




## RESEARCH ARTICLE

# Exploring The Legal Landscape of Islamic Fintech in Indonesia: A Comprehensive Analysis of Policies and Regulations [version 1; peer review: 1 approved with reservations]

Dwi Fidhayanti<sup>1</sup>, Mohd Shahid Mohd Noh<sup>2</sup>, Ramadhita Ramadhita <sup>1</sup>, Syabbul Bachri<sup>3</sup>

<sup>1</sup>Islamic Economic Law, Universitas Islam Negeri Maulana Malik Ibrahim Malang, Malang, East Java, 65144, Indonesia

<sup>2</sup>Universiti Malaya, Kuala Lumpur, Malaysia

<sup>3</sup>Universitas Islam Maulana Malik Ibrahim Malang, Malang, Indonesia

---

**V1** First published: 08 Jan 2024, 13:21  
<https://doi.org/10.12688/f1000research.143476.1>  
Latest published: 08 Jan 2024, 13:21  
<https://doi.org/10.12688/f1000research.143476.1>

---

## Abstract

The rapid growth of Islamic fintech in Indonesia necessitates a comprehensive examination of the policy and regulatory framework from a legal perspective. This study explores the legal landscape of Islamic fintech in Indonesia, analyzing the current policies and regulations governing this emerging sector. Using normative legal research with a statutory approach and conceptual approach. The primary and secondary legal materials, including government reports and scholarly articles, this research evaluates recent policy developments and regulatory initiatives supporting Islamic fintech. It identifies gaps and areas for improvement, drawing from best practices and regulatory approaches adopted by other countries with successful Islamic fintech ecosystems. Based on the findings, this research proposes recommendations to enhance the policy and regulatory framework. These include collaboration between regulatory bodies and industry stakeholders, tailored licensing frameworks, enhanced consumer protection mechanisms, and promotion of innovation in Shariah-compliant financial products and services. This study contributes to understanding the legal landscape of Islamic fintech in Indonesia, offering a comprehensive analysis of existing policies and regulations. By addressing challenges and proposing solutions, it aims to facilitate the growth of Islamic fintech and foster an inclusive and sustainable financial ecosystem in Indonesia.

## Open Peer Review

### Approval Status ?


1

#### version 1

08 Jan 2024

?

[view](#)

1. **Hazik Mohamed** , Stellar Consulting Group, Singapore, Singapore

Any reports and responses or comments on the article can be found at the end of the article.

## Keywords

Indonesia policies, Indonesia regulations, Islamic Fintech

**Corresponding author:** Ramadhita Ramadhita ([ramadhita@syariah.uin-malang.ac.id](mailto:ramadhita@syariah.uin-malang.ac.id))

**Author roles:** **Fidhayanti D:** Conceptualization, Methodology, Writing – Original Draft Preparation; **Mohd Noh MS:** Conceptualization, Funding Acquisition; **Ramadhita R:** Resources, Writing – Review & Editing; **Bachri S:** Conceptualization, Funding Acquisition

**Competing interests:** No competing interests were disclosed.

**Grant information:** The author(s) declared that no grants were involved in supporting this work.

**Copyright:** © 2024 Fidhayanti D *et al.* This is an open access article distributed under the terms of the [Creative Commons Attribution License](#), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited. The author(s) is/are employees of the US Government and therefore domestic copyright protection in USA does not apply to this work. The work may be protected under the copyright laws of other jurisdictions when used in those jurisdictions.

**How to cite this article:** Fidhayanti D, Mohd Noh MS, Ramadhita R and Bachri S. **Exploring The Legal Landscape of Islamic Fintech in Indonesia: A Comprehensive Analysis of Policies and Regulations [version 1; peer review: 1 approved with reservations]** F1000Research 2024, 13:21 <https://doi.org/10.12688/f1000research.143476.1>

**First published:** 08 Jan 2024, 13:21 <https://doi.org/10.12688/f1000research.143476.1>

## Introduction

Islamic fintech has received significant attention (Alshater et al., 2022; Dawood et al., 2022; Rabbani et al., 2021), especially in the Indonesia context (Ascarya & Sakti, 2022; Hudaefi, 2020; Hudaefi et al., 2023; Muryanto et al., 2021). However, Islamic fintech in Indonesia is still in an early stage of development and is less comprehensive than conventional forms (Aulia et al., 2020). There are many startups that do not comply with the Sharia principles that have been regulated by the Indonesian government (Achsiem & Purnamasari, 2016). To be fully sharia-compliant, these platforms must avoid interest-based transactions that are common in the fintech world. This restriction limits Islamic fintech companies' products and services. There are several reasons for the slow growth of Islamic fintech in Indonesia, including inadequate regulations, complicated licensing procedures, rampant illegal fintech businesses, and consumer disputes in the fintech sector (Muryanto et al., 2021). Nevertheless, Indonesia has huge potential for Islamic fintech. With the right policies and regulations, Islamic fintech could contribute to social funds and finance the agriculture sector, as well as small and micro businesses (Agustina & Faizah, 2023). In addition, the adoption of fintech in Islamic finance assists the government in increasing financial inclusion, conquering financial crises such as COVID-19, and achieving the SDGs for a sustainable country (Alshater et al., 2022). The rise of Islamic fintech in markets such as Indonesia and Malaysia is closely related to the growth of Islamic finance in Southeast Asia. According to the World Bank, Indonesia has the largest number of Islamic fintech companies in the world (Hudaefi, 2020).

