



Sharia Fintech: Opportunities and Challenges in Indonesia

Refi Agustina^{1*}, Fita Nurotul Faizah²

¹² Walisongo State Islamic University Semarang, Indonesia

Email: ¹refi.agustina89@gmail.com, ²fitanurotul.faizah@walisongo.ac.id

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*Corresponding author email:
refi.agustina89@gmail.com

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Abstract

Introduction: The rapid development of technology will certainly have a direct impact on the economic aspects of life. The presence of financial technology (fintech) will make it easier to obtain financing in a relatively fast time and easy to use capital. Fintech in Indonesia has given rise to a new innovation, namely sharia fintech. This study aims to determine the potential and challenges of fintech as an economic development effort correlated with sharia principles in encouraging a country's economic growth rate.

Method: This study uses a qualitative approach of qualitative descriptive method because this research will explain the facts or symptoms that appear in the development of Islamic fintech in Indonesia. This research uses secondary data collection in the form of news and research journals on the phenomenon of Islamic fintech in Indonesia.

Result: The results showed that currently the development of fintech platforms is growing rapidly from 2015. The presence of sharia fintech is a great. Based on OJK data, in 2021 the contribution of the Indonesian fintech industry has reached IDR272.4 trillion. This will certainly be an opportunity for the financial industry, especially sharia.

Conclusion: To revolutionize conventional activities into sharia-based digital product service innovations to facilitate the community.

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INTRODUCTION

Today's financial technology is growing rapidly in people's lives. Along with the development of technology which has become an important role in life as well as something that cannot be separated in the life of today's society. The Finance Sector has been trusted in the economic sector because it plays an important role in driving the rate of economic growth in Indonesia. Technology-based financial services can help people access financial services in running their business (Ngafifi 2014). In research (Ginting and Dewi 2013), the existence of Fintech has an important role in driving the rate of economic growth so that it will create jobs for the lower middle class. In Indonesia itself, with the large number of MSMEs, of course it can solve various problems in the economic field, including reducing the unemployment rate. In Indonesia, business development is increasing with the emergence of new startups (rintisanstartup.com, 2019). The development of startups is currently trending, where various local startups have emerged that have been successful and attracted many enthusiasts such as Gojek, BukaLapak, or Traveloka. This can be a driving force for the emergence of new startups. (Winarto 2020)

The implications of an increasingly rapid technological development will penetrate into e-commerce businesses, online businesses to online transportation will begin to grow and replace traditional businesses. (Subagiyo 2019) In its development, Financial Technology has a role as a means of payment to provide convenience to the public in making transactions finances safely and quickly. Fintech is a payment transaction process without using physical money. Fintech is a facility that can be utilized by several businesses that are booming, one of which is MSMEs. With the existence of Fintech, it is hoped that it will be able to improve people's welfare.

According to (Leong 2018), fintech is an innovative idea that can provide solutions to complete scenariod financial service operations in the business world. Meanwhile (Maier 2016) states that fintech is a combination of finance and innovative technology and becomes a sustainable business model. Based on PBI Number 9/12/PBI/2017 concerning the Implementation of Financial Technology, what is meant by fintech is a technology used in the financial system to create a new service or product. This will have an impact on the level of monetary stability, monetary stability, efficiency of use, smoothness, security, and reliability of payment systems. The fintech ecosystem is very important to maintain several technological innovations that must be implemented in financial markets so that they will be more efficient in their use. (Rumondang 2019) Considering that currently economic growth has implemented digital technology, people should be able to innovate in various services, one of which is in the MSME sector.

Fintech growth was recorded as of April 30 2020 based on (OJK 2020), the number of registered and licensed fintechs is 161 companies operating through OJK. Indonesia as a country that has the largest Muslim population in the world, of course, is an opportunity for the existence of a sharia fintech industry in Indonesia that is quite reaching. Viewed as a whole, the fintech industry in Indonesia has great potential in Indonesia because it can solve

urgent needs that traditional financial institutions are unable to provide. In addition, the rise of cell phones in the country (70% of the population uses their cell phones to access the internet) has created favorable conditions for increased opportunities for the fintech industry.

