

Integration of Islamic Financial Technology and Digital Financial Inclusion in Indonesia

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ABSTRACT

The development of financial technology (FinTech) has opened significant opportunities to expand access to inclusive financial services, including within the Islamic finance ecosystem. This article examines how the integration of Islamic financial technology (sharia fintech) can enhance digital financial inclusion among Indonesian society throughout 2021–2025. Using a literature review approach based on academic research, regulatory reports (OJK), and international institutional publications, the findings indicate that sharia fintech has the potential to expand the reach of Islamic financial services, particularly for MSMEs, marginalized communities, and younger generations. However, major challenges include low Islamic financial literacy, regulatory gaps for digital sharia products, as well as data security and sharia governance issues. Recommendations include regulatory harmonization, enhancement of digital-sharia literacy, development of governance standards and sharia compliance certification for digital products, and incentives for platforms that integrate maqasid al-shariah principles and inclusion indicators.

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1. INTRODUCTION

The development of digital technology over the past decade has brought significant changes to the global economic system, including the financial sector. In Indonesia, the phenomenon of economic digitalization has encouraged the emergence of various innovations in the financial system known as Financial Technology or FinTech. These innovations include digital payment systems, online lending services, crowdfunding, and technology-based investments that are increasingly accessible to the public. FinTech has not only become a symbol of financial system modernization but also a strategic tool for expanding financial inclusion across various levels of society (World Bank, 2023).

According to the Global Findex Database (World Bank, 2023), the ownership rate of formal financial accounts among Indonesians increased from 35% in 2011 to more than 80% in 2022. This surge is closely linked to the contribution of the FinTech ecosystem, which has expanded public

access to digital financial services, including in rural areas and among lower-middle-income groups. However, this inclusion remains dominated by conventional-based services, while financial inclusion based on Islamic principles continues to face structural barriers and low literacy levels.

As the world's largest Muslim-majority country, Indonesia holds great potential for developing Islamic financial technology (Sharia FinTech). The presence of Sharia FinTech is expected not only to expand access to financial services but also to ensure that all financial activities align with Islamic principles such as justice (al-'adl), transparency (al-shafafiyyah), and sustainability (al-istidamah). Sharia-based FinTech includes various services such as sharia peer-to-peer lending, digital zakat and waqf crowdfunding, halal e-wallets, and investment platforms based on Islamic contracts such as mudharabah and murabahah (Surbakti, 2024).

The presence of Sharia FinTech in Indonesia has become increasingly prominent over the past five years. Based on data from the National Committee for Islamic Economy and Finance (KNEKS, 2024), more than 20 Sharia FinTech providers have been registered with the Financial Services Authority (OJK). The value of sharia-based technological financing has also grown at an average rate of 15% per year during the 2021–2024 period. This innovation strengthens Indonesia's position as one of the leading centers for Islamic economic development in Southeast Asia. Nevertheless, the contribution of Sharia FinTech to total national digital transactions remains relatively small compared to conventional services.

The main issue in developing Sharia FinTech lies in its integration with national digital financial inclusion. Financial inclusion is not merely about access to formal financial services but also the public's ability to utilize them productively and sustainably (OJK, 2024). The Indonesian government has targeted an increase in the national financial inclusion index to 90% by 2025, in line with the digital economic transformation agenda and the Indonesia Emas 2045 vision. In this context, Sharia FinTech plays a crucial catalytic role, as it can reach Muslim communities who have been reluctant to use conventional products due to religious beliefs.

However, realizing this potential faces several fundamental challenges. First, regulations governing Sharia FinTech operations remain partial and require harmonization between financial authorities (OJK and Bank Indonesia) and fatwa institutions (DSN-MUI). This harmonization is essential to ensure that FinTech innovation operates with strong legal certainty and sharia compliance (Fidhayanti, 2024). Second, the level of Islamic financial literacy remains low. According to the National Survey on Financial Literacy and Inclusion (SNLIK) released by OJK (2024), Indonesia's Islamic financial literacy index reached only 39.2%, far below the conventional financial inclusion index. This condition indicates that many people still lack a comprehensive understanding of Islamic financial principles and products.

Another challenge is related to digital infrastructure and public trust in online financial services. In several regions, uneven internet access and concerns about data security hinder the adoption of Sharia FinTech (Nasution & Karim, 2023). Moreover, many micro, small, and medium enterprises (MSMEs) — the main targets of Islamic financial inclusion — still face limitations in digital literacy and financial management, resulting in low participation in the digital ecosystem.

Nevertheless, amid these limitations, there are vast opportunities to be harnessed. First, the growing interest of young Muslim generations in digital Islamic investments and financial transactions reflects a positive shift in financial behavior. Digital wallet applications such as LinkAja Syariah and peer-to-peer financing platforms like Ammana and ALAMI have shown consistent user growth since 2022 (KNEKS, 2024). Second, government policy support through the Indonesian Islamic Economic Masterplan 2019–2024 and the establishment of a national digital sharia ecosystem have opened cross-sector collaboration opportunities among financial institutions, technology startups, and educational institutions (OJK, 2024).

