framework. It is contained in POJK No. 77/POJK.01/2016 and related laws, in particular Law No. 8 of 1999 on Consumer Protection (UUPK) and Government Regulation No. 82 of 2012 on Electronic Systems and Trading Operators (PP PSTE). These are derived from Law No. 11 of 2008 on Information and Electronic Transactions (UU ITE). These regulations and laws, upon close examination, have been found to be relevant and interact with the Islamic economy, which aims to ensure the welfare of consumers. (Salsabila et al., 2023)

An understanding of Shariah-based financial technology (FinTech) in SME financing for customers can be found in the Financial Services Agency Regulation No. 77/POJK.01/2016 of 29 December 2016 on information-based lending and borrowing services. Challenges for Shariah-based fintechs to lend to small and medium-sized enterprises include limited licensing and moving processes from manual to automated. Digital finance processes require long lead times. The advantages of financing SMEs through Sharia FinTech are the simplification of the systems used by SMEs and their customers to apply for loans, and the convenience of financial services and transactions. For banks, every customer who visits the bank will be familiar with the bank's innovative technology, making the system more accessible to customers and rapidly expanding the For customers who are new to evolving financial technology, more education is desirable. (Junaidi, 2021)

Sharia banking, which supports halal SMEs, does not effectively reach out to halal entrepreneurs, with offices and ATM networks still difficult to access, and promotion by Sharia banking lacking. On the other hand, the potential of Sharia banking itself is interesting to provide specialized financial products for halal SMEs and to change the general perception that Islamic banks are inclusive rather than exclusive banks. By planning events, you can actually innovate. (Novitasari, 2019) The integration of Sharia banking and Sharia fintech in developing small and medium-sized enterprises should be piloted to improve financial access for communities. A form of integration between Sharia banking and Sharia fintech can be piloted by prioritizing the use of results-oriented schemes that can implement Mudaraba or Musiyarakah contracts. Small businesses need easy access to technology services. Integration in the form of cooperation to empower small and medium-sized enterprises. (Kamaruddin et al., 2021)

The main opportunity for fintech in sharia banking in Lamongan is that the majority of Lamongan's residents are Muslim. Considering the characteristics of Zakat, Infakah and Shadakho, it is important to attract the attention of the Muslim community of Lamongan. Sharia-based fintech offers a solution for Muslims who want to disconnect from the traditional financial system. On the other hand, the biggest challenge in implementing Sharia FinTech banking is that it is difficult to develop Sharia banking in Lamongan, where conventional banks are currently developing. In
Lamongan, traditional banks still dominate the community's financial activities. This has an impact on how well-known Sharia FinTech banking is among the people of Lamongan. (Abadi et al., 2020)

The Islamic economy has a role to play in supporting the realization of the SDGs in Indonesia through all existing product ecosystems. Starting with financial products, various halal food and beverage products, and Islamic entrepreneurship, the SDGs include 17 goals such as living without poverty, living without hunger, healthy and abundant food and beverages, and Islamic entrepreneurship. There is. The SDGs include no poverty, no hunger, healthy and prosperous lives, quality education, gender equality, clean water and adequate sanitation, clean and affordable energy, decent work and economic growth, industry, Innovation and infrastructure, reducing inequality, sustainable cities and communities, responsible consumption and production, combating climate change, marine ecosystems, terrestrial ecosystems, peace, justice, and sustainable institutions, achieving the SDGs Contains 17 goals including partnerships for The role of Islamic economics in achieving the SDGs in Indonesia is that the characteristics present in Islamic finance, such as social capital and a non-speculative nature, are suitable for achieving the SDGs. In addition, there are contracts in Islamic finance, especially in the agricultural sector, such as mudarabah, mujarakah, muzarah, murabaha, and ba’ai salam, as well as Shariah-based businesses that deal in halal food and beverages and Islamic entrepreneurs who enter into various Shariah contracts. For example, salam and ijarah in franchising, mujarakah, muzaraha, musaka, and murabaha in livestock and agriculture contribute to the SDGs. (Latifah, 2022)

