

## ANALYSIS OF LEGAL GAP BETWEEN SHARIA FINTECH INNOVATION AND SHARIA BANKING REGULATIONS

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2<sup>nd</sup> ICOERESS  
25<sup>th</sup> September  
2025

Submission:  
20<sup>th</sup> September  
2025

Published:  
31<sup>st</sup> December  
2025)

### ABSTRACT

The development of information technology has given rise to new innovations in the financial services industry, one of which is thru sharia-based financial technology. The presence of Islamic fintech brings great potential for increasing financial inclusion and the efficiency of Islamic financial services, but on the other hand, it also raises legal challenges related to legality and Sharia compliance. This research aims to analyze the legality of sharia fintech operations from a legal perspective based on Law Number 21 of 2008 concerning Sharia Banking. Thru a normative legal approach and analysis of sharia principles and DSN-MUI fatwas, this study found that although sharia fintech has characteristics consistent with Islamic *muamalah* principles, not all platforms are optimally integrated within the framework of sharia banking regulations. There are regulatory gaps that cause some sharia fintech practices to deviate from sharia principles, such as unclear contracts, potential *gharar* and hidden *riba*, and weak consumer protection. Therefore, adaptive regulatory and supervisory strengthening is needed to ensure that the operation of Islamic fintech aligns with national Islamic banking regulations and the objectives of Islamic law. Additionally, there needs to be harmonization between Islamic banking regulations and existing financial technology regulations to avoid overlap or legal gaps that could be exploited by irresponsible parties.

Keywords: Legal Gap, Islamic Fintech, Islamic Banking Regulations

### BACKGROUND

The development of information technology has encouraged innovation in the digital-based financial sector known as financial technology (fintech). One form of this innovation is sharia fintech, which claims to operate based on Islamic sharia principles. However, in its development, sharia fintech has not been fully balanced with strict and consistent regulations, especially in the context of Indonesian positive law.

In the ideal norm (*das sollen*), Law No. 21 of 2008 comprehensively regulates the operational principles of Islamic banking, including the principles of fairness, transparency, and freedom from usury. However, in empirical reality (*das sein*), there are Islamic fintech companies that still conduct financial activities with controversial contracts that are not fully compliant with DSN-MUI fatwas or the provisions of regulators such as the OJK and BI.

This conflict between norms and practices raises various legal issues, including legal uncertainty for consumers, potential misuse of the Islamic label, and weak supervision of the legality of Islamic fintech operations. Therefore, it is important to review the legality of Islamic fintech from the perspective of Law No. 21 of 2008 and other relevant legal norms.

This study aims to answer the fundamental question: Are the current operations of sharia fintech in accordance with the provisions of the applicable laws and regulations, and to what extent are these legal norms capable of providing consistent legal protection to the public

## **RESEARCH METHOD**

This study uses a doctrinal (normative) approach, which is legal research that examines documents and legislation as the main sources of data. The main focus is to analyze the norms in Law No. 21 of 2008 and their relationship to the practice of sharia fintech in Indonesia.

Data collection techniques were carried out through literature studies, by examining laws and regulations, legal journals, and DSN-MUI fatwas. Data analysis techniques used systematic and comparative interpretation methods to find the compatibility between ideal norms and practices in the field.

## **RESEARCH FINDINGS**

Sharia fintech combines financial technology with Islamic principles of muamalah (transactions). The Financial Services Authority (OJK), in several regulations, such as POJK No. 77/POJK.01/2016, has regulated the provision of technology-based lending and borrowing services, but has not specifically addressed the sharia aspects.

According to (Aziz, 2020a) Sharia law, fintech is not just about labels; it must also be proven through adherence to principles such as fairness, transparency, and freedom from usury, gambling, and gharar. This is reinforced by the DSN-MUI's fatwa, which requires Islamic financial institutions to implement appropriate contracts, such as murabahah, ijarah, and mudharabah.

(Fidhayanti, 2020) This shows that Bank Indonesia and the Financial Services Authority (OJK) have an important role in overseeing data security and protecting fintech consumers, even though there are no specific regulations for sharia fintech.

(Mughtar & Zubairin, 2022) highlighted that e-payment and PayTech in sharia fintech face challenges in implementing contracts properly, especially in ensuring that the legal relationship between the parties involved meets the principles of muamalah.

