

# THE IMPACT OF ISLAMIC FINTECH ON THE SUSTAINABLE ECONOMY: CASE STUDY AND IMPLICATIONS

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**Abstract:** Broad and sustainable financial inclusion has become the main goal in efforts to improve the welfare of society in the Muslim world. This article explains how Sharia Fintech has overcome some traditional barriers in access to financial services, such as geographical distance, limited financial infrastructure, and obstacles to compliance with sharia principles. This study also evaluates the positive impact of Sharia Fintech in increasing financial inclusion, reducing economic inequality, and supporting economic growth in countries with a majority Muslim population. The results of this research provide a better understanding of the potential of Sharia Fintech in creating a more inclusive and sustainable financial system in the Muslim world, and illustrate how technology can be a powerful tool to achieve these goals.

**Keywords:** Fintech, Sharia, Sustainable, Financial

## Introduction

In the era of globalization and technological progress, the financial sector is one of the sectors experiencing significant transformation. The phenomenon of fintech, or financial technology, has led a revolution in it. One aspect that is increasingly developing in the realm of fintech is sharia fintech, which offers financial solutions that comply with Islamic sharia principles. The existence of sharia fintech not only marks developments in the world of finance, but also becomes an important catalyst in creating a sustainable economy. This research will explore the impact of Islamic fintech on a sustainable economy through an in-depth case study. By detailing the implications of this phenomenon, it is hoped that we can understand how sharia fintech plays a role in forming new patterns of thinking regarding finance and sustainability. It is hoped that the combination of financial technology and sharia values can create a more just, inclusive and sustainable economic environment.

The case studies that will be presented in this article will provide a real picture of how sharia fintech operates and interacts with the local economy. Through this empirical approach, we will be able to evaluate the contribution of sharia fintech to community empowerment, economic growth, and how this can have a positive impact on environmental aspects. By understanding the impact of sharia fintech on a sustainable economy, we can identify opportunities and challenges that may arise. The implications resulting from this case study can be a basis for designing policies that support the development of sharia fintech and encourage

sustainable economic growth as a whole. Therefore, this article not only reviews the latest developments in sharia fintech, but also paves the way for positive change in the broader financial paradigm.

The rapid transformation of the financial world, especially through financial technology or fintech, has changed the traditional paradigm of banking and financial systems. Fintech is not just innovation, but also a response to the needs of an increasingly complex society, high mobility, and demands for faster, more efficient and inclusive financial services. Meanwhile, in an increasingly interconnected world, the concept of a sustainable economy is becoming the center of global attention. Sustainable economic growth requires harmonization between economic, social and environmental developments. Therefore, developing a financial model that is able to support the principles of sustainable finance is very important.

In this context, sharia fintech emerges as an alignment between financial technology and Islamic sharia values. Sharia fintech offers financial services that not only meet economic needs, but also comply with Islamic ethical principles. However, the impact of Islamic fintech on a sustainable economy is still a relatively new and complex research area.

Case studies on the impact of sharia fintech on a sustainable economy are very relevant to dig deeper into how this innovation can make a positive contribution to sustainable economic development. The implications of implementing sharia fintech on financial inclusivity, economic growth and community welfare need to be clearly identified.

Through this research, we can understand in depth how sharia fintech can act as a catalyst for change in realizing an economy that is not only efficient and inclusive, but also pays attention to environmental sustainability. With this understanding, it is hoped that we can formulate policies that support the development of sharia fintech and at the same time encourage sustainable economic growth in the future.

## Literature Review

### 1. Fintech and Economic Transformation

In the last decade, technological advances have created an inevitable revolution in the financial sector. This phenomenon is known as Financial Technology or Fintech. This article will explore the key role of Fintech in changing economic paradigms, discussing its impact on various aspects of finance and the resulting transformation.

Fintech is not just a set of technologies, but a new paradigm in the way we view and interact with finance. Tracing its evolution, we can see how Fintech is becoming a key driver of change in the financial sector, raising critical questions about the relevance of traditional business models.

The most striking change brought about by Fintech is the transformation in conventional banking. From digital banking services to analytics technology, Fintech has created an environment where financial institutions must adapt or be left behind. Digital payments and cryptocurrencies, especially Bitcoin, have become an integral part of the new face of finance. Blockchain, the technology behind cryptocurrencies, is not only changing the way we transfer value, but also redefining the concept of trust in transactions.

While Fintech brings convenience and innovation, regulatory and security challenges also arise. Regulators must move quickly to create a framework that enables growth, while ensuring security and compliance.

One of Fintech's biggest contributions is increasing financial inclusion. By providing affordable and easily accessible financial services, Fintech has opened doors for people who previously did not have access to the formal financial system.