RESEARCH METHODOLOGY
The type of research used in this study was a literature review. The data source used in this study is secondary data. The data used from December 2020 to March 2023 was obtained from the Financial Services Authority (OJK) Processing data provided by specific institutions and institutions based on these data. This study utilized data from the Financial Services Authority (OJK) and other sources relevant to the research topic. The method of data collection in this study is to work with literature from various relevant sources from identified institutions, journals, books and other sources. The data analysis method used in this study is descriptive: the development of Islamic fintech, then the development of Islamic banking, and the development of Islamic banking and Islamic fintech in supporting the Sustainable Development Goals (SDGs). Describe the shape of the relationship. If there is a system of interaction between Islamic banks and Islamic fintech institutions, the needs of the general public can be reached and met, improving the standard of living of the general public and supporting some of the SDG programs

RESULT
Development of Sharia Fintech

<table>
<thead>
<tr>
<th>No</th>
<th>Types</th>
<th>December 2020</th>
<th>March 2023</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assets of Conventional Fintech</td>
<td>3,636,486,269,415</td>
<td>6,259,588,906,793</td>
<td>72.13</td>
</tr>
<tr>
<td>2</td>
<td>Players of Conventional Fintech</td>
<td>139</td>
<td>95</td>
<td>-31.65</td>
</tr>
<tr>
<td>3</td>
<td>Assets of Sharia Fintech</td>
<td>74,677,072,106</td>
<td>128,865,946,974</td>
<td>72.56</td>
</tr>
<tr>
<td>4</td>
<td>Players of Sharia Fintech</td>
<td>10</td>
<td>7</td>
<td>-30</td>
</tr>
</tbody>
</table>

Source: Financial Services Authority (Fintech Lending Statistics March 2023. (Processed)
The above data shows the development of Sharia FinTech from December 2020 to March 2023. Sharia fintech assets increased by 72.56%, in contrast to Islamic fintech, which grew by almost the same amount at 72.13%. Namely, the assets of traditional fintech companies lag far behind those of sharia fintech companies, as the number of traditional fintech companies outnumber the number of sharia fintech companies. Furthermore, the number of fintech players, both sharia fintech and traditional fintech, is decreasing. Sharia fintech decreased by -30% and traditional fintech decreased by -31.65%. However, traditional fintech participants are more numerous than Sharia fintech participants. As of March 2023, there are 95 traditional FinTech participants, while only seven Shariah FinTech participants have been established.

Although the development of Islamic fintech in Indonesia still offers ample opportunity, regulatory relaxation is needed to allow Sharia fintech to further develop and minimize the rapid growth of illegal fintech, proper infrastructure, and socialization of sufficient understanding of Islamic finance. The Covid-19 pandemic has blessed the development of fintech in Indonesia, especially Sharia fintech at a time when people are shrouded in economic uncertainty. Fitech Syariah provides solutions for digital financial innovation, where transactions become simpler and people can consult without physically meeting.(Yudhira, 2021)

In Indonesia, the development of fintech and financial technology is progressing rapidly. Fintech Syria's innovations are adding glamor and latest trends to this financial technology. Fintech Shariah is a combination of financial management through technical systems based on financial accounting information that does not deviate from Shariah economic principles. The very existence of Sharia fintech is a concern for Indonesians, as this technology has many service capabilities that facilitate Islamic financial institutions and enterprises such as cooperative financial institutions, banks, and insurance. Shariah fintech will make all financial transactions efficient, fast and simple, eliminating the need for face-to-face transactions. Furthermore, Sharia FinTech innovation is a manifestation of the development of accounting information systems, supported by the presence and role of accountants and bookkeepers. The presence of accountants in the implementation of Sharia FinTech can support economic activities in Indonesia, especially in the Muslim community. Meanwhile, the innovation of Sharia FinTech technology in the development of accounting information systems shows the willingness to welcome technological advances in Indonesia. (Lusiana et al., 2021)

**Development of Sharia Banking**

<table>
<thead>
<tr>
<th>No</th>
<th>Components</th>
<th>December 2020</th>
<th>March 2023</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Assets</td>
<td>598,948</td>
<td>793,599</td>
<td>33,61%</td>
</tr>
<tr>
<td>2</td>
<td>Third-party funds</td>
<td>465,977</td>
<td>628,568</td>
<td>34,89%</td>
</tr>
<tr>
<td>3</td>
<td>Financing</td>
<td>385,012</td>
<td>504,561</td>
<td>31,05%</td>
</tr>
<tr>
<td>4</td>
<td>Number of Customers</td>
<td>30,537.385</td>
<td>41,381.022</td>
<td>35,50%</td>
</tr>
<tr>
<td>5</td>
<td>Number of Offices</td>
<td>2,426</td>
<td>2,383</td>
<td>-1,77%</td>
</tr>
</tbody>
</table>

