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The Role of Sharia Fintech Based on *Maqashid Sharia* Perspective

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ABSTRACT

The objective of this study is to determine the development of Shariah fintech in Indonesia from its emergence to the present, to determine the role of Shariah fintech in the perspective of maqashid al-shariah, and to determine obstacles in the development of Shariah fintech. The research method used in this study is descriptive analysis method with a qualitative approach. The researcher performed a literature study to collect data from various sources that support the researcher's chosen topic, i.e., all sharia fintech registered with OJK and licensed as of December 2020 associated with maqashid al-shariah. In general, Shariah fintech has fulfilled the principles of maqashid al-shariah. However, there are elements that need to be more strengthened. An example is the need for a governing regulation that separates Shariah fintech from conventional fintech regulation. This is because there are very different crucial elements and principles between these two types of fintech. As a suggestion for the development of Shariah fintech in the future, in addition to strengthening in terms of regulations, intense education related to Shariah fintech products is still needed to the wider community, especially to people who have great potential to become consumers but are not well-educated of new technologies.

Kata Kunci:

Teknologi Keuangan,
Maqashid Syariah

ABSTRAK

Penelitian ini bertujuan untuk mengetahui perkembangan *fintech* syariah di Indonesia mulai dari munculnya hingga saat ini, untuk mengetahui peran *fintech* syariah dalam aspek maqashid syariah, dan untuk mengetahui kendala dalam perkembangan *fintech* syariah. Metode penelitian yang digunakan adalah metode analisis deskriptif dengan pendekatan kualitatif. Peneliti melakukan kajian studi pustaka untuk mengumpulkan data dari berbagai sumber yang mendukung topik yang penulis ambil yaitu seluruh *fintech* syariah yang terdaftar di OJK dan berizin per Desember 2020 dikaitkan dengan maqashid syariah. Secara umum, *fintech* syariah telah memenuhi prinsip dari maqashid syariah. Hanya saja ada hal yang perlu diperkuat lagi seperti regulasi yang mengatur *fintech* syariah perlu dipisah dari regulasi *fintech* konvensional karena ada hal krusial dan prinsip yang sangat berbeda dari keduanya. Saran untuk perkembangan *fintech* syariah di masa depan yaitu selain pengokohan dari segi regulasi, masih diperlukan edukasi yang intens terkait produk *fintech* syariah ini kepada masyarakat luas terutama masyarakat yang memiliki potensi besar untuk menjadi konsumen namun kurang paham teknologi.

INTRODUCTION

In recent years, we have started hearing the term financial technology (fintech) which is part of electronic services in the financial industry. The emergence of fintech is also in line with the current demands where people want convenience and practicality in conducting financial transactions so as to facilitate their daily activities. People have started to get used to digital financial transactions. As stated by Puspaningtyas and Zuraya (2020), Shariah fintech is experiencing acceleration due to the COVID-19 pandemic. The distribution of Shariah fintech loans according to the latest data in December 2020 reached Rp 1.7 trillion, even though in October 2020 it was still at Rp 1.2 trillion. Shariah fintech education and literacy are also increasing due to this pandemic. People are forced to accelerate technology 4.0 because of these conditions. Nowadays, everything is done digitally and online.

We can see some simple examples of this form of fintech from GoPay, OVO, ShopeePay, or services on the internet/mobile banking related to payment transactions, for example for purchasing phone credit, electricity tokens, or making other payments. Islamic fintech is used as an alternative by the Indonesians to do financing other than to go directly to financial institutions. However, the regulations governing this matter are still the same between conventional and Shariah institutions whose regulations were issued by the Financial Services Authority No. 77/PJOK01/2016 concerning Information Technology-based Lending and Borrowing Services. In addition, MUI issued fatwa No. 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles. This fintech business can be carried out by banking institutions or non-banking institutions that specifically handle fintech. The issue of Shariah fintech is interesting to review because it relates to the ease of digital transactions, which are very beneficial for both financial institutions and the wider community in accordance with Shariah principles. According to Amalia (2018), the current development of science and technology has succeeded in changing lifestyles and payment systems in people's economic transactions. The shift from a cash payment system to a non-cash (digital) payment system is considered more effective and efficient.