The development of fintech companies over time has been proven to improve banks' financial stability of banks (Safiullah & Paramati, 2022). A study was conducted to explore the evolving legal landscape surrounding Islamic fintech in Indonesia. Muryanto et al. (2021) found that Indonesia, despite having the largest Muslim population in the world, still lags behind Saudi Arabia, Iran, the United Arab Emirates, and Malaysia in terms of the Islamic fintech market size (Muryanto et al., 2021). The Islamic fintech ecosystem consists of financial consumers, fintech startups, the government, technology developers, traditional financial institutions, and fatwa. Hudaefi examined the growth of the Islamic fintech ecosystem in Indonesia within these core elements and provided valuable insights into the current state of the industry in Indonesia (Hudaefi et al., 2023). In Indonesia, Islamic fintech complies with *maqashid sharia* (Nafiah & Faih, 2019). One of the points of Sharia compliance in Islamic fintech is the existence of the Sharia supervisory board to ensure compliance with Sharia provisions (Iqbal, n.d.; Muryanto et al., 2021). The implementation of Islamic fintech in protecting the spiritual rights of customers by ensuring that Islamic fintech financing services do not involve interest or usury (*riba*), uncertainty (*gharar*), speculation (*maysir*), hiding damage (*tadlis*), harming other parties (*dharar*), or avoiding things (*haram*) (Sugiarto & Disemadi, 2020). New regulations based on products, policies, and procedures are needed in order to gain more acceptance for the Islamic finance industry (Mazlan et al., 2023). This research aims to examine the gap between the current and desired state of Islamic fintech regulations in Indonesia. By conducting a comprehensive analysis of policies and regulations, this research intends to provide insights to guide the development of a robust legal framework that matches the unique attributes of Islamic fintech. This article makes a significant contribution to the development of Islamic fintech in Indonesia by providing a comprehensive understanding of the legal landscape, addressing regulatory challenges, and providing actionable insights to create a conducive environment for sustainable growth and innovation in the sector.

## Method

The focus of this research is to explore comprehensively analyse the legal landscape of Islamic fintech in Indonesia. The research primarily employs a normative legal approach, aiming to examine and analyse existing policies and regulations related to Islamic fintech. To achieve this, both a statutory approach and a conceptual approach were utilized. The statutory approach involves an examination of government regulations, fatwa, and regulatory policies relevant to both law and fintech. Meanwhile, the conceptual approach is employed to delve into the principles of fintech and sharia that serve as references for ensuring sharia compliance within the Islamic fintech industry.

The data sources of this research encompass a variety of primary and secondary legal materials. The primary legal materials consist of legislative documents directly related to Islamic fintech in Indonesia. In addition, secondary legal materials such as national and international journal articles, theses, dissertations, and other scholarly works pertaining to the development of Islamic fintech regulations in Indonesia were gathered through a comprehensive literature study.

Interpretative analysis of the gathered data was conducted using both descriptive and comparative methods. The descriptive approach is employed in order to make comparisons with the countries that have a burgeoning Islamic fintech sector. The analysis results are then interpreted with a multifaceted lens, encompassing aspects of Sharia law, practical implications, and potential effects on the growth of the Islamic fintech industry in Indonesia. This interpretative phase adds depth and context to the findings, enabling a more comprehensive understanding of the legal framework surrounding Islamic fintech in the country.

## The Legal Landscape of Islamic Fintech in Indonesia

“FinTech” is a rather simple and obvious combination of an application domain (“financial”) and “technology” (Alt et al., 2018). It refers to the integration of digital technologies into financial services, which has the potential to transform the provision of financial services and spur the development of new ones (Feyen et al., 2023). The ongoing digitization of financial services and money creates opportunities to rapidly build a more inclusive and efficient financial sector landscape and blurs the boundaries of both financial firms and the financial sector, which presents a paradigm shift that has various policy implications (World Bank, 2023). Some of these policy implications include fostering beneficial innovation and competition while managing risks, broadening monitoring horizons and reassessing regulatory perimeters, ensuring that public money remains fit for the digital world, and pursuing strong cross-border coordination. Digital transformation has become a disruptor in almost every industry, including fintech, making the sector more customer-centric and technologically relevant. The evolution of digital transformation in the fintech industry has become a business imperative for improving customer experience through the development of new services and products (Alt et al., 2018). The pandemic has accelerated the adoption of fintech and the sector has experienced one of the most drastic changes in its transformation (Abdul-Rahim et al., 2022; Modgil et al., 2022; Nugraha et al., 2022).