Source: Financial Services Authority, Sharia Banking Statistics March 2023. Processed *In billions of Rupiahs

Based on the above data, judging the development of Islamic banking from December 2020 to March 2023, some components of Islamic banking are very well developed, and the assets of Sharia banking increased by 33.61% did. Other components such as third party funds (DPK) increased by 34.89%. The number of Sharia bank offices decreased by 1.77% as some Sharia banks closed their offices and chose to develop their digital business. The number of Sharia Banking
customers also showed a huge increase of 35.50%. Sharia banking financial products also showed a growth of 31.05%. In the future, Sharia banking will continue to grow with the introduction of digital services. In addition, the number of participants in Sharia banking will continue to increase due to the high level of interest among the public in Sharia banking products.

Sharia banking practices in Indonesia have witnessed record growth in the number of Islamic commercial banks, number of Islamic business units, number of BPBS and their office network, number of DPKs, loan issuance and assets. This is very encouraging. However, this development has not been without various related factors and challenges as mentioned above. This indicates that active efforts by all stakeholders in the Islamic finance industry are needed to support the development of Shariah banking in Indonesia. More effective development requires comprehensive efforts by practitioners, academics, and associations. Continuing awareness programs in the community There is a need to continue activities that arouse public interest and commitment in using Sharia banking products and services. However, it is understood that these activities are a cost center for Islamic banks. So far, outreach activities on Shariah banking have been supported by Bank Indonesia through the iB Campaign Program, through media (social advertising), Shariah exhibitions, and holding seminars and workshops. With the regulation and supervision of the banking sector (including Shariah banking) transferred to the Financial Services Authority (OJK), Bank Indonesia's role in this matter will be reduced. (Nofinawati, 2015)

Shariah banking was born out of society's need for Shariah-compliant banking products. Islamic banking has grown and developed in the process. However, there are many challenges facing Indonesia's Islamic banking industry. Especially after the three banks merged into one big force: Bank Indonesia Sharia. Issues that need to be addressed in order to increase the growth rate of Islamic banking and maintain its acceleration at a sustainable level, including the existence of both quantitative and qualitative human resource disparities that are not well established in Islamic banking in Indonesia, etc. The development of Islamic banking products and services that are considered to be less innovative and competitive than conventional banking services in Indonesia, low public literacy regarding Islamic financial institutions, and low knowledge of Islamic financial institutions in Indonesia. It is. The way religious courts resolve disputes over Shariah-compliant financial transactions is also considered insufficient. Differences in understanding of the Fiqh Muammar school in several countries have led to differences and conflicts in product harmonization at national and global levels. (Rachman, 2022)

The development of Shariah banking in Indonesia will optimize the utilization of substantial economic resources in Islamic financial institutions. Indonesia, which has the largest Muslim population in Southeast Asia, is currently experiencing rapid growth in its Islamic economy. Shariah Banking adheres to the principles in conducting its business activities. Macroeconomically-minded Bank Indonesia provides wide access to macroeconomics. This is supported by the government issuing the National Sharia Economic and Financial Committee (KNEKS) regulations to strengthen the growth of the Islamic economy under Executive Order No. 28 of 2020, based on three pillars: ing. Second, deepen the Islamic financial market and increase the sources of Islamic finance for the economy. Thirdly, "strengthening research, evaluation, and education" is aimed at increasing literacy and general public understanding of Islamic economics and finance. There is no doubt that the development of Islamic economy and Islamic finance in Indonesia requires the full support and synergy of all elements, including regulators, practitioners, academics, and society at large. At present, the Islamic finance ecosystem is classified as being able to exhibit good connectivity across all sectors and Islamic financial institutions. For example, in real fields such as the halal industry (halal tourism, halal food and beverages, pharmaceuticals, cosmetics, clothing) and the environment
surrounding Islamic finance, the number of offices is increasing and showing significant growth. (Masruron & Safitri, 2021)

