

Sharia Fintech in Digital Transformation: Driving the Growth of the Halal Industry in Indonesia

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ABSTRACT

Digital transformation has brought substantial changes the peoples lives. Financial technology or fintech has become a pioner of the economy in Indonesia, especially for halal industry sector. Sharia fintech comes with digital innovations combined with the principles of sharia, which can opportunities and potential for economic growth an development. The purpose of this study is to analyze the role of sharia fintech in digital transformation that can boostt the halal industry sector. This study uses a descriptive method with a review of relevant literature. Data was collected forom journals, books, and research reports. The findings of this study are that sharia fintech contributes greatly in driving the growth of halal industry in Indonesia through the contracts available on platform digital such as murabahah, mudharabah, ijarah, investment and ZISWAF, increasing trend of halal lifestyle, so the government support through PBI, PJOK regarding digital service, and DSN-MUI fatwas on the regulation of sharia contracts and also ASFI which regulates the availability on sharia digital platforms that can support the halal industry in the halal food and drink, trorism, pharmaceuticals, and fashion. Sharia fintech is increasingly good its position, where data shows that around 70% of loand in the UMKM sharia cluster online.

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1. INTRODUCTION

Digital transformation has changed the paradigm of society in various activities, the interaction in carrying out economic transactions and running bussinesses. Fintech appears as a technological innovation in the financial industry as a means of public financial services. Indonesia has great potential in the development of halal industry sector, such as for halal food and drink, fashion, tourism, pharmaceutical, and cosmetic sectors which by 2025 had reached rank 3 in the global market. (SGIE,2025) If Indonesia can focus massively on development as Malaysia, then we can improve its ranking in the global of halal industrial.(Antonio et al., 2020).

The 4.0 annd 5.0 industrial revolutions force compenies to strive to utilize new technology to achieve production levels, to expand markets and cad do the compete with globar consumer.(Masyita,

2020). This condition urges the government and financial institutions from the banking sector, zakat, waqf, microfinance to prepare a sharia fintech formula that can be in line with the society needs both in term of technological innovations, norm, and laws according to sharia economic principles. The digital innovations of sharia fintech must comprehensively comply with sharia principles supervised by sharia regulator DSN-MUI (Hidayat, 2021).

Fintech provides various digital financial services that are easily accessible to public, ranging from peer-to-peer lending, digital banking, crowdfunding, for shopping and business (Rozi et al., 2024). The increasing of internet users in society will support the creation of digital financial inclusions. The Islamic economy is not only a technological choice but also part of a strategy to strengthen the independence and competitiveness of the people (Islam et al., 2025). This research is expected to provide theoretical contributions to the development of Islamic economics especially in sharia fintech in strengthening the growth of halal industry inclusive for digital economy. Halal enhances consumer trust, facilitates market expansion (Ahyadi, 2025)

2. METHODS

This research is a qualitative descriptive using a literature review method, namely by examining literature from scientific journals, books, and institutional reports related to the theme. Focus of this study is to explore the literature review on sharia fintech that can boost the growth of halal industry in Indonesia. Data sources used the sharia fintech books, Institutions such as the financial authority (OJK), the Association of sharia fintech Indonesia (ASFI), Indonesia Bank (BI), and the DSN-MUI contract. The author will analyze and develop theoretical and practical arguments to present research result that serve as the basis for articulating conceptual insight on sharia fintech to improving the halal industry in Indonesia.

3. FINDINGS AND DISCUSSION

Sharia Fintech Paradigm

Sharia fintech is a digital financial service based on sharia principles derived from the Qur'an and hadist, which emphasizes transparency, the role of National Sharia Board (DSN) and the Sharia Supervisory Board (DPS) focusing more on Sharia economic norms and laws, so that it can avoid product design that are ambiguous and contain prohibited elements such as usury (*riba*), gambling (*maysir*) and uncertainty (*gharar*). (Hidayat, 2021). The principles of Islamic economics include: *maysir*: prohibition of gambling, *gharar*: practices that cause losses to others to gain personal profit, practices containing forbidden elements: applying to processes or products prohibited by Allah, *dzalim*: actions that harm others, *ikhtikar*: the practice of accumulating goods/hoarding with the aim of gaining large profits by waiting for high price conditions, *riba*: prohibition of debt transactions in the form of interest (*ziyadah*) (Rusby Zuklifli, 2017).