Islamic fintech provided a solution during the pandemic for digital financial innovation with the ease of transactions, without physical meetings (Hasan et al., 2023; Karim et al., 2022; Yudhira, 2021). Islamic fintech is a growing sector in Indonesia, which has the largest Muslim population in the world (Muryanto et al., 2021). The Indonesian Sharia Fintech Association (AFSI) noted that from 2020 to 2021, there was a growth of approximately 130% in the Sharia fintech industry. By 2022, it will increase to 180%. Furthermore, The Global Islamic FinTech 2022 Index lists Indonesia as one of the top five conducive ecosystems for Fintech in the rest of the world, including Malaysia, Saudi Arabia, Indonesia, the United Arab Emirates, and the United Kingdom. The potential for Islamic fintech in Indonesia is huge, and the sector is predicted to reach US\$179 billion, with a compound annual growth rate (CAGR) of 17.9% by 2026 (Hudaefi et al., 2023). Indonesia’s National Sharia Finance Committee has made the growth of Sharia fintech a top national priority (Potkin, 2020).

The basic concept of Islamic fintech in Indonesia revolves around combining the principles of Islamic finance with modern technological advancements (Oi, 2023) to provide financial services and solutions that are in line with Islamic teachings (Cherqaoui, 2022). Islamic fintech, also known as “Fintech Syariah,” aims to offer innovative financial products and services that adhere to the ethical and moral guidelines set forth by Islamic law or Shariah. Operating according to Shariah principles, which prohibits interest (*riba*), uncertainty (*gharar*), gambling (*maysir*), and unethical investment (*haram*) (Sugiarto & Disemadi, 2020). This is the difference between the conventional fintech and Sharia fintech. In Indonesia, Islamic fintech in operation must meet the operational and license requirements set by the regulator. In terms of supervision, the Indonesia Financial Services Authority (OJK) is responsible for supervising and regulating fintech activities in Indonesia, including Islamic Fintech. In order to improve supervision and customer protection, OJK has issued several regulations and policies related to fintech, such as OJK Regulation Number 77/POJK.01/2016 on Information Technology-Based Money Lending and Borrowing Services, and OJK Regulation Number 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector. Islamic fintech also refers to the Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN MUI), such as Fatwa DSN MUI Number 116/DSN-MUI/IX/2017 on Shariah-compliant electronic money, Fatwa DSN MUI Number 117/2017 on Information Technology-Based Financing Services Based on Shariah Principles, and Fatwa DSN MUI Number 140/DSN-MUI/VIII/2021 on Shariah-Compliant Securities Through Technology-Based Fund Management Services. DSN MUI is part of MUI, which is tasked with developing the application of Sharia values in economic activities in general, and the financial sector in particular, including overseeing Sharia compliance in Islamic fintech. DSN MUI’s fatwas and guidance serve as important references for Islamic fintech providers and users to ensure compliance with Shariah principles. The institution’s role in issuing fatwas and overseeing their implementation contributed to the development and advancement of Islamic fintech in Indonesia (Widyastuti et al., 2020).

Collaboration between DSN-MUI, OJK, and other regulatory bodies is crucial in formulating and implementing these regulations to ensure the proper functioning and oversight of Islamic fintech platforms in Indonesia to maximize the benefits of Islamic fintech. Islamic fintech can bring several benefits to Indonesia, including financial access, compliance with Sharia, and economic empowerment. Islamic fintech can help increase financial inclusion for micro, small, and medium enterprises (MSMEs) by providing easier access to finance (Dwijayanti et al., 2022; Putri & Akbary, 2021; Syarifuddin et al., 2021). Islamic fintech platforms also promote financial inclusion by providing access to Shariah-compliant financial services for underserved populations. Islamic fintech can empower the economy by providing easier access to finance for individuals and businesses, promoting entrepreneurship and increasing financial literacy. Islamic fintech conquers financial crises, such as COVID-19, and achieves SDGs for a sustainable nation (Alshater et al., 2022).

However, due to the convenience and benefits of Islamic fintech in Indonesia, Islamic fintech still faces challenges. First, inadequate regulations, it’s because there are no regulations that specifically regulate or contain Islamic fintech lending

(Hui et al., 2019; Muryanto et al., 2021; Noor et al., 2022). Second, complicated permit procedures and fintech registration itself are divided into two: for lending-based fintech or peer-to-peer lending is under the management of OJK. Those under Bank Indonesia (BI) supervision are related to the payment system. The Indonesian Bank Indonesia and OJK should walk together to make fintech licensing a single door. In addition, the existence of special requirements for Sharia-based fintech also requires the existence of a Sharia Supervisory Board to ensure Sharia compliance, which also makes regulations through Fatwa DSN-MUI. This complicated licensing has led to the emergence of illegal fintech companies. Third, consumer protection challenges in Islamic fintech in Indonesia encompass issues related to awareness, transparency, data security, dispute resolution, and risk of misuse (Sugiarto & Disemadi, 2020).

