

The Role of Sharia Fintech in Developing Islamic Economy In The Digital Era In Indonesia

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Abstract

Indonesia is one of the countries that has great potential for the development of the digital economy. The development of financial technology in Indonesia is increasing rapidly lately. This can be seen from the large response of Indonesian people to the existence of fintech. This research aims to find out how shariah fintech plays in developing the Islamic economy in the digital age in Indonesia. This research method uses literature review approach by using the study materials of previous journals, books and other references. The results showed that Shariah fintech plays an active role in the development of the national sharia economy in the digital era in Indonesia, as well as the strengthening of startup companies that can strengthen the halal industry chain, so as to create a sharia economy based on technology infrastructure. With this Islamic Fintech is expected in the future can improve inclusive finance, and can increase the economic growth of Islam in Indonesia. Fintech is an alternative solution to the creation of sharia financial transactions that are easier, faster and more efficient. In addition, sooner or later with the potential and wealth of Natural Resources Indonesia has the opportunity to become the center of the world halal industry that will promote halal food, halal fashion and halal tourism to go to the Global Islamic Economy. Sharia fintech is a technology finance based on sharia financial regulations, so all forms of facilities provided must be based on Islamic law governing sharia economy / finance, in terms of the function of sharia and conventional fintech is no different, the difference is only in financing agreements, where in sharia fintech follows islamic sharia regulations that must be avoided from usury, grarar, maysir, tadlis, dharar, zhulm and haram.

Keywords: Sharia Fintech; Islamic Economic; Digital Age

Introduction

The era of the digital economy, in fact, has been going on since the 1980s, using personal computers (PCs) and the internet as key technologies used for business (Basuki, 2019). The use of technologies such as PCs and the internet is also the beginning of digital economic development. Along with the development of technology, the old digital economy era has finally entered the new digital economy era, characterized by the presence of mobile technology, unlimited internet access, and the presence of cloud technology used in the process of the digital economy (Board, 2016).

Economic growth of a nation requires a directed and integrated system of economic regulation that is then utilized to improve the welfare of the people. Financial institutions work together to manage and mobilize all economic potential to be empowered to be more successful optimally. Indonesia is the country with the largest Muslim population in the world. Thus Indonesia has the opportunity to become a country with the highest development of Islamic economic assets in the world (Hidayat, 2018).

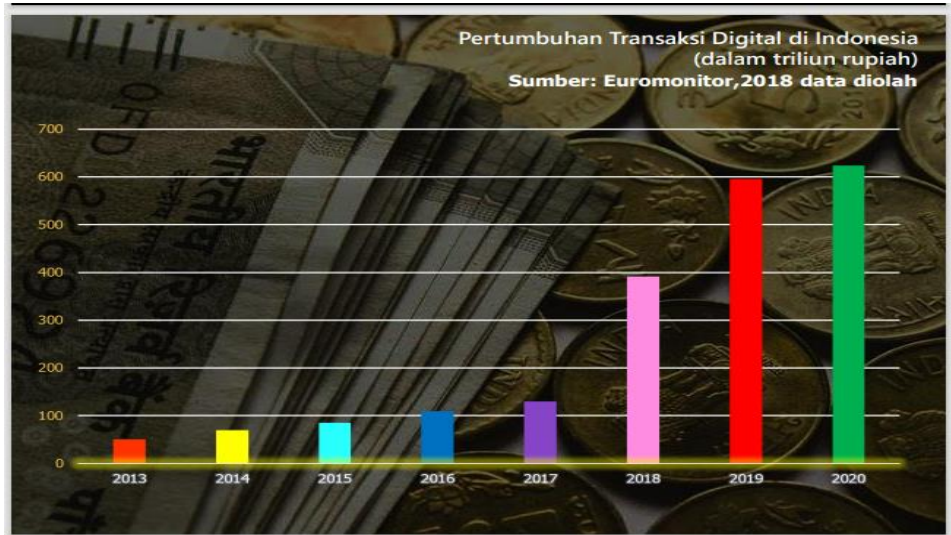
Indonesia is one of the countries that has great potential for the development of the digital economy. Google and TEMASEK (2018) (Eka, 2018), Indonesia which is the country with the largest population in Southeast Asia and the fourth in the world is the largest market for fintech. In the results of his research, mentioned that one of the things that support the development of the internet economy in Indonesia is the large number of internet users in Indonesia, among them; *First*, Indonesia is estimated to have an online trading market of 5 Billion for formal online trading, and more than 3 Billion for informal online trading. *Second*, Bain & Company Research 2020 online shopping in Indonesia is predicted to grow 3.7-fold to US \$48.3 Billion in 2025 compared to US \$13.1 Billion in 2017. *Third*, by 2025, the country's digital economy is expected to create an additional 3.7 million jobs. *Fourth*, Generate revenue growth up to 80% higher for small and medium enterprises (SMEs). *Fifth*, Provide an additional 2% per year in GDP growth by increasing broadband penetration and the use of digital technology by SMEs (Eka, 2018).