Considering that the majority of Indonesia's population is Muslim, with the development of fintech, of course, ideas have emerged to legitimize fintech so that Muslims have their own facilities, namely services that are implemented based on Islamic law marked with a halal label. This will be a great opportunity for prospects for fintech services in Indonesia. The existence of fintech in Indonesia will increasingly bring benefits because the behavior of Indonesian people is currently changing by conducting financial transactions online (Yudhira 2021).

Reporting from the Financial Services Authority (OJK), Fintech in Indonesia is divided into several sectors, namely: 1) financial planning, 2) lending, 3) crowdfunding, 4) aggregators, 5) payments, and 6) other fintech. Haddad explained that several sectors of fintech companies in Indonesia include the payment sector (42.22%), the lending sector (17.78%), the aggregator sector (12.59%), the financial planning sector (financial planning) 8.15%, crowdfunding sector 8.15%, and other fintech sectors 11.11% (D.Hadad 2017).

The condition of the people who want to meet their needs quickly and quality, so they will choose to fulfill their needs online where business people will provide facilities to their consumers with online services so that producers also automatically have to implement their business world in this 4.0 era online. An online business not only saves time, but also offers the opportunity to sell to a wider audience.

Technological advances in the field of financial transactions or fintech have had an impact on sharia economic and financial technology innovation in Indonesia. Sharia fintech is starting to receive attention and is welcomed by the government as evidenced by the issuance of a Fatwa regarding Sharia Fintech by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services based on Sharia Principles. However, conventional fintech as the predecessor of sharia fintech has given a bad image with the emergence of negative news and stigma about the implementation of fintech that does not support the needs of the community. (Hiyanti et al. 2020) The presence of sharia fintech by implementing sharia values, hopes to be able to improve the initial goal. With the presence of this fintech, namely to make it easier for the community to carry out economic transactions and business capital. For this reason, of course, opportunities and challenges are things that need to be studied in the development of Islamic fintech in Indonesia. Therefore, opportunities and challenges of Islamic fintech in Indonesia are important things to study along with the rapid development of Islamic fintech in Indonesia.

RESEARCH METHOD

Research Method is designed to describe the nature of the data. The method should be well elaborated and enhance the model, the approach to the analysis and the step taken. Equations should be numbered as we illustrate.

This section typically has the following sub-sections: Sampling (a description of the target population, the research context, and units of analysis; the sample; and respondents' profiles); data collection; and measures (or alternatively, measurements).

The research methodology should cover the following points: Concise explanation of the research's methodology is prevalent; reasons for choosing the particular methods are well described; the research's design is accurate; the sample's design is appropriate; the data collection processes are properly conducted; the data analysis methods are relevant and state of the art.

RESULT AND DISCUSSION

Financial Technology (Fintech)

According to The National Digital Research Center (NDRC) Dublin, Ireland, Fintech (financial technology) or financial technology is an innovation in the form of financial services which is one of the financial sectors with a touch of modern technology. (Kalmy kova and Ryabova 2016) This fintech financial transaction includes several services including namely transaction services, investments, loans, transfers, and comparison of financial products. The digitalization sector in payments is one of the most developed fintech sectors in Indonesia. The government and the community hope that this transformation of payments can be used as a driving force to increase people's access to financial services. (Fратиwi 2021)

Fintech or what is called Information Technology in Indonesian is the use of technology in the financial system that produces new products, services, technology and/or business models and can have an impact on monetary stability, financial system stability, and/or efficiency, smoothness, security and reliability of the payment system. on financial services and transaction processing. Based on article 3 of Bank Indonesia Regulation Number 19/12/PBI 2017 concerning financial technology, this financial technology must meet the following criteria: 1.) Be innovative 2.) Can have an impact on existing products, services, technology and/or financial business models 3.) Can provide benefits to society 4.) Can be used widely 5.) Other criteria set by Bank Indonesia 11 The financial technology industry (fintech) is a method of financial services that is gaining popularity in the current digital era. And digital payments are one of the most developed sectors in the Fintech industry in Indonesia

The Development of Financial Technology (Fintech) Based on the Perspective of Islamic Economics This sector is what the government and society expect most to encourage an increase in the number of people who have access to financial services 12 Financial technology/Fin Tech is the result of a combination of financial services and technology which ultimately changes the business model from conventional to moderate, which initially requires face-to-face payments and brings a certain amount of cash, can now make long-distance transactions by making payments that can be made in seconds. According to Bank