The implication of such cases for legal regulation and industry practice is that they may influence how the Islamic fintech industry is regulated and operated. These cases could be an impetus for regulators to strengthen the rules and regulations related to Islamic fintech to protect consumers and ensure compliance with the Sharia principles. As such, legal cases of Islamic fintech operations in Indonesia have an important impact on the development and regulation of the industry. With a strong role in shaping regulations that support growth and innovation, law plays a key role in shaping the future of Islamic fintech in Indonesia. Thoughtful and progressive laws can help create a conducive environment for Islamic fintech to thrive and contribute to its national ecosystem.

Addressing these consumer protection challenges in Islamic fintech requires a combination of regulatory measures, industry self-regulation, consumer education, and technological protection. Ensuring that consumers are well-informed, have access to dispute resolution mechanisms, and are protected from data breaches and non-compliance with Sharia principles is critical to building trust and confidence in the Islamic fintech sector in Indonesia. Indonesia follows the example of other countries that have fintech industries in terms of regulations and policies. The following table compares the regulations in Indonesia with various countries that have fintech industries, such as Malaysia, Saudi Arabia, the UAE, and the United Kingdom:

**Table 1. A comparative policies and regulations on Islamic fintech industry.**

Aspect	Indonesia	Malaysia	Saudi Arabia	UAE	United Kingdom
Sharia Law Compliance	Regulated by the Indonesian Financial Services Authority (OJK) with input from the National Sharia Council.	Regulated by Bank Negara Malaysia (BNM) and the Shariah Advisory Council.	Regulated by the Saudi Arabian Monetary Authority (SAMA) with guidance from religious scholars.	Regulated by multiple bodies, including the Dubai Islamic Economy Development Centre. Sharia scholars to reviewing the products.	Not directly Sharia-based, but ethical and religious financial services are available.
Practical Implications	Regulatory framework involving to promote Sharia-compliant fintech, with challenges in ensuring wide option.	Established regulatory framework for Islamic finance and fintech, encouraging innovation while ensuring compliance.	Regulatory framework involving to accommodate fintech while maintaining Sharia principles. Striking a balance between innovation and compliance	Fintech sandbox and regulatory initiatives promoting Islamic fintech while ensuring adherence to Sharia principles.	Fintech-friendly regulations focused on innovation. Ethical and faith-based finance options also available.
Potential Effects on Industry Growth	Large muslim population provides market potential, but regulatory complexities can hinder rapid growth.	Supportive policies have led to the growth of Islamic fintech startups, making Malaysia a hub for Islamic finance.	Growing interest in fintech aligned with Sharia principles, but more clarity needed for widespread adoption.	UAE aims to be a global Islamic fintech centre, regulatory framework encourages startups in this sector.	Fintech industry is thriving, but Islamic fintech is a niche due the non Muslim majority population.

**Table 1.** *Continued*

Aspect	Indonesia	Malaysia	Saudi Arabia	UAE	United Kingdom
Innovation vs. Compliance Balance	Working to achieve a balance between innovation and Sharia compliance, ensuring protection is a priority.	Balancing innovation with Sharia compliance has been largely successful, resulting in a vibrant Islamic fintech ecosystem.	Striving to strike the right balance between innovation and strict adherence to Sharia principles.	Focusing on innovation within Sharia boundaries, regulatory sandbox supports experimentation.	Innovation is encouraged with ethical considerations being more broadly integrated rather than Sharia-specific.
Market Maturity	Nascent Islamic fintech sector, room for growth with a large unbaked population and growing digital adoption.	Relatively mature Islamic fintech ecosystem with various startups offering a range of Sharia-compliant services.	Developing Islamic fintech sector, gaining momentum with government support and growing interest.	Rapidly growing Islamic fintech market, particularly in Dubai, driven by supportive regulations and infrastructure.	Advanced fintech market, limited Islam fintech due to the non-Muslim majority, but ethical finance is well-represented.

Indonesia can emulate the experiences of other countries with the aforementioned Islamic fintech industries. First, Shariah Compliance and Innovation, the regulatory landscape in Indonesia must continue to evolve and remain committed to Shariah compliance so that it can be dynamic to accommodate innovation while upholding Shariah standards. Second, in terms of clarity in regulation, Indonesia can benefit from following the footsteps of the UAE, where clear regulatory guidelines and supportive infrastructure have helped establish the country as a global fintech hub. Clarity in regulation is essential for attracting investment and fostering a conducive environment for startups to thrive. Third, the Market Potential and Challenges, Indonesia, which has the largest Muslim population, face similar challenges to Saudi Arabia, where the growing interest in Shariah-compliant fintech requires clearer guidelines to facilitate adoption across the industry. Fourth, Malaysia's well-established ecosystem needs to be modelled to benefit from inclusive policies that encourage startups and foster industry expansion. Fifth, regarding Ethical Finance and Diversified Services, The UK's focus on ethical and faith-based financial services offers an interesting parallel. Indonesia could explore integrating broader ethical finance options alongside Sharia-compliant offerings to serve a diverse customer base.