There are several challenges in the development of fintech in Indonesia, i.e., the low level of public literacy and Indonesia's vast geography. It is possible that many consumers are also worried about the fintech security. Therefore, there is a need for regulations to regulate the protection of fintech consumers. In addition, it is also prone to cybercrime risk. According to Basrowi (2019), not all financial technology service providers who have licenses cooperate with Islamic banking institutions or conduct financial transactions in a systematic and legal manner. In general, the arising risks from fintech companies in Indonesia are the risk of fraud, the risk of data security, and the risk of market uncertainty. In terms of consumer protection from Shariah fintech, Bank Indonesia as the regulator acts as a regulator and supervisor of the payment system. The Financial Services Authority acts as a supervisor in product marketing. The Ministry of Communication and Informatics supervises information technology. Then, the Cybersecurity Forum plays a role in coordinating with all Fintech stakeholders in the event of a cyber-attack incident.

Sharia fintech has a role in supporting the SGDS program on several objectives, especially related to the economy, such as decent work and economic growth, poverty reduction, hunger reduction, and the realization of prosperity.(Trimulato et al., 2022) Than Linked between sharia banking and sharia fintech support halal industry, funding business development is provided. Payment instruments can synergize requiring use sharia bank account. Sharia banking and sharia fintech synergize in assisting and marketing products for industry get financing.(Trimulato Trimulato, 2021)

In recent years, there have been many studies that have raised the topic of fintech, especially Shariah fintech which is connected with several things, for example, relating it to consumer protection (Basrowi, 2019), relating it to the firmness of the regulation of Shariah compliance reports (Firdaus et al., 2017), linking it with MSMEs (Muzdalifa et al., 2018; Rahmawati et al., 2020) namely the existence of fintech can help improve MSME finances, relating it to the regulation and supervision (*Fachrurrazy & Silivadi, 2020*), relating it to the perspective of mashlahah mursalah (Saleh et al., 2020), linking it to Islamic banking (Kholifah & Andrianingsih, 2020; Fajria, 2019; Muchlis, 2018), and finally linking it to Maqashid al-Shariah perspective (Nafiah & Faih, 2019). Therefore, the researcher attempted to review the same thing with Nafiah and Faih (2019), but using different reference sources.

The aims of this study are to identify the development of Shariah fintech in Indonesia from its emergence to the present, to identify the role of Shariah fintech in the aspect of Maqashid al-Shariah, and to identify the obstacles in the development of Shariah fintech. The urgency of this study is that the researcher sees the growing world of digital technology today, especially in the financial sector, which is giving rise to innovations in the form of Shariah fintech and of course can compete with conventional fintech. The unintegrated regulations governing Shariah fintech and the many challenges faced and the

importance of looking at fintech from the Shariah side is what makes the researcher feels the need to conduct this study.

LITERTURE REVIEW

Consumer Behavior Theory

Fred D Davis stated that the Technology Acceptance Model (TAM), which is used to understand and analyze the factors that influence the acceptance of a technology use comes from the theory of consumer behavior. This is because technology acceptance is influenced by 2 (two) variables, i.e., benefits and perceived ease of use (Ichwan, 2020). In addition, according to Baihaqi (2018), consumers will be given the convenience of conducting financial and financing transactions in the current digitalization era. There are many alternatives that consumers can choose from which are considered the most profitable. In general, what consumers will consider are service convenience, ease of access, and benefits obtained. This is in line with the theory of consumer choice and demand which relates to digital financing services provided by Islamic fintech, and has the potential to develop rapidly. The public is given easy facilities to be able to invest and apply for financing. Shariah fintech services do not only provide benefits, but also help each other (ta'awun) in running a business. The fintech service in question is peer-to-peer lending.

Shariah Fintech Concept and Regulations in Indonesia

According to Nafiah and Faih (2019) financial technology is a business that focuses on providing financial service ideas that use software and modern technology. Fintech is now gaining global attention as a technology that will empower companies to compete effectively in the 21st century. This is further strengthened by the explanation of Darmawansyah and Aguspriyani (2019) that fintech is defined as technological innovation in financial services that can produce business models, applications, processes or products with material effects related to the provision of financial services.