Indonesia, Financial technology is the result of a combination of modern technology and financial services that can change a simple business model (making payments in physical money or cash) into a balanced business model (implementing cashless payment transactions). Examining the sharia aspect, sharia fintech is a combination of technology and transaction services that facilitate the Muslim community in providing convenience in transactions in the financial sector based on Islamic law. The fintech industry is a financial service that uses a digital system ranging from payment transactions, bank services, insurance services, loans, lending, to learning and literacy. for society exclusively through social media.(Muzdalifa, Rahma, and Novalia 2018)

Sharia fintech

The definition of sharia fintech is a combination of financial and technological innovations that can facilitate transaction and investment processes based on Islamic law. Even though fintech is a new breakthrough, it is growing rapidly. Islam is a religion that covers all spheres of life so that Islamic sharia values must be applied in the financial sector. The presence of sharia fintech in Indonesia is a form of response to the development of conventional fintech that applies an interest system. (Chiko 2022). Sharia fintech in Indonesia has been regulated in the Fatwa of the National Sharia Council-Indonesian Ulema Council (DSN-MUI) number 117/DSN-MUI/II/2018 governing Information Technology-Based Financing Services according to Islamic law.

Financial Services Authority Regulation Number 77/POJK.01/2016 regulates technology-based lending and borrowing services, which explains that the technology-based money lending and borrowing system is a financial service that will unite lenders and borrowers to make an agreement in the process of borrowing money using the system. digital. (Financial Services Authority 2016)

The OJK regulation stipulates that users of technology-based financial services or fintech are borrowers and lenders. Provisions as a borrower of money must be a native Indonesian citizen. Sharia fintech is a technological transformation in the financial sector that can provide easy access to Islamic financial institutions. Based on the OJK, in 2019 there were 12 sharia fintech lending. In addition, as many as 14 IKD (Digital Financial Innovation) organizers comply with Islamic law and have been recognized by the OJK.

The emergence of fintech in Indonesia is evidence of rapid technological developments and new innovations that transform digitally which will have an impact on the sustainability of all economic sectors. Peer to peer lending marketplace is one of the first fintechs in the world that has been certified by sharia by providing cheap financing facilities to MSME actors.

In 2016, Singapore's Financial Shariah Advisory Consultancy (FSAC) granted a sharia compliance certificate to Kapital Boost, a fintech from Singapore. This certainly has a big impact on the MSME sector. In the current Era of Globalization, the development of Financial Technology (fintech) is very rapid for the world economy, especially in Islamic financial institutions. Judging from the large population in Indonesia, of course, this must be

harmonized with the breadth of employment opportunities to reduce the unemployment rate. (Wardhana, Kharisma, and Noven 2020) Indonesia must be swift to overcome this by supporting businesses or businesses founded by the community. Indonesia occupies the fourth position as the largest Muslim market and population in Southeast Asia, so that Islamic Financial technology (Fintech) will be a solution in dealing with banking financing related to MSME players, especially in working capital financing. In sharia fintech, the determination of profit sharing will be agreed according to the agreement between the lender and the borrower. The added value of Islamic fintech lies in the contract system. (Saputri 2020)

Type of Financial Technology

➤ Digital Payments

Fintech digital payment companies provide services in the form of payments transactions online so that the process becomes more practical, fast, and inexpensive. These service provider companies are generally in the form of virtual wallets equipped with various features to facilitate online transactions between consumers and business owners or between business actors (B2B).

➤ Peer To Peer Lending and Crowd Funding

Fintech P2P lending companies facilitate parties who need funds loans with parties who wish to invest by providing loans. Loans provided by Fintech P2P lending companies in Indonesia are very good varies, ranging from business capital loans, motor vehicle loans, kredit Without Collateral (KTA), Public Housing Loans (KPR) to loan fees wedding, maternity loans, home renovation loans and travel loans Umrah Borrowers are given the authority to choose the term and amount loans tailored to the needs of the borrower. The loan amount varies depending on company policy.