Fintech comes from the term Fintech or financial technology According to The National Digital Research Centre (NDRC), in Dublin Ireland, defines fintech as "innovation in financial services" or "innovation in fintech financial services" that gets a touch of modern technology. Financial transactions through fintech include payments, investments, money lending, transfers, financial plans and financial product comparisons (Santi 2017). Fintech is an innovation in the field of financial services or finance. The development of financial technology in Indonesia is increasing rapidly lately. This can be seen from the large response of Indonesian people to the existence of fintech (Harahap et al, 2017).

One type of financial institution is sharia fintech, sharia fintech is an innovation that exists in the field of finance and technology that facilitates the transaction process based on sharia values. (Yarli 2008). Sharia fintech as an information technology-based financial services provider should not be contrary to sharia principles in the financial system, namely to avoid usury, *gharar*, *maysir*, *tadlis*, *gharar*, *zhulm* and *haram* (Majelis Ulama Indonesia 2008).

In addition, the development of the digital economy is able to increase the growth sector of sharia economy in Indonesian society, sharia economy is expected as a bridge to financial

inclusion in the digital economy (Maharani & Ulum, 2019). This illustrates that the potential growth of digital transactions in Indonesia from year to year increased in trillions of rupiah in the last year of 2020.



Digitalization of Sharia economy can penetrate in various aspects of the economy both microeconomic and macroeconomic. Nowadays the role of digital is extraordinary, almost all economies use information and communication technology or digitalization, either in golding products or in marketing products, so that it is easier and faster in the distribution of information used to make economic growth faster and limitless with the support of digital technology and information technology (Ansori, 2016).

In the current development, the financial technology industry or known as 'Fintech' has various types. There are at least four types of fintech industry in Indonesia: Relatively large fintech industry, fintech start-up, social fintech, and fintech with 'credit market' type. For example, types of fintech startups, some of which are: Doku, iPaymu, midtrans, kartuku, and dimo. Meanwhile, fintech types that have been relatively large, among others Amarnya, crowdo, investree, and koinWorks. Types of social fintech we can find, such as weCan, gandeng Tangan, and realize. The type of fintech industry with loan credit market, namely bareksa, infovesta, stockbit, indoPremier, indoGold, and dana. (Sharia, 2018) With the above conditions, this study aims to find out how the role of sharia fintech in developing the Islamic economy in the digital era in Indonesia.

Methodology

This research method uses literature review approach by using the study materials of previous journals, books and other references This research method is basically a scientific way to obtain data with specific purposes and uses (Sugiyono, 2015). Descriptive method is a method

of examining the status of a human group, a subject, a set of conditions, a system of thought or a class of events in the present. The purpose of this descriptive research is to make descriptions, images or paintings systematically as well as the relationship between the phenomena investigated (Nazir, 2011).

Results and Discussion

The development of technology, not only affects the education, social, political sectors but also has begun to penetrate the economic sector. This is characterized by the development of business in the field of financial technology (Financial Technology). Information technology has been used to develop the financial industry that can encourage the growth of alternative transaction tools for the community.

Indonesia is the country with the largest Muslim population in the world and has the potential to become the center of Sharia finance to achieve this sharia finance must be more competitive than conventional finance (Siregar, 2018).

Sharia fintech is a technology finance based on sharia financial regulations, so all forms of facilities provided must be based on Islamic law governing sharia economy / finance, in terms of sharia and conventional fintech functions are no different, the difference between the two is only in the financing agreement, where in sharia fintech follows islamic sharia regulations that must be avoided from usury, gharar, maysir, tadbis, dharar, zhulm and haram.

Indonesian sharia fintech has enormous potential because it can provide solutions to urgent needs that cannot be provided by traditional financial institutions, the presence of financial technology or sharia fintech can be a strategic key in the national sharia economic development plan. The development of technology is characterized by the emergence of Financial Technology (fintech) and becomes one of the types of evidence of the development of digital-based technology which is a new innovation and has an impact on all economic activities. Fintech is a business that focuses on providing financial services using modern software and technology.

In addition, Fintech plays an active role in the development of the national sharia economy, as well as the strengthening of startup companies that can strengthen the halal industry chain, so as to create a sharia economy based on technology infrastructure. With this Islamic Fintech is expected in the future to improve inclusive finance, and can increase islamic economic growth in Indonesia.

One of the things that becomes an injection of ammunition for fintech is the increasing number of internet users in Indonesia, Bank Indonesia encourages the development of sharia-

based fintech financial services because it is predicted to improve the competitiveness of Islamic financial institutions through increased efficiency and speed of services.

The role of financial technology (fintech) is one of the parts that can boost Islamic economic and financial development in Indonesia. Fintech can support the strengthening of the role of Sharia microfinance institutions. In addition, fintech can also encourage the creation of new Shariah businesses, such as Muslim clothing businesses, Sharia-based online motorcycle taxis, hajj and umrah travel businesses, and so forth (Perwira, 2018).