According to Bank Indonesia (2018), financial technology/fintech is the result of a combination of financial services and technology which ultimately changes the business model from conventional to moderate. The business model initially had to be done by paying face-to-face and carrying a certain amount of cash. Now, the consumers can perform remote transactions by making payments that can be made in seconds. According to Fachrurrazy and Siliwadi (2020), along with the development of the fintech industry which is marked by the mobility of society in this millennial era, technology has become a basic need and open access to information from various sectors, i.e., economy, law, politics, social, and others. Wahyuni (2019) states that fintech is an innovation in financial services using technology that makes it easier for the public to access financial products and services that cannot be accommodated by traditional financial services. The advantages obtained when we use Shariah fintech services are that financial needs are more easily fulfilled and borrowers and lenders do not need to meet face to face.

From some of the definitions above, it can be concluded that Shariah fintech is an innovation on digital technology to make it easier for people to conduct transactions in the financial sector in particular and in accordance with Shariah principles. As stated by Alwi (2018), the convenience provided for transactions through Shariah-based fintech cannot be separated from the characteristics of Shariah businesses that rely on Shariah economic foundations, i.e., divinity (ilahiyah), justice (al-'adl), prophethood (al-nubuwwah), governance (al-khalifa), and results (alma'ad).

Rahmawati et al. (2020) state that fintech has many services and products that can be used by the public, but Bank Indonesia divides 4 types of fintech, i.e., crowdfunding, e.g., fundraising where the process of collecting a certain amount of money for a business by a number of people is usually done through an online platform. The second is peer-to-peer lending, i.e., the practice of lending money between individuals where borrowers and lenders are brought together through a platform provided by the company. The third is market aggregators which are to compare various financial products, where fintech will collect financial data for reference by users. The fourth is risk and investment management, which is a digital financial planner that will help users to make financial plans in accordance with existing financial conditions. The fifth is mobile payments/online banking, i.e., financial transactions which include monthly bill payments, money transfers, shopping payments to merchants at digital merchants, balance information and account mutations, and so on.

Setyaningsih (2018) argues that regulations regarding Shariah fintech must be supported by the OJK/Financial Services Authority regulation No. 77/PJOK01/2016 concerning Information Technology-Based Lending and Borrowing Services. This regulation is more conventional because it uses the term interest, which is not in accordance with Shariah principles. Setyaningsih (2018) further state that Fintech Peer to Peer Lending is a type of off-balance sheet, so it is difficult to judge which Shariah fintech is healthy

or unhealthy. Peer to peer lending fintech operators are purely intermediaries and may not lend money. In addition, it is prohibited to issue debt securities in any form, purely from equity or capital, so as not to disturb other existing financial industries, especially conventional banks and the capital market.

Further, Hakim and Irawan (2019) contend that based on Bank Indonesia Regulation No.19/12/PBI/2017 concerning the implementation of financial technology, financial technology is defined as something 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 payment systems. The criteria for implementing financial technology according to Bank Indonesia Regulation No.19/12/PBI/2017 consist of a payment system; market support; investment management and risk management; loans, financing, provision of capital; and other financial services.

In the MUI Fatwa No. 117/DSN-MUI/II/2018, information technology-based financing services based on Shariah principles are the implementation of financial services based on Shariah principles that bring together or connect financiers with financing recipients in order to carry out financing contracts through an electronic system using the internet network. Hiyanti et al (2019) mentions the difference between sharia and conventional fintech lies in the contract. There needs to be education to the public regarding this so as not to generalize between sharia and conventional fintech.