At the macro level, the integration of Sharia FinTech and digital financial inclusion forms part of Indonesia's sustainable development strategy. This approach aligns with the Sustainable Development Goals (SDGs), particularly in eradicating poverty (Goal 1), improving economic welfare (Goal 8), and fostering innovation and infrastructure (Goal 9). Sharia FinTech can serve as an alternative financial solution that is not solely profit-oriented but also incorporates social and moral values through profit-sharing and digital philanthropy models (BAZNAS, 2024).

Furthermore, the development of Sharia FinTech holds strategic relevance for empowering the Muslim economy. Through the integration of digital technology with Islamic principles, the financial system becomes more transparent, just, and participatory. Sharia FinTech can facilitate access to capital for pesantren-based MSMEs, Islamic educational institutions, and emerging Islamic creative economy communities in Indonesia (Rahman, 2022). Thus, digital Islamic financial innovation is not merely a technological transformation but also part of a people-centered economic movement that upholds justice and sustainability.

Based on this background, it is crucial to conduct an in-depth study on the integration of Islamic financial technology and digital financial inclusion in Indonesia. This study not only explores aspects of growth and regulation but also highlights how collaboration among the government, financial institutions, and the technology sector can strengthen the role of Islamic finance within the national financial system. It is expected that this research will contribute theoretically to the development of digital Islamic finance literature and provide practical recommendations for policymakers to strengthen an inclusive financial system based on Islamic values toward Indonesia Emas 2045.

2. METHODS

This study employs a descriptive qualitative approach using the library research method. This approach was chosen because the focus of the research is to conduct an in-depth analysis of the integration phenomenon between Islamic financial technology (sharia fintech) and digital financial inclusion in Indonesia, as well as to examine its contribution to enhancing ethical and sustainable financial access for the Muslim community.

The data sources in this study are derived from secondary literature such as scholarly journal articles, academic books, reports from Bank Indonesia and the Financial Services Authority (OJK), and official statistical data relevant to the research topic. The articles reviewed were obtained from nationally accredited journals (S2–S5) and reputable international journals published within the last four years (2021–2025).

The collected data were analyzed using content analysis, a technique used to identify patterns, concepts, and relationships among variables found in the literature related to sharia fintech and financial inclusion. The analytical process consisted of three stages: (1) data reduction, which involved selecting and classifying relevant literature; (2) data presentation, which involved organizing research findings into thematic narratives; and (3) drawing conclusions, which involved interpreting the analysis results to address the research questions and achieve the study objectives.

The validity of the data was reinforced through source triangulation, by comparing findings from various credible journals and official reports to ensure the accuracy and consistency of the information. Through this method, the study aims to provide a comprehensive overview of how the integration of Islamic financial technology acts as a catalyst in expanding digital financial inclusion in Indonesia, and how regulation and innovation can progress in harmony with sharia principles.

3. FINDINGS AND DISCUSSION

Development of Islamic Financial Technology in Indonesia

The development of financial technology (fintech) in Indonesia has experienced rapid growth over the past decade. According to data from the Financial Services Authority (OJK, 2024), there are more than 500 fintech companies operating in Indonesia, with around 20 of them classified as sharia fintech registered and supervised by OJK. This growth aligns with the increasing public interest in financial systems that are not only efficient but also compliant with Islamic principles (OJK, 2024).

Sharia fintech has become an essential part of the national digital economic ecosystem, serving as a bridge between technological innovation and Islamic values. Sharia fintech products include sharia-based peer-to-peer lending, halal investment platforms, digital zakat and waqf services, and sharia-based payment systems (e-payment). These services help expand financial access for individuals previously excluded from conventional financial institutions (Chotib & Nursyamsiah, 2023).

According to Bank Indonesia (2023), the potential for sharia fintech in Indonesia is enormous, considering that 87% of the population is Muslim, yet the level of Islamic financial inclusion is only around 25%. This indicates a wide opportunity for the development of digital Islamic financial services to reach communities in rural areas, Islamic boarding schools (pesantren), MSMEs, and microeconomic groups.

Integration of Sharia Fintech with Digital Financial Inclusion

The integration of sharia fintech with digital financial inclusion is not only about providing access to financial services but also involves education, literacy, and public trust in digital financial systems grounded in Islamic values. Sharia fintech plays a vital role in expanding financial inclusion by offering convenient sharia-compliant transactions, increasing transparency, and reducing operational costs. Innovations such as digital cash waqf and sharia crowdfunding have proven to boost public participation in productive and socially oriented economic activities (Rahman et al., 2022).