➤ Account Aggregator

For consumers who need and use transaction services from various banking accounts, this type of Fintech Account Aggregator will offer a service that can accommodate all of these transactions through one platform just. Users of this platform are given the convenience of verifying transactions because the process is fast and short. The mechanism, consumers who have many banking accounts can register their account into this platform, which then can be used to monitor all banking transactions through one platform the.

➤ Information and Feeder Sites

This type of Fintech company provides services regarding information needed by potential customers who want to use a product and financial services sector services. The information provided can be in the form of information such as: credit cards, interest rates, mutual funds, insurance premiums, and so on. Information regarding these matters was obtained from the information provided by PUJK at banking, capital markets, insurance, financial institutions, and so on.

➤ Personal Finance

The need for financial planning at this time is needed by public. Against this background, several fintech companies in Indonesia is developing a type of Fintech that can accommodate this. Personal finance fintech companies through their platforms can help consumers from the start of making good financial reports to the election prudent management of funds.

The development of sharia fintech in Indonesia

Basically, fintech is a combination of technology and financial services that can change the model to a moderate business, where in practice we don't need cash transactions but cashless (non-cash) which can be done remotely and can be done in a short time. The public generally understands that financial technology is a digital technology-based financial transaction for both payments and purchases (Hasan 2020). The use of fintech is currently more widely used by the public to make non-cash payment transactions. Even though the information obtained about fintech is still general in nature, the public already understands it regarding the services and convenience of fintech. This is a good step in optimizing the role of fintech for MSMEs.

Based on the Indonesian Fintech Association (IFA), in 2016 the number of fintech companies in Indonesia grew by 78%. There are around 135-140 startups listed in the IFA. This number shows that the presence of fintech in Indonesia is welcomed in meeting the financial needs of the community. Fintech in Indonesia provides great potential because it can provide solutions to the community's urgent needs, especially sharia fintech. Sharia financial technology (Fintech) can be an alternative solution for MSMEs in Indonesia, especially MSMEs that do not meet the requirements to obtain capital financing. work in banking (Nurzianti 2021).

Services from financial technology/the use of fintech are technology-based non-bank business models that aim to help the financial needs of the community, especially MSME players. This fintech is under the auspices of Bank Indonesia, so that it will continue to monitor the sustainability of financial technology in order to protect the public or consumers from things that are not desirable. This technology-based financial service can improve access to public financial services.

The Financial Services Authority (OJK) and Bank Indonesia will continue to pay close attention to fintech developments. Supervision is carried out strictly on online financial transaction facilities. Some examples of fintech that are often used by the public include OVO, Gopay, Shopeepay, Kredivo. However, the number of ASEAN fintech growth in 2021 slowed down, where in 2019 it began to decrease to 411 companies.

In general, fintech platforms have experienced rapid development from 2015 until now, most of which still use conventional systems. The Director General of the Islamic Research & Training Institute (IRTI) said that "the value of the global sharia industry is still very small when compared to the conventional industry", but in 2018 fintech began to develop rapidly until several sharia fintechs were established. Where in 2018 several sharia-based fintech platforms began to appear. Based on the data, the number of companies that

registered with the Financial Services Authority (OJK) in 2019 was 127 companies consisting of 119 conventional and sharia 9. Even so, there were 13 companies that already had permits in Indonesia, while the rest were still in the process of applying to OJK. The existence of sharia fintech will continue to increase which can be a breakthrough for the sharia fintech industry in the future (Rumondang 2019).

In its application, Islamic fintech uses a profit-sharing system, where this system will be of added value to society as fintech can continue to provide good service to the financial industry. For the qualifications of fintechsyariah, this will conform to the theory of muamalah fiqh, where there should be no elements of gharar, usury because this can burden the community with repaying the loan. In its implementation it also contains a prohibition on the element of harm between the seller and the giver. In 2017, Paytren was one of the fintechs that started implementing sharia fintech and successfully obtained certification from the MUI (Rasidi, Budi, and Hatmoko 2021). As the times progressed, several other sharia fintechs emerged, including Investree, Syarq, and Santara. Apart from that, there are also start-ups that apply contracts according to the provisions of Islamic sharia values that have been established so that certification can be registered as well as get recognition from the DSN-MUI. This is implemented aiming to provide security to consumers in transactions. With this in mind, MUI issued a policy in the form of Fatwa of the National Sharia Council-Indonesian Ulama Council (DSN-MUI) No. 117/DSN-MUI/II/2018 Concerning Information Technology-Based Financing Services Based on Sharia Principles (Fintech, Pada, and Dan 2022). In its development, fintech is divided into 4 types including the relatively large fintech industry, start-up fintech, fintech social, and fintech with credit market type.