To create a solid foundation for the development of Islamic fintech in Indonesia, policies and regulations are needed that can help ensure that the industry grows well in a conducive legal environment in accordance with Sharia principles. In addition, consumer protection in the financial services sector and the Investment Alert Task Force can help consumers from harmful practices but still must be improved in terms of product and service transparency, data security, and consumer rights. Consumers' right to use services in accordance with Sharia beliefs and values is required to ensure that the product is Sharia-compliant. Other supporters encourage the development of Islamic fintech, namely, the need for a smooth and less complicated licensing process.

### A Comprehensive Analysis of Policies and Regulations to Emerging Islamic Fintech in Indonesia

The legal landscape of Islamic fintech in Indonesia is complex and dynamic, and is influenced by broader global trends in financial technology. FinTech, which is an amalgamation of finance and technology, represents a fundamental shift in the provision of financial services. The ongoing digitization of finance has disrupted traditional boundaries within the financial sector, resulting in various policy implications. These implications range from fostering innovation and competition while managing risks to expanding regulatory oversight and ensuring the adaptation of public money to the digital world, while striving for robust cross-border coordination.

The advent of digital transformation has affected virtually every industry, including fintech. It has not only made the sector more customer-centric but has also positioned digital transformation as a business imperative (Chong, 2021). The COVID-19 pandemic has accelerated the adoption of fintech, resulting in significant changes in the industry's transformation. In Indonesia, Islamic fintech has emerged as a viable solution during the pandemic, offering digital financial innovation with the convenience of remote transactions. Given Indonesia's status as the country with the world's largest Muslim population, the growth in Islamic fintech has been remarkable. The Indonesian Sharia Fintech



Association (AFSI) reported a substantial increase in the Sharia fintech industry, with growth rates of 130% from 2020 to 2021, and 180% by 2022. Indonesia is recognized as one of the top five conducive ecosystems for fintech globally, as per The Global Islamic FinTech 2022 Index. Projections indicate that Islamic fintech in Indonesia could reach a market size of US\$179 billion with a CAGR of 17.9% by 2026, making it a top national priority for Indonesia's National Sharia Finance Committee.

The fundamental concept of Islamic fintech in Indonesia revolves around harmonizing Islamic finance principles with modern technology. Islamic fintech, often referred to as "Fintech Syariah," aims to provide innovative financial products and services in compliance with the ethical and moral guidelines established by Islamic law Shariah. This adherence to the Shariah principles differentiates Islamic fintech from conventional fintech, particularly in its prohibition of interest (*riba*), uncertainty (*gharar*), gambling (*maysir*), and unethical investments (*haram*).

Regulation and supervision are integral to Islamic fintech's functioning in Indonesia. The Indonesian Financial Services Authority (OJK) plays a central role in supervising and regulating fintech activities including Islamic fintech. The OJK has issued several regulations and policies to enhance supervision and customer protection, such as OJK Regulation Number 77/POJK.01/2016 and OJK Regulation Number 13/POJK.02/2018. Additionally, Islamic fintech operates within the framework of fatwas issued by the National Sharia Council of the Indonesian Ulema Council (DSN MUI), addressing matters such as Shariah-compliant electronic money, financing services, and securities through technology-based fund management services. The involvement of DSN MUI's in ensuring Shariah compliance is a critical aspect of Islamic fintech oversight. Collaboration among regulatory bodies, including DSN-MUI and OJK, is pivotal for formulating and implementing effective regulations to maximize the benefits of Islamic fintech. Islamic fintech offers Indonesia a range of advantages, including enhanced financial access, Sharia compliance, and economic empowerment. By facilitating easier access to finance for micro, small, and medium enterprises (MSMEs), promoting financial inclusion, and encouraging entrepreneurship, Islamic fintech contributes to the country's economic development and resilience during financial crises such as the COVID-19 pandemic (Muzdalifa and Rahma, 2018).