(Nurjannah & Setiaji, 2021) raises the issue of sharia compliance in the consumer financing sector of sharia banks, which is apparently not fully in accordance with the basic principles of sharia because it still uses a margin-based lending pattern like hidden interest.

(Shidarta et al., 2019) strengthens these findings by stating that murabahah financing in practice still leaves a lot of room for manipulation of the principles of buying and selling and added value which should be the basis of sharia contracts.

These studies demonstrate that Sharia-compliant fintech regulations and practices still face significant challenges, both from a national positive law perspective and from an Islamic legal perspective. Therefore, a review of existing legal norms is crucial.

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## DISCUSSION

### **The development of sharia fintech in the digital era among the community**

Sharia economics is an economic system based on Islamic principles, which emphasize justice, mutual prosperity, and the prohibition of usury (interest) (Ekonomi et al., n.d.). The main principles of Islamic economics include prohibiting transactions that involve excessive speculation, uncertainty (gharar), and practices that are unfair or detrimental to others. The main focus of Islamic economics is on real and productive economic activities, ensuring that profits are obtained without causing losses to others. Some important instruments in Islamic economics include mudharabah (partnership), musyarakah (business cooperation), ijarah (lease), and murabahah (sale and purchase with an agreed profit margin). Rapid technological developments have driven the rapid growth of modern financial services. This has become a serious concern for the Financial Services Authority (OJK) and Bank Indonesia, which have tightened their supervision of digital-based financial transaction facilities, known as Fintech (Financial Technology). In Indonesia, some examples of popular Fintech are OVO, Gopay, ShopeePay, and Kredivo. Fintech is now an integral part of everyday life, especially among the younger generation. According to the OJK, Fintech is an innovation in financial services that utilizes technology, while Islamic Fintech is a technology-based financial product or service that operates in accordance with Islamic principles (Ekonomi et al., n.d.).

Islam is a comprehensive religion, so even in the field of finance it has rules that are in line with sharia principles. As a universal religion, Islam knows no geographical boundaries and exists as a perfection of previous teachings. Islam remains relevant throughout the ages, including in the modern era with technological advances, because it serves as a guide for human life. The principles of sharia themselves aim to provide benefits based on maqasid. In the context of the contemporary economy, maqasid al-sharia emphasizes that every financial product and service must be designed to protect people from harmful practices such as riba (interest), gharar (uncertainty), and maysir (gambling). At the same time, this system must provide instruments that are fair, transparent, and beneficial to the wider community. With this foundation, the Islamic financial system is able to respond to the challenges of globalization and digitalization, and ensure that innovations such as sharia fintech truly become a means of creating social justice, equitable welfare, and economic sustainability in accordance with Islamic values (Economics et al., n.d.)

The prohibition of gharar or uncertainty in transactions is one of the important principles in Islamic economics. Gharar refers to a condition where a transaction contains elements of uncertainty, whether related to the object, price, quality, quantity, or time of delivery of goods. In fiqh muamalah, gharar is prohibited because it has the potential to cause injustice and information asymmetry, which ultimately harms one of the parties. In addition, the prohibition of maysir or gambling is also a basic principle in Islamic finance. Maysir is understood as any form of activity that generates profits without productive effort or real contribution, but rather depends solely on luck. Along with the prohibition of riba, gharar, and maysir, the Islamic financial system also upholds the values of justice, benefit, and willingness among the parties involved in the transaction. Justice in Islamic economic transactions means that each party receives their rights proportionally without anyone being disadvantaged. (Sulistawati et al., n.d.)

The principles of Islamic economics and finance form the basis for promoting discipline, balance, sustainability, and inclusiveness in the economic system. The application of these principles is believed to be able to ensure sustainable, inclusive economic development that is resilient to climate change. However, the practices of Islamic financial institutions are in fact influenced by market dynamics, technological developments, applicable regulations, business success paradigms, and the extent to which these principles are implemented in business models and practices. From a sharia perspective, sustainability is not only understood as continuous economic growth, but also as efforts to preserve natural resources so that they can be utilized by future generations. Meanwhile, inclusiveness means that the Islamic financial system must be accessible to all levels of society without discrimination, so that it can encourage the economic empowerment of small and medium-sized communities. Although ideally Islamic financial institutions are expected to consistently adhere to Islamic principles, reality

shows that their existence remains within a global ecosystem that is fraught with market competition and technological dynamics. In addition, regulations established by governments and financial authorities, both at the national and international levels, play an important role in determining the policy direction of Islamic financial institutions. The paradigm of success in the modern business world is still often oriented towards profit alone, which at some points has the potential to conflict with the main objective of sharia, namely to achieve mutual benefit (Ahmed et al., 2024)