Figure 1. Data of industries that had registered them with the Financial Services Authority (OJK)



Based on the data above, as of September 30 2020 there were 156 industries that had registered them with the Financial Services Authority (OJK). OJK as an institution that has the task of legalizing/supervising the sustainability of sharia fintech that has been registered with OJK. AFSI or the Indonesian Sharia Fintech Association as the umbrella for Islamic fintech institutions in Indonesia. There are 144 Fintech companies that use conventional systems and the remaining 11 are sharia fintech companies. Based on this number, it is known that only about 33 companies have licensed status, while the rest have registered status. For the next period, the existence of fintech is predicted to increase. In 2020 there are 2 (two) sharia fintech companies that already have licenses from the OJK, while 9 sharia fintech companies

have registered status. Of the total 11 registered sharia fintechs, they are Ammana, Alami Sharia, Dana Syariah, Danakoo Syariah, Qazwa, Duha Syariah, Bsalam, Ethis, Papitupi Syariah, Kapital Boost, and Fintech Syariah. With the development of fintech from year to year, of course this will be a great opportunity for the sharia financial industry to revolutionize that fintech is believed to be a digital service innovation that can make it easier for people to access financial services.

If this digital development is not carried out optimally, of course it will be a big challenge for all financial industries. As a country with a predominantly Muslim population, this is of course an opportunity for the sharia fintech industry in Indonesia which can provide solutions for the community to meet urgent needs, especially financial needs.

Fintech Contribution to the Indonesian Economy

Several industries in Indonesia are starting to revive in order to restore the Indonesian economy considering that it has been hit by a long pandemic. The fintech industry is one of the contributing parts in recovering the Indonesian economy. Based on research by the Institute for Development of Economics and Finance (INDEF) in 2019, the presence of fintech will have a positive impact on the economy starting from the growth side, GDP contribution, employment absorption, poverty reduction, and inequality reduction. In other studies, it is also stated that the existence of fintech certainly has the potential to increase the level of financial inclusion nationally (Marginingsih 2021). This advantage is expected to be a solution in solving national economic problems. Indonesia itself is predicted to become one of the biggest markets for fintech players. INDEF Izzudin Al-Farras in his research stated that the presence of fintech in Indonesia has contributed IDR 60 trillion or 0.458 percent of GDP, besides that the level of household consumption has reached IDR 894 trillion.

The President of the Republic of Indonesia has detailed how big the contribution of fintech is to channeling national loans in 2020 which has reached IDR 128.7 trillion. This number experienced an increase of 113 percent compared to the achievement in the previous year. In 2020 there were 89 fintech companies that contributed up to IDR 9.87 trillion to financial services in Indonesia. Based on data from the Financial Services Authority (OJK), in 2021 the contribution of the Indonesian fintech industry has reached IDR 272.4 trillion from 104 fintech organizers. It is known that the number of beneficiaries has reached 71 accounts and 789 thousand lender accounts. In 2021, Rp. 67 trillion in fintech has provided loans to the production sector. This proves that there has been an increase from year to year. This fact reaps the success of the fintech industry which can contribute to national economic growth of 0.45 percent or around IDR 60 trillion of Indonesia's GDP (Octaviani 2022).

The development of fintech in the current era of globalization is very rapid, accompanied by a high population in Indonesia. This must be accompanied by broad employment opportunities. Indonesia should have supported business ventures established by the nation's children to overcome this. Therefore, the presence of fintech will contribute to business development. Fintech will later help finance venture capital, as well as complement digital payment services. Fintech has an important role as a liaison between the owner of the funds

and those who need funds so that there is a balance between the two. So that the benefits of fintech are not only for the upper middle class, but also for the economic welfare of the lower class which provides easy access to online services by utilizing digital media to meet community needs (B. Rahardjo, Budi; Khairul 2019).