DISCUSSION

Linkage Between Sharia Banking and Sharia Fintech to Support SDGs Programs

The role of Islamic Financial Institutions (IFIs) is to facilitate efficient operation and optimal growth of the business sector. The existence of Islamic financial institutions facilitates appropriate asset allocation. Wealth is not only accumulated and felt by certain parties, but can also be distributed so that it can be enjoyed. In this way, the disparity between property owners and subordinates can be appropriately shared. The process of distribution in the Islamic economy can take place at both the social and commercial levels. Socially, wealth is distributed in the form of zakat, infaq, waqf, and shaddaq. Commercial distribution can take place through various schemes, including the role of Sharia financial institutions. Whether it is a sharia financial institution, a sharia bank, or a financial institution other than a sharia bank. Even Sharia banks can develop synergies and develop partnerships with Islamic financial institutions. The relationship between Sharia Banking and Sharia FinTech institutions will support each other to do business and stimulate the development of the real sector. Sharia banking plays a role in financing, but access to a wide range of individuals is limited, and there are restrictions on working hours, time, and location. On the other hand, from the perspective of business development, Sharia FinTech institutions operate under a broader system, as they prioritize technology without face-to-face contact between the parties issuing funds and those receiving funds. provides opportunities for flexible access to the public. Various interconnections and synergies can be realized between Sharia banking and Sharia FinTech, contributing to the development of the business sector and contributing to the economy, including the growth of small and medium-sized enterprises.

A possible form of collaboration between Sharia Banking and Sharia FinTech is the distribution of funds. Customers who do not have access to sharia banking can be moved to sharia fintech institutions. Financial institutions that do not have access to Shariah banking services can use Shariah Fintech services online without being constrained by time or location. The use of Shariah banking products can be accessed through Shariah FinTech services, including investment products. Risk and caution are maintained and services are well supported. Sharia fintech consumers who have limited access to Shariah products will be able to take advantage of FinTech products with the best services. All sharia fintech consumers are required to use a sharia bank account. When it comes to lending, especially to small and medium-sized enterprises, fintech institutions can directly investigate the living conditions of consumers, and Sharia banks can also monitor and obtain complete information. This creates closer ties in supporting each other in providing funding, making funding more productive. Sharia banks with excess liquidity and excess third-party funds can join forces to obtain productive financing channels. Profit sharing schemes can utilize both mudarabah and musiyarakah as mechanisms. Another link in the collection and distribution of social funds is the use of technology services. Sharia banking social funds can be provided through Sharia fintech and vice versa, and synergies can be expected in terms of social financing, including the distribution process.

The scheme and procedure for financing the Linkage Program through BSM Salatiga's Executive Scheme is relatively simple and easy to understand for customers of Linkage Institutions. This is very useful for customers as a second institution to intermediate funds, and for end users who wish to raise funds who are located far away from Bank Syariah Mandiri, or by linkage institutions who want to simplify the financing process. End users who wish to raise funds through
this service will be satisfied. (Dapta, 2012) The Linkage Program is a program that connects banks and micro, small and medium enterprises through microfinance institutions. The weakness of the linkage program is the regulatory aspect, which is scattered among various regulations, and there are also obstacles related to Shariah compliance, especially for Islamic financial institutions. This study analyzes the cooperation program of Islamic financial institutions in Indonesia's formal law using legislative and conceptual approaches. Policies related to linkage programs can be divided into two groups: substantive and procedural. The Code is a guideline for Islamic financial institutions to empower small and micro enterprises in Indonesia. Empowerment concerns both commercial banks, commercial credit banks, and people's credit banks, operating either conventionally or based on Shari'ah principles. According to the findings of the World Bank, collaboration programs between banks and microfinance institutions should be optimized to reach small and medium-sized enterprises, as the approach of microfinance institutions is the most appropriate. (Hamidah, 2015)