The scope of fintech is very broad and covers various segments in the financial industry. This includes digital banking services that enable transactions to be carried out without the need to physically visit a bank; digital payment systems such as electronic wallets and online payment platforms; to crowdfunding, which provides opportunities for public fundraising to support new projects or businesses. These developments show that fintech is not only limited to simple transaction innovations, but has expanded to almost all aspects of financial services. The presence of digital banking, for example, has become an important milestone in transforming banking services to be faster, more flexible, and more efficient, while reducing dependence on conventional face-to-face services. Meanwhile, digital payment systems through e-wallets and online payment platforms have made it easier for people to carry out daily transactions, from online shopping and transportation payments to fulfilling other basic needs. This phenomenon has also encouraged the growth of a more dynamic and adaptive digital economy ecosystem. In addition, the crowdfunding model presents new opportunities for individuals and groups who have creative ideas or businesses but limited capital. Through a transparent and accountable mechanism, they can obtain financial support from the wider community. The presence of crowdfunding proves that fintech acts as a bridge between innovators and investors in creating mutually beneficial collaborations (Yuniati et al., 2024)

In the face of technological advances, Islamic financial institutions need to respond to the rapid growth of fintech. The development of fintech in Indonesia has caused disruption for state-owned Islamic banks, one example of which is reflected in the decline in Return on Assets (ROA) due to a lack of adaptability to ever-evolving financial technology. This phenomenon affects not only the millennial segment, but also all mobile device users who are exposed to social media on a daily basis, making them an effective promotional target in the digital age. In order to compete with fintech, Islamic banks are required to innovate and make significant investments in technology to improve sustainability and competitiveness. Technology-based strategies need to be strengthened, both in terms of promotion and marketing, financial service product development, and customer experience improvement, so that customer satisfaction can continue to be enhanced. Furthermore, Islamic banks should view fintech not only as a competitor, but also as a strategic partner. Through collaboration, Islamic banks have the opportunity to create new customer segments, develop innovative products and services, and obtain additional sources of income by utilizing technology that can improve efficiency (Dan Praktik, n.d.)

The implementation of Sharia fintech in Indonesia has also begun to receive attention from the government with the issuance of a Fatwa related to Sharia Fintech by the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) Number 17/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services based on Sharia Principles. Every transaction is properly recorded and accessible to interested parties (Sugiarto & Disemadi, 2020). Unfortunately, the predecessor of Sharia fintech, conventional fintech, has given a poor image due to negative news and stigma surrounding the implementation of fintech in society (Handayani et al., 2024).

In this context, the development of the Islamic economy can no longer rely solely on conventional regulatory approaches, but must be able to adapt to new dynamics through the renewal of the maqashid syariah approach. As the foundation of values in Islamic economics, sharia maqasid are required to respond to the challenges and needs of the digital era, such as personal data protection, algorithmic justice, transaction transparency, and equal access to digital services. Thus, Islamic economics can continue to develop in a relevant and competitive manner without compromising the integrity of Islamic values amid ongoing technological disruption. In the last decade, the Islamic economy has shown rapid growth, including in Indonesia, with an approach that emphasizes justice, blessing, and sustainability, not just the pursuit of profit. Its development has expanded to the banking,

insurance, capital market, and social finance sectors, with strong support to make it an inclusive and fair system. However, this growth has not been fully accompanied by the comprehensive application of maqashid sharia values. In fact, maqashid sharia, which includes protection of religion, life, intellect, lineage, and property, is an ethical foundation that ensures the economy is not only in accordance with sharia law, but also provides tangible social benefits (Rofiullah, 2025)

Sharia banking institutions cannot escape their responsibility to the owners of funds amid rapid technological developments, so they must innovate to keep pace with the rapid development of fintech. Fintech is a loss from the business that is borne jointly in accordance with the agreed opportunities that bring hope for the development of sharia banking in Indonesia. To take advantage of this opportunity, Islamic banking must work together with fintech in an integrated manner, as an inseparable part. Bank Indonesia sees that Islamic fintech has enormous potential for development. This is because Islamic fintech comes with a concept based on Islamic religious rules, as embraced by the majority of Indonesia's population. The Indonesian Sharia Fintech Association (AFSI), as the manager of fintech and the sharia financial ecosystem in Indonesia, strives to promote good cooperation among business players in the sharia financial industry. Moreover, sharia fintech ranks third in the global Islamic finance report (Setiyowati & SM, 2023).