The implementation of information technology-based Financing Services must not conflict with Shariah principles, which include avoiding usury, gharar, maysir, tadlis, dharar, zhulm, and haram. The contracts used by the parties in the provision of information technology-based financing services can be in the form of contracts that are in line with the characteristics of the financing services, including al-bai', ijarah, mudharabah, musyarakah, wakalah bi al ujah, and qardh contracts. In addition, it also explains the information technology-based financing service model based on Shariah principles that can be carried out by the organizers, including factoring financing, financing for the procurement of goods ordered by third parties, financing for procurement of goods for business actors who sell online, financing for procurement of goods for business actors who sell goods online with payments through payment gateway providers, financing for employees, and community based financing. According to Alwi (2018), fatwa No.117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services Based on Shariah Principles can be followed as a guide in conducting Shariah fintech transactions.

Further, Nafiah and Faih (2019) state that startup companies with Shariah principles must include regulations related to consumer protection which have been contained in POJK No. 77/POJK.01/2016 and related laws such as Law no. 8 of 1999 concerning Consumer Protection (UUPK), Government Regulation no. 82 of 2012 concerning Electronic System and Transaction Operators (PP PSTE). If examined more deeply, these rules have a correlation with Maqashid al-Shariah which focuses on the benefit of the people. These include education to consumers, transparency of service products and delivery of complete information, handling complaints and resolving consumer disputes, preventing fraud by maintaining the reliability of the service system, and maintaining the security of personal data.

Maqashid al-Shariah Concept

According to Muzlifah (2013), Imam ash-Syathibi is of the view that the main purpose of Maqashid al-Shariah is to maintain and fight for the following three categories of law:

- Daruriyyat, which literally means urgent or emergency needs. If this condition is not met, it can threaten the safety of mankind both in this world and in the hereafter. Included in this category are:
 1. Protecting religion
 2. Protecting one's life/soul
 3. Protecting the mind
 4. Protecting family/lineage
 5. Protecting one's property
- Hajiyyat, which linguistically means a secondary need. If not fulfilled, it will not threaten safety, but only experience difficulties. As mentioned by Febriadi (2017), for example, in worship there is something called rukhsah (lightening) for travelers to perform congregational prayers or qashar prayers. Another example is in the case of muamalah. There are exceptions for buying and selling contracts using other contracts, such as ijarah, salam, and so on.
- Tahsiniyyat, which literally means complementary needs. If not fulfilled, it will not threaten safety and will not cause difficulties.

As stated in Nafiah and Faih's (2019) study, along with the current development of fintech, its suitability in fiqh muamalah must be based on Shariah principles, i.e., avoiding maysir, gharar, and usury. Even though these activities use a technological system, the principles of Islamic law must still be carried

out. The approach taken in Nafiah and Faih's (2019) study uses the *Maqashid al-Shariah* approach as the main foundation in determining legal *ijtihad*.

METHOD

The researcher conducted a literature review in this study by collecting data from various sources related to the discussed topic. Furthermore, the collected data are analyzed using descriptive analysis method with a qualitative approach. As mentioned by Baihaqi (2018), the descriptive analysis method describes the facts followed by an analysis that not only describes, but also provides adequate understanding and explanation. Nurfalalah and Rusydiana (2019) state that descriptive research with a qualitative approach is a writing procedure that produces descriptive data (a description of an event) in the form of words written by people or indirectly observed behavior or a single case study in one location only.

The type of data in this study is qualitative data. Data sources come from various articles, journals, and regulations or regulations governing sharia fintech. The data collection technique is through literature study by reading, recording and processing research materials such as journals articles and regulations of authorized institutions i.e., Bank Indonesia regulations, Financial Services Authority regulations, and the fatwas of the Indonesian Ulema Council that can be accessed from the internet. The qualitative data analysis technique in this study is to compress the data, display the data, draw and verify conclusions. This is as stated in Sarosa (2021) which adapts the Miles and Huberman model.