The Execution Pattern Program is a financing model offered by Islamic Commercial Banks (ICBs) to Islamic Microfinance Institutions (IMOs). This implementation pattern financing scheme is implemented using the mudarabah principle. Through this collaborative program, the presence of BUS and LKMS will have a synergistic effect, bringing mutual benefits to both parties. Indonesia Banking Architecture (API) has published a linkage program template that provides clearer and more focused rules for implementing linkage programs. One of the rules is that there are three patterns for implementing an interaction program. In Shariah practice, mudarabah contracts are used for execution, wakalah contracts for direction, and musiyarakah contracts for co-financing. Additionally, the Program Linkage Model published by API also provides a code of ethics for implementing linkage programs.(Barik, 2016)

This includes (1) a cooperative strategic model that is realized by collaborating with fintech companies to provide loans to small and medium-sized enterprises and attract customers who want to receive loans from Islamic banks; (2) The next strategy takes the form of a hybrid strategy that positions start-ups to compete with Islamic banks. (3) Other strategies strengthen the survival of high-level stakeholders in the face of FinTech. (4) And there are internal strategies that Islamic banks can implement when confronting fintechs. For example, think like a fintech, embrace new technologies, and prioritize engagement and security. The combination of these innovations is also part of the urgent need to ensure equal distribution of wealth to those who have not previously had access to Sharia banking. In this way, fintech services can mediate the development of Indonesia's Sharia banking industry by providing superior services to the growing number of people using mobile phones and the Internet.(Rahmati & Ibrahim, 2022)

The interconnection of these two institutions can contribute to the Sustainable Development Goals (SDGs) agenda through efficient schemes from Islamic financial institutions that can support some of the SDGs' programs. Funding from Sharia Banking and broad access from Sharia FinTech will provide business development opportunities for all parties. Access to financing from Shariah banking and Shariah fintech creates profit opportunities for all parties in a variety of trading options. The nexus between Shariah Banking and Shariah FinTech is particularly relevant to economic activities under the SDGs agenda: poverty reduction, wealth creation, decent work, economic growth, inequality reduction, and partnership to achieve the goals. to support. This includes the collection and distribution of social funds belonging to Islamic Financial Institutions (IFIs), particularly targeting the targeted and poor. Partnerships in providing capital to companies will stimulate growth and create more jobs. Mutual aid is both for distribution and to enable proper allocation of assets to reduce excessive inequality and mismatch.
The relationship between Sharia Banking and Sharia FinTech can contribute to the SDGs agenda, and the mechanisms implemented by Sharia Banking and Sharia FinTech can stimulate economic activity and promote the real economy, including SMEs. It matches what you do. Sharia banking and Sharia fintech can build collaborations in the form of partnerships in financial distribution and access to capital by offering a wider range of services, and synergies in the provision of digital-based Shariah financial services and in optimizing the productive allocation of funds. Synergies in the form of social financing and distribution of social funds for various forms of action and poverty alleviation. The business collaboration between Sharia Banking and Sharia FinTech aims to revitalize economic activity in support of the SDGs. And by providing broader financial access, more jobs can be created. It is also an attempt to reduce inequality from the perspective of appropriate asset allocation through social funds.

CONCLUSION

The development of Sharia fintech in the period December 2020 to March 2023 experienced good growth. Sharia fintech assets grew by 75.26 percent. The Sharia fintech players experienced a decrease of -30%. For conventional fintech itself, it experienced a growth of 72.13%. Sharia banking in the same period also experienced very good growth. The number of customers in Sharia banking grew by 35,505, Sharia banking assets grew by 33.61%. For third party funds grew by 34.89% and financing grew by 31.05%.

The linkage of Sharia banking and Sharia fintech can support the SDGs program, the mechanism implemented by Sharia banking and Sharia fintech is in line with encouraging economic activity and encouraging the real economic sector including SMEs. The form of linkage that can be built by Sharia banking and Sharia fintech is in the form of partnerships in financing distribution and access to capital with broader services. Then synergy in providing digital-based sharia financial services and optimizing the productive distribution of funds. Linkage in the form of collecting social funds and distributing social funds in various forms of activity and for poverty alleviation. The form of business linkage between Sharia banking and Sharia fintech is directed at driving economic activity so that it will contribute to supporting the SDGs, such as contributing to poverty alleviation, by channeling business capital. Then providing broad financial access will encourage the opening of more jobs. As well as through social funds it is an effort to reduce inequality in terms of the distribution of assets properly.

REFERENCES