The development of financial technology, or *fintech*, has brought significant changes in the way financial services are delivered, particularly in the context of Islamic banking. *Fintech* not only offers easy access for individuals and micro, small, and medium enterprises (MSMEs) that previously had difficulty accessing conventional financial services, but also plays an important role in improving operational efficiency, product and service innovation, and transparency in financial transactions (Akttausyariah & Hidayat, n.d.).

First, greater accessibility is one of *fintech's* main contributions to the Islamic banking sector. By utilizing digital platforms, individuals can easily and quickly conduct transactions and manage their finances. This is especially important for those who live in remote areas or have limited access to financial institutions. Furthermore, the accessibility offered by Islamic fintech also contributes to the economic empowerment of small and medium-sized communities. Through services such as Islamic peer-to-peer lending, Islamic crowdfunding, or contract-based digital payment services, micro-entrepreneurs can obtain financing without the complicated procedures of conventional banks. This accelerates community-based economic growth while ensuring that financial activities remain within the maqasid al-sharia (the objectives of sharia), namely, bringing benefit, avoiding usury, gharar, and maysir (the risk of gambling), and ensuring fairness in transactions. Thus, Islamic fintech not only increases accessibility but also serves as a strategic instrument in realizing financial inclusion in line with Islamic values. (Darma, 2023a)

Second, operational efficiency is an equally important added value. *Fintech* enables process automation and the use of digital technology that facilitates rapid data processing. This reduces the operational costs and time required to provide financial services, which in turn can increase productivity and profitability for Islamic financial institutions. This reduces operational costs and the time required to provide financial services, as previously manual steps can now be replaced by technology-based systems. These cost savings can be reallocated to product innovation, service development, or expanding market reach, especially for the unbanked and underbanked. Faster service times also provide convenience for customers, who can now conduct various financial transactions simply through digital devices without the need to visit a branch office. (Darma, 2023b).

Furthermore, product and service innovation is also an integral part of *fintech* advancement. With technological solutions such as *mobile banking*, *peer-to-peer lending*, and *crowdfunding*, Islamic banking can offer new options that are in line with Islamic principles. Islamic fintech has emerged to meet the needs of people who require easy and halal financial products. This innovation not only responds to customer needs but also opens up opportunities to create products that are more relevant to market preferences and needs (Setiawati et al., 2024).

In another aspect, Islamic fintech has also helped raise public awareness about the importance of Islamic finance and the importance of following Islamic principles in financial transactions (Subagiyo, 2019). Thus, Islamic fintech has helped raise public awareness about the importance of Islamic finance and the importance of following Islamic principles in financial transactions. Sharia fintech has also helped improve the ability of MSMEs to access finance and improve their ability to develop their businesses. Thus, sharia fintech has helped improve the ability of MSMEs to increase their income and improve the quality of life of the community. Sharia fintech has also helped raise public awareness about the importance of sharia finance and the importance of following sharia principles in financial transactions. (Fatmawati et al., n.d.)

Finally, the increased transparency brought about by fintech through *blockchain* technology has further strengthened trust in Islamic financial transactions. With a decentralized recording system verified by the network, information becomes more open and accessible to all parties, thereby reducing the risk of fraud and data manipulation (Ihsan & Inayati, n.d.).

On the other hand, Sharia fintech still faces serious challenges given its position as a newcomer that must compete with other financial industries. Although Sharia fintech always offers products that are oriented towards customer satisfaction and speed of access, which other financial industries do not have. This has led to a digital divide that is often found in communities because not everyone has the same access or lives in the same location (Abidah et al., 2022)