The Financial Services Authority (OJK) and Bank Indonesia (BI) are authorized to regulate and supervise the financial services industry with the following regulations: 1) Financial Services Authority Regulation (POJK) No. 77/POJK.01/2016 regarding Information Technology-Based Lending Services, 2) Bank Indonesia Regulation (PBI) Number 18/40/PBI/2016 concerning the Implementation of Payment Transaction Processes aimed at meeting the public's needs in the payment system, 3) Bank Indonesia Regulation (PBI) Number 19/12/PBI/2017 regarding Financial Technology.

Sharia fintech, in practice, shows compliance with the objectives of Sharia in the aspect of protecting religion through transparent mechanisms and being free from usury, protecting the intellect by providing information and Sharia financial education, protecting the soul through consumer protection and digital transaction security, protecting descendants through education insurance and investment platforms, and protecting wealth through interest-free investments, social funds, and ZISWAF. (Adityarini et al., 2025). In this way, Sharia fintech can become a strategic instrument in realizing the welfare of the people.

Sharia Fintech for Digital Transformation in Indonesia

Fintech has emerged to address problems found in society, namely the limitations of the financial industry including complicated regulations and the distance between consumers which causes them not to be fully served. The functions of fintech include sales, purchases, payments, insurance, loan applications, and investments. Recent literature shows very rapid and widespread digital transformation growth in society, with various financial institutions competing to improve easy and fast financial transaction services. Sharia Fintech presents digital financial products and services based on Sharia principles. Organizational culture in institutions, leadership capabilities, and digital competence serve as determinants of success in digital transformation. (Savandha & Safii, 2025).

Revealing that organizational culture, leadership capability, and digital competence serve as fundamental determinants of digital transformation success, with soft organizational components often proving to be more important than technological factors. Bank Indonesia Regulation (PBI) No. 19/12/PBI/2017 concerning Sharia fintech as an effort to utilize technology in the financial system that can produce products, technological services, and business models that can influence financial stability in terms of smoothness, efficiency, security, as well as a credible system (PBI 2025) Fintech syariah hadir menangkap kendala yang dihadapi para pelaku usaha dalam akses permodalan, pembiayaan dan sepenuhnya tidak memiliki aset untuk dijamin, berdasarkan ulasan tersebut fintech syariah hadir untuk menawarkan sistem keuangan digital yang dianggap solutif. (Yudha Ana Toby, 2021)

OJK data in 2019 shows that there were 164 registered fintech lending companies, but only 25 companies obtained licenses from OJK. In operational practice, there were 152 fintech institution operating conventionally and 12 fintech operating according to sharia principles (Misissaifi & Sriyana, 2021) Ethis Crowd, a company from Singapore, managed to capture the Indonesian market with sharia services in 2017, marking the beginning of the growth of sharia fintech in Indonesia. According to OJK fintech data, there are 97 legal companies and 7 operating according to sharia principles as of December 2025 (OJK, 2025). Along with the rapid development of fintech in society, online loans are starting to dominate and disturb the public, so the government is becoming wiser and more selective in this matter.

The presence of sharia fintech becomes the answer to the needs of the Indonesian people, the majority of whom are Muslim, to avoid the practices of *riba*, *maysir* and *gharar*, because operationally it is supervised by DSN-MUI and the Sharia Supervisory Board, which regulate contract practices in digital innovation, sharia compliance in the digital era, as well as fair consumer protection between platforms and users in accordance with sharia principles. (Ali & Syarifuddin, 2026) sharia fintech products by presenting innovative digital services such as digital payment, sharia e-wallets, and mobile banking, sharia link that offer convenience and inclusivity for wider community (Atika et al., 2025).

In the breakthrough of sharia fintech which has great opportunities, there are several challenges, namely low literacy about sharia finance, many people who have not fully understood the benefits of the product (Atika et al., 2025) Advanced cyber security or risks have the potential to threaten consumer trust, which can disrupt system stability and cause financial losses. The widespread circulation of online loans makes people worried and afraid of sharia fintech. The majority Muslim population of Indonesia, who should support sharia fintech, still has many doubts about its practical sharia compliance. (Aziz, 2020)

Sharia Fintech in Promoting the Halal Industry in Indonesia

Indonesia, with the largest Muslim population of 229 million or 87.2% according to the Central Statistics Agency 2025, based on this fact, Indonesia has created a position as a promising market share in sharia financial technology fintech, as evidenced by the Global Fintech Islamic Report 2025 (SGIE report, 2025).