RESULT AND DISCUSSION

Development of Shariah Fintech in Indonesia

The first Shariah fintech was Beehive, which was developed in Dubai (United Arab Emirates) in 2004. The service provided by this Shariah fintech is to provide affordable financing for MSMEs through a peer-to-peer lending system. Furthermore, in 2016 there was a Shariah fintech from Singapore, Kapital Boost, which used a crowdfunding platform. In addition, since 2014, Ethis Crowd, a fintech from Singapore has also dominated the Indonesian market. In 2017, Paytren is the first Shariah fintech to receive MUI halal certification in Indonesia. Until now, the number of conventional fintech is still more than Shariah fintech, even though the development of Shariah fintech is increasingly getting better (Nasution, 2017). Investment through sharia fintech will provide benefits for investors in the form of investments according to Islamic principles, profits from investment funds, and can encourage the development of SMEs. (T Trimulato et al., 2020)

Based on statistical data released by the Financial Services Authority as of December 2020, the number of registered and licensed fintech companies in Indonesia is 149 companies consisting of 139 conventional fintech companies and 10 Shariah fintech companies. The ten Shariah fintech companies are PT Ammana Fintek Syariah (Ammana), PT Dana Syariah Indonesia (Dana Syariah), PT Duha Madani Syariah (Duha Syariah), PT Piranti Alphabet Perkasa (Papitupi Syariah), PT Berkah Fintek Syariah (Berkah Fintek Syariah), PT Alami Fintek Syariah (ALAMI), PT Qazwa Mitra Hasanah (qazwa), PT Maslahat Indonesia Mandiri (Bsalam), PT Ethis Fintek Indonesia (ETHIS), and PT Investree Radhika Jaya (Investree) which has a Shariah business unit in it. Based on Indonesian fintech lending statistics released by the OJK as of February 2022, the total assets of Islamic fintech in Indonesia reached 86.9 billion Rupiah. This figure is still far below that of conventional fintech which reaches 4 trillion Rupiah.

According to Intan and Zuraya (2021), the Indonesian Joint Funding Fintech Association (AFPI) is ready to encourage the revival of the Shariah economy. AFPI stated that the advantages of Shariah-based financial technology, especially the funding sector, could be a driving force for Indonesia as a producer of halal products in 2024. With the existence of Islamic funding fintech, it is hoped that it can become part of the halal value chain. What is meant by halal value chain here is that not only products are processed and packaged in a halal manner, but also companies use halal payment methods in their sales. It is also estimated that this can make the company's movement more massive, faster, more efficient and transparent.

The emergence of fintech companies has forced the Islamic banking industry to improve itself. Fintech does not only serve payments, financing, or other financial services like traditional banking businesses. With technological sophistication and continuous innovation, Islamic bank fintech can reach customers who have not had access to the Islamic banking system (Muchlis, 2018). Fresh air also emerged after the merger of 3 (three) Islamic commercial banks, BNI Syariah, Bank Syariah Mandiri, and BRI Syariah to become Bank Syariah Indonesia (BSI). This merger is a form of support in the development of Shariah fintech in the future. The banking sector is closely related to Islamic fintech. Therefore, collaboration is needed between Bank Syariah Indonesia and Islamic fintech players to form new breakthroughs (Rezkisari, 2021). According to Aji et al. (2020), According to Aji et al. (2020) fintech institutions must match their steps with the banking industry, as well as cooperatives and BMT (Baitul Maal Wat Tamwil) which must become bankable. Bankable will be felt by the community when the products, services, and management have implemented Fintech 4.0.

Pawn is also following the development of Shariah fintech by launching a product called pawn on demand. This service is a shuttle service for jewelry or other valuables that customers want to pawn and cooperate with online motorcycle taxis. This is a new innovation in serving customers digitally. However, this service must have strong legal certainty as a form of protection for pawn customers because they are vulnerable to criminal acts (Farhan, 2019).

Since the COVID-19 pandemic, the public's desire to carry out Islamic financing has increased. In addition to the logistics and food sectors, several Shariah fintech companies also plan to target the health sector to increase the number of lenders and borrowers (Fadila & Handoyo, 2020). The current state of the pandemic has greatly affected the community's economy. Some of them use Shariah fintech not only to facilitate digital financial transactions, but also make Shariah fintech as an alternative funding to find objects to be funded and also as an alternative financing to find business capital loans that are easier, faster, and in accordance with Shariah principles.