One of the main challenges in developing Sharia fintech is the limited understanding of fiqh muamalah among technology players and fintech startups. Most Sharia fintech developers come from a technology or business background, so they do not have in-depth knowledge of Islamic contracts. As a result, the products produced are often not fully compliant with Sharia provisions or cause inconsistencies in the application of contracts. This limitation not only has the potential to violate Islamic financial principles, but also reinforces the negative stigma that Islamic fintech is no different from conventional fintech. This problem is exacerbated by the low level of Islamic financial literacy among the public, especially in rural areas. Another challenge arises from new innovations such as the use of blockchain and smart contracts in Islamic fintech, which raises questions about the validity of contracts and their compliance with Islamic law, which have yet to be fully answered by Islamic authorities or institutions. This lack of harmonization in standards is an obstacle for industry players, especially startups seeking to develop cross-border services (Hasan Mun'im, 2024)

To overcome various challenges and take advantage of opportunities in the development of the Islamic economy in the digital age, strategies and solutions are needed to ensure sustainable and inclusive growth. An important step is to strengthen cross-border cooperation so that countries with Islamic economies can share experiences, knowledge, and technology to build a more robust global ecosystem. In addition, increasing literacy through educational campaigns is a crucial factor in raising public awareness of the principles of Islamic economics and its benefits in creating equitable economic growth. On the other hand, the development of digital infrastructure such as Islamic financial platforms and Islamic-based fintech applications also needs to be prioritized to expand access, improve efficiency, and create transparency in the Islamic financial system. With an integrated approach, the Islamic economy has the potential to continue to grow and provide tangible benefits to the wider community. (Sukreni Hakim, 2024)

In its practices and services, Sharia fintech is designed in accordance with the principles and objectives of Sharia maqasid so that it is always in line with Islamic values:

First, preserving religion (al-din). This dimension relates to strengthening faith in Allah SWT, which is manifested through acts of worship such as prayer, fasting, zakat, hajj, and even debt repayment. The presence of sharia fintech plays a role in making it easier for people to fulfill these obligations, for example through digital payment services that provide features for infaq, alms, zakat, and even hajj savings. Second, preserving the soul (al-nafs). The goal is to achieve physical and spiritual well-being for the community. From the outset, sharia fintech has been developed with consideration for public interest and is protected by legal instruments, such as Law No. 8 of 1999 concerning Consumer

Protection and Government Regulation No. 82 of 2012 concerning Electronic System and Transaction Providers, in order to provide a sense of security for users. Third, preserving offspring (al-nasl). This is related to the continuity of the family through marriage that is valid according to sharia. Sharia fintech supports this goal by providing investment and financing services that can be used to plan for a prosperous and harmonious family future. Fourth, preserving reason (al-‘aql). Knowledge is the main foundation in religion and work. Therefore, the development of sharia fintech cannot be separated from interdisciplinary studies and regulatory support in accordance with sharia maqāṣid. The goal is for every product offered to truly bring benefits and be in line with Islamic guidance. Fifth, safeguarding wealth (al-māl). Wealth is seen as a means of fulfilling needs, not an end goal. In Islam, the acquisition of wealth must be free from usury, gambling, and gharar. Therefore, sharia fintech must provide services that are free from these elements so that users' wealth remains halal, safe, and brings goodness, while preventing losses both in this world and in the hereafter (Syariah et al., n.d.)

### **Legal analysis between sharia fintech innovation and sharia banking regulations**

The types of digital financial services or financial technology (fintech) services available to the public are increasingly diverse. After electronic money (e-payment), insurance technology (insuretech), and conventional online lending or peer-to-peer (P2P) fintech, sharia fintech is now beginning to develop in society. In fact, this type falls under the P2P fintech category because its core business is providing funding to borrowers. However, as the name suggests, sharia fintech applies Islamic principles in its transactions. Thus, there are differences in interest or usury, contracts, collection mechanisms, and dispute resolution (Aziz, 2020).

In the context of sharia fintech and legal protection in P2P transactions, there are several important factors that need to be considered regarding the performance of this industry. First, the number of sharia fintech businesses remains stagnant, with only seven companies operating throughout the period. This shows that although the products and services offered are quite diverse, the growth in the number of businesses remains limited (Mufidah, n.d.).

The legal basis for sharia fintech is also based on Financial Services Authority Regulation (POJK) 77 of 2016 concerning Information Technology-Based Money Lending Services. This regulation generally governs all types of P2P fintech, such as sharia and conventional fintech. However, sharia fintech also refers to the Indonesian Ulema Council's National Sharia Board (DSN MUI) Fatwa Number 117/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles. The DSN MUI explains that sharia fintech is a financial service that uses Islamic sharia principles, which bring together or connect investors and borrowers to conduct a financing agreement through an electronic system using the internet network (Aziz, 2020).