Opportunities and Challenges of Sharia Fintech in Indonesia

The presence of fintech in Indonesia can bring great opportunities in developing business. The problem that often occurs in business people is having difficulties in financial and capital aspects. Therefore, fintech is a solution that can help him get easy capital. Services provided from fintech companies are in the form of capital loan services with a simpler and easier submission process, namely by completing a few document requirements, the loan submitted can be disbursed in a short time. In addition, fintech companies also provide digital payments that are easier and safer for business people (Subagiyo 2019). The ease of payment, of course, will increase consumers so that they can provide more benefits for businesses. Fintech has been trusted by the public as a payment solution/alternative that facilitates and speeds up payment transactions with a wider variety of choices according to customer preferences. Buyers will be more flexible in choosing payment methods which are equipped with several advantages such as no interbank transaction fees, cashback, discounts when using digital payments. This certainly has a positive impact, where businesses can offer various products and payment methods to increase sales levels and business scale. (Kusuma and Asmoro 2021)

Based on the Indonesian Fintech Association (IFA), in 2016 fintech companies in Indonesia grew by 78%. The number was recorded at around 135-140 startups. This shows that the presence of fintech in Indonesia is welcomed to meet financial needs. In general, fintech in Indonesia has opportunities that can provide solutions to the needs of the community in fulfilling financial needs as working capital. MSME actors have an important role in the pillars of the Indonesian economy, where in 2020 MSME actors have a large contribution to GDP of 61.97% of the total national GDP or equivalent to Rp. 8,500 trillion. In addition, 97% of MSMEs have absorbed labor from the absorption of the business world. The large number of MSMEs is directly proportional to the breadth of job opportunities in Indonesia so that MSMEs take part in absorbing labor (Fajar and Larasati 2021). With the role of MSMEs, Fintech is used as a solution to funding problems so that in the future MSMEs can support Indonesia as one of the largest Digital Economy Countries in 2024.

From a sharia perspective, seeing that the population in Indonesia is predominantly Muslim is certainly an opportunity for sharia fintech at this time, so that this opportunity can be filled by increasing the target number of potential users of sharia fintech services. In addition, the development of the Islamic Economy continues to increase globally, accompanied by the emergence of various Islamic financial technology platforms available in the Islamic economy.

It is possible that the existence of sharia fintech will quickly sink and be replaced by other innovations along with technological developments in Indonesia. To anticipate this, fintech

actors should present innovations that are superior to sharia fintech that are not easily replaced by other technological developments in the future.

Fintech industry players are given the opportunity by the Financial Services Authority (OJK) to officially register them at OJK. However, there are still obstacles in the licensing process in the establishment of sharia fintech. So that currently there are only 4 sharia fintech companies that have been registered with the OJK, namely Ammana, Investree, Dana Syariah and ALAMI (Efendi and Wulandari 2022). Murniati Muhklisin as the supervisor of the Sharia Fintech Association (AFI) said that currently there are 30 sharia fintech startups that have raised capital to meet the capital requirements set by the Financial Services Authority (OJK). There are 40 sharia fintechs under the auspices of the Sharia Fintech Association. Of these, the system uses a peer to peer lending scheme, and others include crowdfunding, market aggregators, and epayments.

After registering with the OJK, sharia fintech companies must also submit a sharia label to the National Sharia Council of the Indonesian Ulema Council (DSN MUI). DSN will later examine the registered sharia business, appoint a Sharia Supervisory Board (DPS), then DSN will give a sharia label if all the requirements have been met. Even though the minimum capital requirement is quite burdensome for business people, it must be necessary. These provisions are needed as an assessment of whether the company is a reliable capital borrower or is responsible for returning the funds or not. The challenges of sharia fintech in this case make the challenge an opportunity to build public trust in the existence of sharia fintech in Indonesia. because with the formation of a stigma of more trust from the community towards sharia fintech in Indonesia.