The Role of Shariah Fintech in the *Maqashid al-Shariah* Aspect

According to Alwi (2018) the implementation of Shariah-based information technology-based lending and borrowing services provides several choices for service users. Fintech service providers will offer different schemes according to the needs of users, while still complying with Shariah rules. The contracts (Akad) implemented by service providers include the Wakalah bil Ujrah contract and the Musyarakah contract. The benchmarks for assessing Shariah compliance for information technology-based lending and borrowing service providers are as follows:

- a. Contract that is used according to Shariah principles
- b. Calculating, paying, and managing zakat funds according to Shariah rules
- c. Reporting all economic transactions that occur in accordance with applicable Shariah accounting standards
- d. Culture and work environment that are in accordance with Shariah principles
- e. The business being financed is a halal business
- f. There is a Shariah Supervisory Board that oversees all operational activities
- g. Everything comes from a legitimate and halal source

Maqashid al-Shariah is a principle that prioritizes the benefit of the people, which means that everything that is done must be able to provide benefits and protect mankind both in this world and in the hereafter. The explanation of the role of Shariah fintech in the *Maqashid al-Shariah* aspect is as follows:

On the *daruriyyat* aspect, which is an urgent need that must be met. Included in this aspect are:

- Protecting religion—its relation is to one's faith and maintaining the practice of worship. To maintain the practice of worship, one of them is to pay zakat which must be issued if it meets the specified conditions and also perform the pilgrimage. According to Andiko (2016), in Islamic teachings, it is said that in every person's property there is someone else's

share so that every Muslim who has a lot of wealth is obliged to pay zakat to those who are entitled to receive it.

Shariah fintech provides facilities to pay zakat digitally which will later be distributed to people who are entitled to receive it. In addition to zakat, consumers can also pay waqaf and alms digitally. For example, the Paytren application makes it easy to do alms with QR Paytren where consumers only scan the barcode that appears on the cellphone screen when they want to give alms. There are also Shariah fintech companies that provide Hajj financing services such as PT Ammana Fintek Syariah (Ammana). There are also services provided by another Shariah fintech company, PT Maslahat Indonesia Mandiri (Bsalam), which focuses on working capital financing for the implementation of special Umrah and Hajj pilgrimages.

- Protecting one's life/soul. Socializing with other human beings can be done by means of muamalah. Good socialization can strengthen the relationship and help each other between individuals so as to create peace for both mind and soul. Shariah fintech has become a place of muamalah for lenders and borrowers because of the existence of financing services as well as for consumers who take advantage of other services. There are also crowdfunding services whose purpose is only for social purposes, such as Ayopeduli.id.
- Protecting one's mind. Intellectuality is the difference between humans and other creatures. With intellectuality or the ability to reason, humans can distinguish between good and bad. Good humans will use their minds to seek good knowledge as well. This Shariah fintech is part of a new science that has developed in recent years to answer the needs of mankind. Along with the development of the era, the ease of conducting financial transactions is very necessary. One innovation after another continues to be carried out so that Shariah fintech can be accepted by the community and of course must be in accordance with Shariah corridors.
- Protecting family/lineage can be done by planning financially for the future of all family members. ALIA (PT Maju Bersama Alia) is a company that has joined the Indonesian Shariah Fintech Association, but has not been registered with the OJK. It is a company that engaged in Shariah-based digital financial management. The services provided are financial planning, saving, and investing in various Shariah investment products.
- Protecting one's property, in this case, ensures that the assets obtained are lawful assets and obtained in a lawful manner. This is as mentioned in the Qur'an Surah An Nisa verse 29: "O believers! Do not devour one another's wealth illegally, but rather trade by mutual consent. And do not kill each other or yourselves. Surely Allah is ever Merciful to you."

Seeking income is also part of maintaining property (Hasibuan et al. (2018). The obligation to seek lawful property is explained in the following Hadith of Ath-Thabrani: "Seeking halal (wealth) is obligatory for every Muslim."