Financial technology is part of the innovation of financing contracts in sharia economic transactions. Financing in the context of sharia economics must be based on trust and fairness. This means that the results of investment management must be shared between investors and investment managers, and investment/financing managers expect to be repaid in accordance with the predetermined agreement (Ardiansyah & Zen, 2024).

Fairness in transactions is also an important basis in sharia fintech marketing strategies. As explained by Ramli et al. (2021), Fairness in transactions is a principle that must be applied at every stage of marketing, from the product selection process to the final transaction. Sharia fintech products need to be designed in such a way that all parties, both providers and consumers, can obtain proportional benefits without harming either party. Marketing based on the principle of fairness not only helps sharia fintech expand its market share, but also minimizes the potential for conflict or dissatisfaction in the future, increases customer loyalty, and builds stronger and more sustainable relationships between consumers and companies. Compliance with Islamic values is an aspect that cannot be overlooked in any Islamic fintech marketing strategy. Marketing that emphasizes sharia compliance can create a positive reputation in the eyes of Muslim consumers, who are increasingly aware of the importance of choosing products in accordance with Islamic teachings. Research by Suherman & Astuti (2020) shows that the application of sharia values in marketing strategies not only provides moral value for companies

but also provides long-term benefits by creating strong trust and loyalty. Sharia-compliant fintech products that truly prioritize these principles will be more accepted by the market, increase customer retention, and support more stable and sustainable growth (Muslihun, 2024).

Regulations and legal frameworks for fintech in Islamic banking still face a number of challenges, particularly regarding the relevance of applicable rules. Adequate regulatory clarity is needed to encourage fintech innovation while ensuring compliance with Islamic principles and protecting customer interests. On the other hand, regulations can also pose new challenges in implementing governance that is in line with sharia principles. Therefore, research on the impact of regulations on Islamic bank governance is important so that Islamic financial institutions can operate effectively and remain consistent with sharia principles amid the ever-changing market dynamics (Alam et al., 2025)

Regulatory bodies such as the OJK and BI have so far focused more on consumer protection and data security, rather than on substantive compliance with sharia. DSN-MUI Fatwa No. 117/2018 does provide guidance, but it is not legally binding because it has not been integrated into formal regulations. As a result, oversight of Sharia fintech remains weak and limited (Asruni, 2022).

The lack of clarity regarding the position of DSN-MUI fatwas as non-positive norms has created legal loopholes that can be exploited by business actors. Many fintech providers include the label "sharia" without going through an audit or verification process by the Sharia Supervisory Board. This contradicts the maqashid sharia, which demands transparency and fairness in economic transactions (Widjaja, 2024).

Sharia fintech services and functions are tailored to the objectives and principles of Islamic economics so that their use remains in line with sharia teachings. The ability to manage big data and utilize human resources for digital marketing are important components that form the core strategy or foundation in the development of the sharia fintech structure. Within the Indonesian ecosystem, several parties play a crucial role in supporting the development of Islamic fintech, including the government or regulators, higher education institutions (university), and existing sectors such as banking and other financial institutions (Salsabila et al., 2023)

Implementation of sharia fintech regulations based on Bank Indonesia Regulation (PBI) Number 19 of 2017 concerning Financial Technology Providers Bank Indonesia Regulations. This regulation aims to ensure that all sharia fintech services and products in Indonesia not only comply with sharia principles but also support innovation in the financial sector while maintaining monetary stability and consumer protection. The main steps in implementing this regulation include registration and licensing, which require registration with Bank Indonesia and obtaining an operating license in accordance with applicable regulations. This includes providing complete information about the products, services, technology, and business model used. Utilization of the Regulatory Sandbox provided by Bank Indonesia. Monitoring and supervision by implementing monitoring and supervision mechanisms for sharia fintech operators to ensure compliance with regulations. This includes operational supervision, risk management, and consumer protection. Compliance with sharia principles, which must ensure that all products and services comply with sharia principles. Consumer protection by emphasizing consumer protection, ensuring transparency in services, consumer education, and effective complaint mechanisms to protect user rights, and collaborating with the Indonesian Ulema Council's National Sharia Board to ensure that sharia fintech regulations and implementation are in accordance with the fatwas and guidelines issued by the sharia authorities (Masyhadi, 2025)