However, Islamic fintech faces several challenges in Indonesia. These include inadequate regulations specific to Islamic fintech lending; complex permit procedures that divide fintech registration between OJK and Bank Indonesia; and consumer protection issues related to awareness, transparency, data security, dispute resolution, and the risk of misuse. Legal cases and challenges within the Islamic fintech industry can influence regulations and operations. These cases may compel regulators to strengthen the rules and regulations to protect consumers and ensure Shariah compliance. The role of law in shaping regulations supporting growth and innovation cannot be understood. A thoughtful and progressive legal framework is essential for creating a conducive environment for Islamic fintech in Indonesia. Addressing consumer protection challenges requires a multifaceted approach that includes regulatory measures, industry self-regulation, consumer education, and technological safeguards. Ensuring that consumers are well informed, have access to dispute resolution mechanisms, and are protected from data breaches and non-compliance with Shariah principles is vital for building trust and confidence in the Islamic fintech sector in Indonesia.

To develop Islamic fintech in Indonesia further, the country can draw lessons from other nations with established Islamic fintech industries. This includes continually evolving regulatory frameworks that maintain a commitment to Shariah compliance while accommodating innovation. Clear regulatory guidelines, such as those in the UAE, can attract investment and provide a conducive environment for startups. Indonesia can also learn from Malaysia's inclusive policies, Saudi Arabia's efforts to strike a balance between innovation and Shariah adherence, and the UAE's initiatives to establish itself as a global Islamic fintech center. Additionally, exploring ethical finance options alongside Sharia-compliant offerings, as in the United Kingdom, can cater to diverse customer bases. In conclusion, Islamic fintech in Indonesia is a nexus of finance and technology, with tremendous potential for growth and financial inclusion. Effective regulations, collaboration among regulatory bodies, and a focus on consumer protection are critical for harnessing this potential. Learning from global experiences and adopting best practices can help Indonesia create a conducive legal environment for Islamic fintech, while ensuring compliance with Shariah principles and enhancing consumer rights and protection.

## Conclusion

An examination of Indonesia's legal landscape for Islamic fintech illuminates a rapidly growing sector that harmonizes digital innovation with Sharia principles. This fusion has yielded a dynamic ecosystem that is responsive to the distinctive requirements of Indonesia's Muslim population. Collaborative regulatory endeavors involving bodies such as the Indonesian Financial Services Authority (OJK) and the National Sharia Council of the Indonesian Ulema Council (DSN MUI) have fostered an environment conducive to Islamic fintech expansion. This regulatory framework, coupled with the impressive growth rates in the Sharia fintech sector, positions Indonesia as a noteworthy player in the global Islamic fintech stage.

Considering the study's limitations, such as its regulatory-centric focus and the limited exploration of individual Islamic fintech platforms, future research directions can enhance our understanding. Delving into consumer behaviour and trust dynamics within these platforms, investigating innovative technological solutions for bolstering Sharia compliance, and scrutinizing cross-border collaboration potential are avenues for deeper exploration. Additionally, researching the socioeconomic impacts of Islamic fintech, aligning Sharia principles with sustainability goals, and continually monitoring the evolution of the regulatory framework will yield a more comprehensive understanding of the Islamic fintech landscape, ensuring that it thrives within Indonesia's evolving financial ecosystem.

### Data availability

No data are associated with this article.