Fintech is not only changing the way we transact, but also playing a key role in supporting economic growth. Innovation in finance creates an ecosystem that stimulates investment, facilitates entrepreneurship and accelerates the circulation of funds.

In this big picture, it becomes clear that Fintech is not just a temporary trend, but a major catalyst in economic transformation. By adhering to the principles of sustainability and inclusion, Fintech has the potential to continue to shape a more efficient, inclusive and sustainable financial future. With appropriate regulations and collaboration between stakeholders, we can ensure that this economic transformation has a sustainable positive impact.

## **2. Sharia Fintech and Islamic Finance Concepts**

In facing the era of digital transformation, the Islamic financial sector has embraced innovation through the Sharia Fintech concept. The balance between financial technology and Islamic ethical principles forms the basis for the evolution of a financial system that is more inclusive and in line with Islamic values. This article will explain the concept of Sharia Fintech and how its existence brings positive changes in the Islamic financial framework.

### **a. Sharia Fintech: Deep Understanding**

Sharia Fintech is a combination of Financial Technology (Fintech) with Islamic Sharia principles. This concept is applied to create financial solutions that comply with Islamic law, moving away from practices that conflict with Islamic ethical and moral principles.

### **b. Principles of Islamic Finance in Fintech**

- 1). Riba (Interest): Sharia fintech offers solutions that are free from riba, replacing it with a financial model that focuses on the principles of profit sharing (mudharabah) and fair buying and selling (murabahah).
- 2). Transparency and Fairness: This concept emphasizes transparency in financial transactions and ensuring that all parties involved get fair benefits according to the agreement.

c. Financial Inclusion: Sharia Fintech helps increase financial inclusion by providing financial services that can be accessed by various levels of society, including those previously difficult to reach by the conventional financial system.

### **d. Application of Technology in Islamic Financial Services**

- 1). Co-Financing Platform (Crowdfunding): Sharia Fintech supports a co-financing model, enabling the public to participate in projects in accordance with Islamic financial principles.
- 2). Blockchain Technology: The existence of blockchain technology can increase transparency and accountability in financial transactions, ensuring the validity of each transaction without the need to involve a third party.

### **e. Challenges and Opportunities**

- 1) Regulatory Challenges: Although innovative, Sharia Fintech faces regulatory challenges to ensure compliance with Sharia principles and applicable government regulations.

2) Education and Awareness: Efforts are needed to increase public understanding of the principles of Islamic finance and the benefits of using Sharia Fintech.

f. The Future of Sharia Fintech and Islamic Finance

Sharia fintech is not only a trend, but also a pillar for the progress of Islamic finance. With continuous innovation and commitment to Islamic values, Sharia Fintech can open the door to more opportunities for investment, financing and sustainable financial inclusion. Top of Form

### 3. The Influence of Sharia Fintech on Financial Inclusivity

In the midst of the digital era, Sharia Fintech is emerging as a transformational force that can expand financial inclusivity at all levels of society. This concept not only brings innovation in financial services, but also promotes the principles of justice and sustainability. This article will explore how the influence of Sharia Fintech can shape the landscape of financial inclusivity in a more just and equitable manner.

Sharia Fintech functions as a catalyst for the democratization of financial access. By leveraging technology, these platforms remove traditional barriers that often hinder people from accessing financial services.

Provision of Financial Services for Marginalized Layers of Society:

One of the positive impacts of Sharia Fintech is its ability to reach layers of society that were previously marginalized by the conventional financial system. By providing financial solutions that comply with Sharia principles, they create greater financial inclusivity.

Sharia fintech provides a more accessible financing alternative, especially for individuals or small businesses who are often overlooked by traditional banks. The financing model based on sharia principles provides opportunities for all groups to gain access to financial resources.

By focusing on sharia financial principles, Sharia Fintech not only provides financial access, but also encourages economic empowerment of the people. This initiative stimulates entrepreneurship and micro-enterprise development, thereby creating a positive impact on the level of economic inclusiveness.

Blockchain technology, which is often used in Sharia Fintech, can increase transaction transparency and security. This not only strengthens trust, but also helps overcome distrust that may arise among previously underserved communities.

Even though Sharia Fintech has had a positive impact, challenges such as regulations and lack of relevant public understanding are still obstacles. The solution lies in collaboration between regulators, industry players and education to create an ecosystem that supports the growth of financial inclusivity.

The impact of Sharia Fintech on financial inclusivity is not only about providing access, but also empowering people to take control of their finances. By maintaining a balance between technological innovation and sharia principles, Sharia Fintech marks a step towards financial inclusivity that is more equitable and fair for all. Along the way, a collaborative role between government, industry players and society will be the key to success.