The National Sharia Council of the Indonesian Ulema Council established fatwa No: 117/DSN-MUI/II/2018 on Information Technology-Based Financing Services Based on Sharia Principles. (Yarli, 2018) This is done because technology-based financing services for micro, small and medium-sized businesses (MSMEs) as an effort to obtain access to funding faster, easier and more efficiently are now growing through Sharia fintech facilities (Rinaldi, 2020). Indonesian people need an explanation of the legal provisions and restrictions related to information technology-based financing services based on Sharia principles. Therefore, DSN-MUI established a fatwa on information technology-based financing services based on Sharia principles to be used as guidelines for (Yarli, 2018).

Fintech growth based on data registered at the OJK (Otoritas Jasa Keuangan) until March 2018 has improved well, about 40 Sharia fintech companies have received official permission to operate from the OJK (Yarli, 2018). Fintech also has an important role in meeting the needs of consumers, among others:

1. Financial data and information can be accessed anytime and anywhere,
2. Improve customer experience and accelerate usage and engagement
3. Build a foundation including digital identity verification to make it easier
4. Collaborative customer due diligence, data sharing, and payment schemes that can accelerate a number of financial services.

5. Give hope to small businesses to be able to grow their business in order to match the existing big business. The development of fintech industry is very rapid in all corners of the world. This can be proven by the emergence of various business startups in the field of fintech and the huge interest in investment in fintech globally. Especially in Indonesia itself, businesses with the use of fintech is quite attracting the attention of business people in Indonesia (Rahmawati et al., 2020).

Sharia fintech in Indonesia is expected to accelerate and can progress together with conventional fintech that has been developed in Indonesia (Muzdalifa et al., 2018). Therefore, OJK strives for Sharia financial services industry to collaborate with fintech to expand business

scope to increase the number of consumers and increase efficiency in carrying out business activities to ensure Indonesia's digital financial competitiveness is maintained properly.

Fintech plays a role in boosting the export capability of MSMEs which are still relatively low, encouraging an even level of welfare, helping to meet the needs of domestic financing that is still large, encouraging national financing that is still uneven in various regions of the country, and increasing national financial inclusion (Ningsih, 2020).

Fintech has provided access and speed for business transaction. Rahardjo et al., (2019) The element of accessibility and speed is always present in every type of fintech service. At this time, companies can access information and manage finances by purchasing software at an affordable cost. Whereas in the past, to get access to information it cost millions of dollars to pay it technicians, program licenses and also experienced IT teams. Realtime updates and information from big data also make it easier for companies to access more up-to-date information, so they can take appropriate steps to take advantage of current market conditions.

Fintech is one of the innovations of digital financial services technology that is allowed in Islam because it brings so many benefits and benefits to the people (Hiyanti et al., 2020). Fintech is an alternative solution to the creation of sharia financial transactions that are easier, faster and more efficient. In addition, sooner or later with the potential and wealth of Natural Resources Indonesia has the opportunity to become the center of the world halal industry that will promote halal food, halal fashion and halal tourism to go to the Global Islamic Economy (Jaelani, 2017).

Sharia Financial Technology contributes all sharia-based fintech in 2019 to Rp1 trillion. It believes this figure could triple by 2020. With the record the infrastructure will get better. This is in line with the target of 13 sharia online financing players who reached Rp4 trillion by 2020. And in general, fintech in Indonesia has great potential because it can provide solutions to urgent needs that cannot be provided by traditional financial institutions, especially sharia fintech. Based on the analysis, the development of sharia fintech industry with ISM framework is divided into four criteria: (1) perspective of fintech function, (2) problems faced in developing sharia fintech, (3) strategies or basic footings required within the framework of sharia fintech development, and (4) ecosystems or actors involved in the development of sharia fintech in Indonesia (Sharia, 2018).

Conclusion

Sharia fintech is a technology finance based on sharia financial regulations, so all forms of facilities provided must be based on Islamic law governing sharia economy / finance, in terms

of sharia and conventional fintech functions are no different, the difference between the two is only in the financing agreement, where in sharia fintech follows islamic sharia regulations that must be avoided from usury, gharar, maysir, tadbis, dharar, zhulm and haram.

Fintech plays an active role in the development of the national sharia economy in the digital era in Indonesia, as well as the strengthening of startup companies that can strengthen the halal industry chain, so as to create a sharia economy based on technology infrastructure. With this Shariah fintech is expected in the future can improve inclusive finance, and can increase the economic growth of Islam in Indonesia. Fintech is an alternative solution to the creation of sharia financial transactions that are easier, faster and more efficient. In addition, sooner or later with the potential and wealth of Natural Resources Indonesia has the opportunity to become the center of the world halal industry that will promote halal food, halal fashion and halal tourism to go to the Global Islamic Economy. The development of sharia fintech industry with ISM framework is divided into four criteria: (1) perspective of fintech function, (2) problems faced in developing sharia fintech, (3) strategies or basic footings required in the framework of sharia fintech development, and (4) ecosystems or actors involved in the development of sharia fintech in Indonesia.

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Thank you for giving us the opportunity to complete this journal with the theme "The Role of Sharia Fintech in Developing Islamic Economics in the Digital Era in Indonesia" with the completion of this journal we can provide a contribution and solution for how the role of sharia fintech can provide a way for Islamic economics to grow. growing rapidly in the digital era due to the growing digitalization of Islamic finance fintech in Indonesia.

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