### Bibliography

- Abdul-Rahim R, Bohari SA, Aman A, *et al.*: **Benefit-Risk Perceptions of FinTech Adoption for Sustainability from Bank Consumers' Perspective: The Moderating Role of Fear of COVID-19.** *Sustainability*. 2022; **14**(14): 8357.  
[Publisher Full Text](#)
- Achsien I, Purnamasari D: **Islamic Crowd-Funding as The Next Financial Innovation in Islamic Finance: Potential and Anticipated Regulation in Indonesia.** *European Journal of Islamic Finance*. 1 July 2016.  
[Publisher Full Text](#)
- Agustina R, Faizah FN: **Sharia Fintech: Opportunities and Challenges in Indonesia.** 2023.
- Alshater MM, Saba I, Supriani I, *et al.*: **Fintech in Islamic Finance Literature: A Review.** *Heliyon*. 1 September 2022; **8**(9): e10385.  
[PubMed Abstract](#) | [Publisher Full Text](#) | [Free Full Text](#)
- Alt R, Beck R, Smits MT: **FinTech and the Transformation of the Financial Industry.** *Electronics Markets*. 2018; **28**: 235–243. Springer.  
[Publisher Full Text](#)
- Ascarya A, Sakti A: **Designing Micro-Fintech Models for Islamic Micro Financial Institutions in Indonesia.** *International Journal of Islamic and Middle Eastern Finance and Management*. 2022; **15**(2): 236–254.  
[Publisher Full Text](#)
- Aulia M, Yustiardi AF, Permatasari RO: **An Overview of Indonesian Regulatory Framework on Islamic Financial Technology (Fintech).** *Jurnal Ekonomi & Keuangan Islam*. 1 January 2020; **6**(1): 64–75.  
[Publisher Full Text](#)
- Cherqoui S: **Unlocking Islamic Finance and Entrepreneurship with Innovative Solutions.** *European Journal of Islamic Finance*. 29 December 2022; **9**(3): 30–37.  
[Publisher Full Text](#)
- Chong FHL: **Enhancing Trust through Digital Islamic Finance and Blockchain Technology.** *Qualitative Research in Financial Markets* 2021; **13**(3): 328–341.  
[Publisher Full Text](#)
- Dawood H, Al Zadjali F, Al Rawahi M, *et al.*: **Business Trends & Challenges in Islamic FinTech: A Systematic Literature Review.** *F1000Research*. 18 March 2022; **11**: 329.  
[Publisher Full Text](#)
- Dwijayanti N, Iqbal M, Zulfikar M: **The Role of Islamic Fintech P2PL in Increasing Inclusion and Financial Literacy of MSMEs.** *Journal of Islamic Finance*. 30 June 2022; **11**(1): 94–101.
- Feyen E, Frost J, Gambacorta L: **Fintech and the Digital Transformation of Financial Services: Implications for Market Structure and Public Policy.** 2023.
- Hasan M, Thuhid N, Jiechao G, *et al.*: **Rural Consumers' Financial Literacy and Access to FinTech Services.** *Journal of the Knowledge Economy*. 1 June 2023; **14**: 780–804.  
[Publisher Full Text](#)
- Hudaefi FA: **How Does Islamic Fintech Promote the SDGs? Qualitative Evidence from Indonesia.** *Qualitative Research in Financial Markets*. 1 January 2020; **12**(4): 353–366.  
[Publisher Full Text](#)
- Hudaefi FA, Kabir Hassan M, Abduh M: **Exploring the Development of Islamic Fintech Ecosystem in Indonesia: A Text Analytics.** *Qualitative Research in Financial Markets*. 1 January 2023; **15**(3): 514–533.  
[Publisher Full Text](#)
- Hui HW, Manaf AWA, Shakri AK: **Fintech and the Transformation of the Islamic Finance Regulatory Framework in Malaysia.** In Oseni UA, Kabir Hassan M, Hassan R, editors. *Emerging Issues in Islamic Finance Law and Practice in Malaysia*. Emerald Publishing Limited; 2019; pp. 211–222.  
[Reference Source](#)
- Iqbal M, Muditomo A, Farezha A: **The Existence of Islamic Fintech in Encouraging National Economic Growth.** n.d.
- Karim S, Naz F, Naeem MA, *et al.*: **Is FinTech Providing Effective Solutions to Small and Medium Enterprises (SMEs) in ASEAN Countries? Economic Analysis and Policy.** 1 September 2022; **75**: 335–344.  
[Publisher Full Text](#)
- Mazlan PN, Megat B, Hersh NF, *et al.*: **Islamic Finance and Governance Indicators: Empirical Evidence from Islamic Finance-Permitting Countries.** *International Journal of Disclosure and Governance*. 7 April 2023; **20**: 344–358.  
[Publisher Full Text](#)
- Modgil S, Dwivedi YK, Rana NP, *et al.*: **Has Covid-19 Accelerated Opportunities for Digital Entrepreneurship? An Indian Perspective.** *Technological Forecasting and Social Change*. 1 February 2022; **175**: 121415.  
[PubMed Abstract](#) | [Publisher Full Text](#) | [Free Full Text](#)
- Muryanto YT, Kharisma BD, Nugraheni ASC: **Prospects and Challenges of Islamic Fintech in Indonesia: A Legal Viewpoint.** *International Journal of Law and Management*. 1 January 2021; **64**(2): 239–252.  
[Publisher Full Text](#)
- Muzdalifa I, Rahma IA: **'Peran Fintech Dalam Meningkatkan Keuangan Inklusif Pada UMKM Di Indonesia (Pendekatan Keuangan Syariah)' ... AI-Syariah ....** [download.garuda.kemdikbud.go.id](https://download.garuda.kemdikbud.go.id). 2018.  
[Reference Source](#)
- Nafiah R, Faih A: **Analisis Transaksi Financial Technology (Fintech) Syariah dalam Perspektif Maqashid Syariah.** *IQTISHADIA Jurnal Ekonomi & Perbankan Syariah*. 30 December 2019; **6**(2): 167–175.  
[Publisher Full Text](#)
- Noor A, Ahamat H, Marzuki I, *et al.*: **Regulation and Consumer Protection of Fintech in Indonesia: The Case of Islamic Fintech Lending.** *Linguistics and Culture Review*. 2022; **6**(53): 49–63.  
[Publisher Full Text](#)
- Nugraha DP, Setiawan B, Nathan RJ, *et al.*: **Fintech Adoption Drivers for Innovation for SMEs in Indonesia.** *Journal of Open Innovation: Technology, Market, and Complexity*. Accessed 12 December 2023.  
[Reference Source](#)
- Oi R: **Is Islamic Fintech Catching On in Indonesia?** *Fintech Singapore (blog)*. January 2023; **18**.  
[Reference Source](#)
- Potkin F: **'Sharia fintech': Startups race to tap Indonesia growth by aligning with Islam.** 2020, March 3. Reuters.  
[Reference Source](#)
- Putri VA, Akbary NMM: **Islamic Fintech and Indonesian MSMEs during the Pandemic.** *Sebelas Maret Business Review*. 2021; **6**(2): Article 2.  
[Publisher Full Text](#)
- Rabbani MR, Bashar A, Nawaz N, *et al.*: **Exploring the Role of Islamic Fintech in Combating the Aftershocks of COVID-19: The Open Social Innovation of the Islamic Financial System** *Journal of Open Innovation: Technology, Market, and Complexity*. June 2021; **7**: 136.  
[Publisher Full Text](#)
- Safiullah M, Paramati SR: **The Impact of FinTech Firms on Bank Financial Stability.** *Electronic Commerce Research*. 3 August 2022.  
[Publisher Full Text](#)
- Sugiarto I, Disemadi HS: **Consumers Spiritual Rights In Indonesia: A Legal Study Of Sharia Fintech Implementation In The Consumers Protection Perspective.** *Jurnal IUS Kajian Hukum Dan Keadilan*. 23 December 2020; **8**(3): 437–452.  
[Publisher Full Text](#)