Examining the conventional fintech problems that occur in society, which lately there is still a negative stigma. Various ways of billing roughly to the point of suicide because the borrower is unable to pay and repay it. Simultaneously, phenomena and stigma emerged that gave rise to the notion that there was no difference with sharia fintech. This is confirmed by the fact that the cause of society is still generalizing with conventional fintech, namely because literacy regarding Islamic values that must be implemented in life is still not optimally applied to Indonesian society. What distinguishes between Islamic fintech and conventional fintech lies in the sharia fintech transaction contracts based on Islamic values. This is one of the efforts that must be made by the community (Hiyanti et al. 2020).

The Ministry of Home Affairs records that the Muslim population in Indonesia in 2021 has reached 237.53 million (Kusnandar 2021). The large number of Muslim population in Indonesia, but in terms of human resources, the majority still do not understand the transaction contracts that are in accordance with Islamic sharia values. This problem can be overcome through socialization of the introduction of sharia contracts to the public, given the large number of Muslim population in Indonesia as well as an opportunity for the government and sharia fintech players to broaden their knowledge regarding sharia-compliant contracts to implement them.

Financial Services Authority Regulation (POJK) No. 77 of 2016 concerning Information Technology Lending and Borrowing Services and Financial Services Authority Regulation

(POJK) No. 13 of 2018 concerning Digital Innovation Ke finance in the Financial Services Sector as a law that protects sharia fintech in Indonesia. The legal umbrella contains rules that apply to sharia and conventional fintech.

Sharia fintech also refers to the Fatwa of the National Sharia Council of the Indonesian Ulama Council (DSN MUI) Number 117/2018 concerning Sharia-Based Information Technology Financing Services. The MUI fatwa states that operational fintech activities must not conflict with Islamic teachings, including the prohibition of usury, gharar, maysir, tadlis, dharar, shulm, and haram (Mujahidin 2019). Judging from the challenges, of course not all people think that digital/fintech payments are a technology that needs to be utilized, especially if the community/customers are elderly. It is not easy for the elderly to adapt and switch to more sophisticated methods by keeping up with the times even though the technology is new has certain advantages, one of which is the ease of transaction. This challenge is motivated by low interest because they are used to using traditional services more conventionally. This will make business people reluctant to use and take advantage of fintech.

As MSMEs develop, there are also various challenges that arise including infrastructure, legislation, limited human resource capabilities, and lack of financial literacy in society. In terms of infrastructure, application-based fintech services require a maximum internet network. Limitations of the internet network can disrupt the implementation of all financial transactions carried out by MSME actors. In terms of legislation and OJK supervision, fintech industry players need to educate the public about legal products and services so that people are protected from fraud and financial crimes. Fintech education is part of the duties and functions of the Financial Services Authority (OJK) as a regulatory party. Indonesian digital financial services are carried out under the umbrella of Indonesian law through Financial Services Authority Regulation (POJK) Number 1.

The existence of challenges can certainly raise a sense of concern with the rise in cases of fintech fraud. However, before using fintech, MSME actors must dig up more detailed and detailed information about fintech from various sources, one of which is spread on the internet. In addition to internet constraints, financial literacy is still inadequate in the context of limited human resource capacity. One of the threats currently being felt is the rise of online fintech lending or unregistered or illegal lending. Illegal online loans are a threat to those who lack financial and digital literacy, because they may be caught in a debt cycle. Protection for fintech users is not maximized, so appropriate and firm policies are needed to protect fintech companies, especially MSME business actors.

Financial literacy is currently still not widely disseminated to the public, especially in the context of limited human resource capacity. The hectic online fintech lending or illegal lending is one of the big threats that are currently being felt. For those who do not have broad financial literacy, of course, they will be entangled in illegal online loans, because people are in a state of debt trap. The existence of protection for fintech users is still not optimal, so strict policies are needed to protect MSME actors as customers.

CONCLUSION

In this section, the author presents brief conclusions from the results of the research fintech in Indonesia gave rise to a new innovation, namely sharia fintech. This service is an online loan product that applies Islamic sharia values. The development of the fintech platform has been increasing rapidly since 2015. The presence of sharia fintech is a great opportunity to facilitate the Muslim community in applying sharia values when making transactions to meet financial needs. Based on OJK data, in 2021 the contribution of the Indonesian fintech industry will reach IDR 272.4 trillion. This will certainly be an opportunity for the financial industry, especially sharia, to revolutionize conventional activities into innovative sharia-based digital product services to make it easier for the community.

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