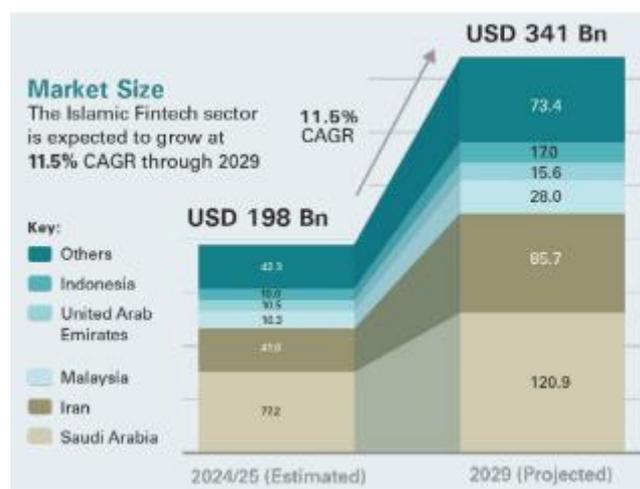


Figure 1: Top 5 Market Fintech Syariah Global

The Financial Services Authority (OJK) has regulated in POJK No. 77 of 2016 regarding Money Lending and Borrowing Services through Information Technology. Sharia fintech has additional regulations from the National Sharia Council - Indonesian Ulama Council (DSN-MUI) No. 117/2018 concerning Financing Services based on Information Technology with Sharia Principles. Sharia fintech has become an alternative to promote the halal industry, resulting in economic growth in the sharia industry sector (Yudho Taruno, 2020).

Fintech companies in Indonesia are divided into several sectors, namely: financial planning, peer-to-peer lending, crowdfunding, aggregator, payment. In Indonesia, fintech practices are dominated by the payment sector at 42.22%. (Faih, n.d.) This potential triggers the halal industry to develop and innovate quickly and is supported by the government through: 1) cashless socialization, which means that people do not need to carry cash to pay for transactions, but can use debit cards, Qris, e-money, and other digital wallets (Aziz, 2020) 2) The Ministry of Industry's commitment with the existence of the IHYA (Indonesia Halal Industry Award) in the categories of Halal Food and Beverages, halal cosmetics, pharmaceuticals and traditional medicines, textile industry, ceramics, and support for Islamic financial services. Everyone can enjoy the presence of fintech in meeting their economic needs.

Crowdfunding in Sharia fintech provides capital services without burdening with *riba* or *gharar*, focusing on Micro, Small, and Medium Enterprises (UMKM), thus helping the halal industry in an inclusive and sustainable way *Crowdfunding* (Atika et al., 2025) In addition, Sharia crowdfunding also carries the concept of digital ZISWAF, which has become an innovative strategy that manages social funds and productive investments, connecting investors with halal industry for UMKM through *mudharabah* and *musyarakah* contracts. Sharia peer-to-peer lending provides access for SMEs and the productive sector to easily obtain funding. The digital era is marked by advances in information and communication technology that have fundamentally changed the way we do business (Fitrianti, Kurniawati, Utami, Muin, & Amri, 2025)

AFSI (Indonesian Sharia Fintech Association) under the supervision of OJK collaborates to create a conducive climate for sharia fintech that can provide protection for the public using the services as borrowers or lenders, particularly by strengthening capital access for UMKM and Halal Industry players. Digital transformation can move quickly if supported by actors who understand digital technology, so the collaboration between sharia fintech and the halal industry in Indonesia can work synergistically, with young generations driving innovation who are digitally savvy playing an important role in creating innovative job opportunities and a modern, inclusive halal lifestyle.

Sharia fintech provides various financing schemes to support the halal industry, with the main financing models offered such as *mudharabah*, *musyarakah*, working capital financing, procurement of productive assets, and *ijarah* (Muliyani et al., 2025) Transactions with blockchain or decentralized systems facilitate transparent halal supply chain tracking that can be trusted by consumers regarding

halal products in Indonesia (Muliyani et al., 2025) Seeing this fact, it shows that sharia fintech has a significant impact on the halal industry in Indonesia on a national and global scale.

4. CONCLUSION

Based on the analysis, the researcher concludes that Sharia fintech plays a superior role in supporting the development of the halal industry ecosystem through 1) providing inclusive financing access through the digitalization of financing in the financial sector, which is easily accessible for the needs of MSMEs and the halal industry in Indonesia, 2) government regulatory support through PBI, OJK, and AFSI, which can drive the halal industry sector to rank third in the global market, 3) Sharia fintech schemes such as *mudharabah*, *musyarakah*, *ijarah*, and digital blockchain innovation for halal supply transparency that can be integrated into the development of the Sharia economy sector, 4) increasing the halal lifestyle trend among the younger generation. This research contributes so that society, the financial sector, and the government can contribute to promoting the halal industry sector as a foundation supporting both theoretically and practically in the halal industry in Indonesia.

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