Syarifuddin S, Rahmawati M, Akramunnas A: **The Potential of Sharia Fintech in Increasing Micro Small and Medium Enterprises (MSMEs) in The Digital Era in Indonesia.** *Jurnal Hukum Ekonomi Syariah*. 26 April 2021; 4(1): 23.

[Publisher Full Text](#)

Widyastuti U, Febrian E, Sutisna S, *et al.*: **Sharia Compliance in Sharia Mutual Funds: A Qualitative Approach.** 2020.

[Reference Source](#)

World Bank: **Fintech and the Future of Finance.** Text/HTML. Accessed 22 August 2023.

[Reference Source](#)

Yudhira A: **ANALISIS PERKEMBANGAN FINANCIAL TECHNOLOGY (FINTECH) SYARIAH PADA MASA PANDEMI COVID-19 DI INDONESIA.** *VALUE*. 2 February 2021; 2(2): 13–28.

[Publisher Full Text](#)

# Open Peer Review

Current Peer Review Status: ?

---

Version 1

Reviewer Report 20 March 2024

<https://doi.org/10.5256/f1000research.157143.r254340>

© 2024 Mohamed H. This is an open access peer review report distributed under the terms of the [Creative Commons Attribution License](#), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

? **Hazik Mohamed** 

Stellar Consulting Group, Singapore, Singapore

First of all, I think regulations in the Fintech space has been lagging and can not keep up with the rapid changes of innovation, so this is not new (both in conventional and Islamic Fintech). Due to the lack of a formal Fintech legal framework in Indonesia, this article has tried to put together what is available. The suggestion of measuring impact, aligning with Maqasid Shariah and the UN SDGs is not new but a necessary one. Perhaps, a follow-up paper could be to propose how this can be done. This would be more useful to Islamic regulators and the Fintech ecosystem at large.

Also, I wanted to point out that gharar is not accurately "uncertainty". It is more closely related to "ambiguity", or specifically "deceptive ambiguity". That is to be consciously deceiving a counterparty through being vague or deliberately ambiguous. "Uncertainty" is the state of not knowing what cannot be ascertained, like the future or unpredictable events. This belongs in God's realm, we can only try to manage it but cannot eliminate it. This is a misconception in many Islamic Finance articles, textbooks and papers.

The suggestion to draw lessons from other countries should include the emphasis that these lessons drawn need to be specific to Indonesia's needs and gaps. Also, it is important to import good and relevant lessons while learning from the mistakes of others, and not to repeat them.

**Is the work clearly and accurately presented and does it cite the current literature?**

Yes

**Is the study design appropriate and is the work technically sound?**

Yes

**Are sufficient details of methods and analysis provided to allow replication by others?**

Yes

**If applicable, is the statistical analysis and its interpretation appropriate?**

Not applicable

**Are all the source data underlying the results available to ensure full reproducibility?**

Yes

**Are the conclusions drawn adequately supported by the results?**

Yes

**Competing Interests:** No competing interests were disclosed.

**Reviewer Expertise:** fintech, Islamic fintech, innovation, sustainability, Shariah applications

**I confirm that I have read this submission and believe that I have an appropriate level of expertise to confirm that it is of an acceptable scientific standard, however I have significant reservations, as outlined above.**

---

The benefits of publishing with F1000Research:

- Your article is published within days, with no editorial bias
- You can publish traditional articles, null/negative results, case reports, data notes and more
- The peer review process is transparent and collaborative
- Your article is indexed in PubMed after passing peer review
- Dedicated customer support at every stage

For pre-submission enquiries, contact [research@f1000.com](mailto:research@f1000.com)

**F1000Research**