Furthermore, this integration encourages the creation of an inclusive digital Islamic financial ecosystem, where users can access various halal financial services through a single digital platform. For example, platforms such as Ethis, Investree Syariah, and Ammana Fintek Syariah have utilized technology to distribute microfinancing to MSMEs without violating the prohibition of *riba* (usury). Such business models have significant social impacts by promoting economic equity and empowering low-income communities (Syafri & Fauziah, 2024).

However, this integration faces challenges such as limited digital sharia financial literacy and low levels of public trust regarding data security. A survey conducted by KNEKS (2023) revealed that only 34% of Indonesians understand the concept of sharia fintech, while 60% remain hesitant to use digital financial services due to concerns over personal data misuse. Therefore, public education is key to strengthening a sustainable sharia fintech ecosystem.

The Role of the Government and Regulators in Supporting Sharia Fintech Integration

The government, through OJK, Bank Indonesia, and the National Committee for Islamic Economy and Finance (KNEKS), plays a strategic role in strengthening the integration of sharia fintech and digital financial inclusion. This support is manifested through regulatory issuance, the provision of digital infrastructure, and the enhancement of the sharia legal framework. Regulations such as OJK Regulation No. 77/POJK.01/2016 on information technology-based lending and borrowing services and DSN-MUI Fatwa No. 117/DSN-MUI/II/2018 on technology-based financing services under sharia principles serve as legal foundations for the development of sharia fintech in Indonesia. These regulations ensure that all sharia fintech activities remain aligned with the *maqasid al-shariah* objectives—protecting wealth (*hifz al-mal*), ensuring justice, and promoting public welfare (Nasution & Rahman, 2023).

In addition, the government promotes the digitalization of Islamic financial services through national financial inclusion programs. For instance, the implementation of QRIS Syariah by Bank Indonesia in 2023 enables digital payment transactions within Islamic financial institutions and halal MSMEs. This initiative not only broadens the reach of financial transactions but also strengthens the identity of the Islamic economy within Indonesia's digital landscape (Bank Indonesia, 2023).

The involvement of academics and research institutions is also increasingly important in supporting the development of sharia fintech. Universities with Islamic economics programs should play an active role in producing digitally literate Islamic finance professionals, generating innovation-based research, and fostering research collaborations with fintech industries to create synergy between theory, policy, and practical application (Amaliah & Hidayat, 2024).

The Impact of Integration on the Economy and Inclusive Finance

The integration of sharia fintech with digital financial inclusion has had a positive impact on national economic growth, particularly in empowering the lower-middle class and MSMEs. With the presence of sharia fintech, access to financing has become easier, faster, and more affordable without going through complex bureaucratic processes. According to Afif and Rahmawati (2024), sharia fintech contributed to a 2.3% increase in the national financial inclusion index during the 2021–2023 period. This demonstrates that sharia-based digital financial innovation not only provides halal financing alternatives but also supports overall economic equity.

Moreover, the digitalization of Islamic finance has enhanced transparency and accountability in the management of Islamic social funds, such as zakat, infaq, sadaqah, and waqf (ZISWAF). Through digital platforms, the distribution of Islamic social funds has become more efficient and well-targeted, thereby contributing to improved social welfare (Harahap & Munir, 2023).

However, to ensure the sustainability of this integration, synchronization between regulation, literacy, and technological innovation is necessary. The government, industry players, and higher education institutions must work together to strengthen sharia fintech governance and raise public awareness of the importance of ethical and sharia-compliant digital finance. In doing so, sharia fintech can become a driving force for an inclusive and equitable national digital economy, paving the way toward Indonesia Emas 2045.

4. CONCLUSION

The integration between Islamic financial technology (sharia fintech) and digital financial inclusion in Indonesia demonstrates a strategic role in strengthening the national economic system based on Islamic values. Sharia fintech not only serves as an innovative instrument for providing broader access to financial services but also functions as a medium for socio-economic transformation that promotes justice, transparency, and sustainability.

With regulatory support from the Financial Services Authority (OJK), Bank Indonesia, and the National Committee for Islamic Economy and Finance (KNEKS), the development of sharia fintech has become more structured within a strong legal and sharia framework. Innovations such as sharia peer-to-peer financing, digital zakat and waqf platforms, as well as sharia-based QRIS systems have created vast opportunities for society, particularly for groups that were previously underserved by formal financial institutions.

Nevertheless, challenges persist, especially regarding the low level of Islamic financial literacy and public trust in the security of digital transactions. Therefore, synergy among the government, academia, and the fintech industry is essential to strengthen public education, develop halal product innovations, and ensure ethical digital governance.

Overall, the integration of sharia fintech and digital financial inclusion serves as a vital foundation in realizing an inclusive, equitable, and sustainable Islamic economy. If managed effectively, it will become one of the key pillars in achieving Indonesia's Golden Vision 2045, where technological advancement aligns harmoniously with Islamic moral and spiritual values.

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