The implementation of sharia fintech regulations based on OJK Regulation (POJK) Number 77 of 2016 concerning Information Technology-Based Money Lending Services is an important step to ensure that fintech services operating in Indonesia comply with sharia principles and applicable regulations. Every fintech provider that wishes to operate in Indonesia is required to register and obtain a license from the OJK. This process includes verification of the organizer's eligibility, including compliance with sharia principles. Sharia fintech organizers must ensure that all products and services offered comply with sharia principles. This includes the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir*

(gambling). For example, a profit-sharing system is used as a substitute for an interest-based system. The OJK works with the National Sharia Council ( ) and the Sharia Supervisory Board (DPS) to ensure that sharia fintech operates in accordance with sharia provisions. The DPS is tasked with conducting regular audits and supervision of fintech operations (Villa Amilia et al., 2025).

With the existence of MUI fatwas that support the operation of Sharia Fintech, it is hoped that Sharia Fintech will always be the preferred choice in the world of Fintech due to the peace of mind guaranteed by Allah SWT because it is based on sharia principles with rules issued by the Indonesian Ulama Council's National Sharia Board (DSN-MUI). Apart from the Qur'an and Hadith, in Indonesia, DSN-MUI is our benchmark for rules in conducting business and daily life. Therefore, our peace of mind involving contracts based on sharia principles in Sharia Fintech makes Fintech very different from Conventional Fintech, and the difference from conventional Fintech is very apparent. It is the duty of fintech players and Muslims to always promote the advantages and notable differences of Sharia Fintech. (Perwira, 2018)

## CONCLUSION

Based on an analysis of the legal norms contained in Law Number 21 of 2008 concerning Sharia Banking and the reality of sharia fintech operational practices in Indonesia, there is inconsistency between positive legal norms and implementation in the field. Although normatively there is a legal basis that should be the main reference for the implementation of Islamic finance, in practice there are still many Islamic Fintech players who have not fully implemented Islamic principles in a substantial manner. This regulatory uncertainty creates a legal loophole that has the potential to raise doubts about the legality of Islamic-based fintech business activities. Various studies mention that there are still deviations between theory and practice in the implementation of Islamic fintech. One of the crucial issues raised is the incomplete and merely symbolic use of Islamic contracts. For example, contracts such as *murabahah*, *mudharabah*, and *wakalah bil ujah* are often used without a deep understanding of the structure, conditions, and sharia provisions attached to these contracts. This causes the legal agreements formed between service providers and users to be substantively weak from an Islamic law perspective. The theoretical implication of this discrepancy is the need to revise or adjust existing legal norms in order to respond adaptively to developments in digital financial technology while remaining within the framework of Islamic law. Current regulations are considered insufficiently accommodating of the evolving fintech business model, particularly with regard to digital transactions, the validity of *ijab kabul* (offer and acceptance), and user data security. The adjustment of legal norms needs to consider a multidisciplinary approach between Sharia law, information technology, and consumer protection. Reflection on the future shows that the challenges of Sharia fintech lie not only in regulation but also in the readiness of the ecosystem as a whole. In the long term, Sharia fintech regulations must be formulated using a multidisciplinary approach that combines legal, technological, and Sharia *maqashid* perspectives. Such regulations need to accommodate contemporary issues, such as the validity of contracts in digital transactions, personal data protection, cybersecurity, and electronic dispute resolution mechanisms. With adaptive and comprehensive regulations, sharia fintech will not only become an alternative but also a driving force for healthy and sustainable financial inclusion.

In addition to legal aspects, the future of Islamic fintech also depends on public literacy. Education on Islamic financial principles and how fintech works must be strengthened so that the public does not only become passive users, but also understands their rights and obligations. Thus, the public will be more critical in choosing services that are truly in line with Islamic principles. Ultimately, Islamic fintech can become an important milestone in the development of the national Islamic economy if it is able to address two main issues: first, substantial compliance with Islamic principles, and second, the existence of clear, firm, and adaptive regulations. If these two aspects are fulfilled, then sharia fintech has the potential to become a strategic instrument in realizing an inclusive, equitable, and community-oriented financial system, in accordance with the objectives of sharia *maqashid*. However, if the gap between norms and practices continues to be ignored, sharia fintech could actually become a threat to the integrity of sharia finance itself. Meanwhile, the practical implications include potential losses that

could befall the public as consumers if legal norms are applied without specific and strict sectoral regulatory reinforcement.

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