In the Paytren application, there is a "Belanjaqu" menu which is an online store (marketplace) that sells various needs, both primary, secondary, and tertiary. The goods traded are halal products from various Paytren partners. Another Shariah fintech company, PT Duha Madani Syariah (Duha Syariah), provides financing services for halal products sold on e-commerce or marketplaces in collaboration with Duha Syariah. In addition, there are Shariah fintech companies, i.e., Dana Syariah and Ethis Crowd, which provide property project financing services such as land purchases, house construction, and infrastructure. This service is a form of investment in halal products to protect our assets.

Hajiyat is a secondary need that will be difficult if not met. To meet the needs of consumers, Shariah fintech provides several contracts to choose from according to their needs such as contracts of buying and selling (murabahah), musyarakah, mudharabah, ijarah, and so on.

Tahsiniyat is a complementary need. There are services from Shariah fintech in the form of digital payments such as buying phone credit and electricity tokens, paying cable TV bills, and anything that are complementary to make it easier for consumers. We can actually get this service not only from Shariah fintech. Therefore, we can say this service is a complement.

Yarli (2018) mentioned that applying Shariah fintech means that we as Muslims are obliged to adhere to the Maqashid al-Shariah in which there are principles of protecting religion, protecting one's life/soul, protecting family lineage, protecting one's property, and protecting one's reason.

This is an indication to achieve victory in human life.

Obstacles to Shariah Fintech Development

Among the many supports and positive developments for Islamic fintech, there are also several obstacles. First, there are still rampant illegal fintech companies that offer easier procedure even though they end up ensnaring consumers. Second, registered conventional fintech is actually easier and more varied. Third, registered Shariah fintech companies are still constrained by capital, resources, product innovation, and marketing. A number of solutions are strategies that can be taken to overcome these obstacles, such as collaborating among fellow Shariah fintech companies and improving regulations to be able to oversee Shariah fintech operations. The government and other public institutions can help encourage the Shariah fintech industry, for example by utilizing Shariah payment services for work programs, meeting employee needs, and so on (Puspaningtyas & Murdaningsih, 2020).

According to Rahmawati et al. (2020), the obstacle for Shariah fintech in terms of increasing MSMEs in Indonesia is the culture lag where people do not want to accept new cultures or habits which they consider as foreign cultures that can damage the nation's culture. Technology is considered to be able to damage the social order because interaction between humans does not occur directly. In addition, the development of Shariah fintech is also hampered because there is no Shariah Supervisory Board that has large costs. The licensing process for registration of Shariah fintech to the OJK is also quite long.

According to Muchlis (2018), fintech that will be implemented in Islamic banking in Indonesia has been analyzed to have some weaknesses or challenges, i.e., first, there is a need for a stable internet connection to support the transaction process. Second, there is an opportunity for the emergence of cybercrime in Islamic banking fintech transactions. Third, not all fintech companies have a cooperation with Islamic banking to carry out legal financial transactions so that the possibility of abuse of authority can occur. Fourth, the knowledge of the Indonesian people about financial technology is still low. Fifth, access to communication technology infrastructure between regions has not been evenly distributed so that access to online financial transactions is limited.

CONCLUSION

The Shariah fintech industry in Indonesia is growing annually as evidenced by the increasing number of Shariah fintech companies. In addition, the Islamic banking and non-banking sectors have begun to innovate to create Shariah fintech services to provide convenience in financial transactions for the public. Looking at the explanation of the role of Shariah fintech in the *Maqashid al-Shariah* aspect, it can be concluded that in general, Shariah fintech has fulfilled the points of the Maqashid al-Shariah, i.e., in the daruriyyat, hajiyyat, and tahsiniyyat aspects. In terms of regulation, it is still necessary to reorganize special regulations for Islamic fintech separate from conventional fintech because there are crucial things whose principles are different. As mentioned by Nafiah dan Faih (2019), Shariah fintech has a *Maqashid al-Shariah* foundation and has a clear legal umbrella. However, there is a need for supervision and evaluation of the future performance of Shariah fintech carried out by the authorities. As a suggestion for the development of Shariah fintech in the future, in addition to strengthening in terms of regulations, intense education related to Shariah fintech products is still needed to the wider community, especially to people who have great potential to become consumers but are not well-educated of new technologies.

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