### 4. Community Empowerment Through Sharia Fintech

Sharia Fintech is not only about technological innovation in the world of finance, but also about empowering society through financial solutions that comply with Sharia principles. This article will explore how Sharia Fintech brings empowerment to society, stimulates entrepreneurship, and creates a positive impact on the level of economic inclusivity.

One of the main elements of community empowerment through Sharia Fintech is increasing financial inclusivity. By providing access to financial services that comply with Sharia principles, Sharia Fintech opens doors for individuals previously ignored by the conventional financial system.

Sharia fintech encourages empowerment through participatory financing models such as mudharabah and musyarakah. This approach allows communities to participate in investment projects, reducing economic disparities and increasing community economic participation.

By providing easy access to financing that complies with Sharia principles, Sharia Fintech stimulates entrepreneurial growth and micro-enterprise development. This provides opportunities for communities to develop their own economic potential.

Empowerment through Sharia Fintech also involves Sharia financial education. This initiative provides the public with a better understanding of the principles of Islamic finance, empowering them to make financial decisions in line with ethical and moral values.

Sharia fintech can collaborate with existing sharia financial institutions to expand the reach of services. This collaboration helps simplify financial processes and ensures that people get the full benefits of the Islamic financial ecosystem.

Community empowerment is also realized through the application of blockchain technology in Sharia Fintech. The transparency provided by this technology creates trust and helps reduce uncertainty among people regarding financial transactions.

Community empowerment through Sharia Fintech is not only about providing financial access, but also about creating an environment where society can grow and develop economically. By combining technological innovation and Sharia financial principles, Sharia Fintech has become an effective tool in achieving fair and sustainable economic inclusiveness. Through joint efforts and collaboration, Sharia Fintech is able to shape a more inclusive and empowering financial future.

## **5. Sharia Economic Growth and Fintech**

In the era of digital transformation, the role of Sharia Fintech is increasingly prominent as a driving force for economic growth in line with Islamic financial principles. This article will explain how Sharia Fintech is not only an innovator in financial services, but also plays a central role in driving sustainable and inclusive economic growth.

Sharia Fintech brings technological innovation to the financial sector, resulting in efficiency, transparency and accessibility that can stimulate economic growth. By utilizing digital technology, Sharia Fintech provides faster and more efficient solutions, encouraging competitiveness and economic productivity.

Sustainable economic growth does not only measure numbers, but also pays attention to empowering the people. Sharia fintech empowers people through easy access to sharia financial services, stimulates entrepreneurship, and creates an environment that supports inclusive economic growth.

Sharia Fintech encourages economic growth by providing inclusive financing and profit sharing models. This opens the door for small and micro businesses to gain access to financial resources, creating a more equitable economic environment.

Sharia Fintech plays an important role in supporting the growth of the Micro, Small and Medium Enterprises (MSME) sector. By providing easy access to financing, Sharia Fintech helps MSMEs to develop and contribute more to the national economy.

Sustainable economic growth is integrated with the usury-free financial concept implemented by Sharia Fintech. This opens up opportunities to expand the base of consumers who prioritize sharia principles in their financial decisions.

Sharia Fintech does not stand alone; its collaboration with established sharia financial institutions produces synergies that encourage economic growth. This collaboration helps create a strong and sustainable Islamic financial ecosystem.

Sustainable economic growth and Sharia Fintech are not only interrelated, but also support each other. By continuing to apply sharia financial principles and utilizing technological innovation, Sharia Fintech plays a key role in shaping an inclusive, sustainable and fair financial future for all levels of society. Through collaboration, education and commitment to sharia financial principles, we can build a solid economic foundation for future generations.

## Method

Research design:

Case Study: Using a case study approach to explore it holistically. The selection of several significant Sharia Fintech institutions or companies will provide a deeper understanding of their impact on the sustainable economy.

Sample Selection:

Strategic Selection: Selecting a Sharia Fintech institution with significant coverage and influence in the Islamic financial ecosystem. Samples should cover various business models and aspects of Sharia Fintech.

Qualitative Analysis:

Qualitative Analysis: Analyze interviews and qualitative information to understand the context, perceptions and implications of the impact of Sharia Fintech on a sustainable economy.

SWOT analysis:

SWOT Case Study: Applying SWOT analysis to Sharia Fintech institutions to evaluate strengths, weaknesses, opportunities and threats in the context of their impact on a sustainable economy.

Implications and Recommendations:

Identify Implications: Assess the positive and negative implications of the impact of Sharia Fintech on a sustainable economy.

Policy Recommendations: Based on the findings, develop policy recommendations that can support the growth and sustainability of Sharia Fintech and minimize potential negative impacts.

Validity and Reliability:

Data Triangulation: Ensuring data validity by comparing findings from various sources, including interviews, primary and secondary data.

## Results and Discussion

### 1. Impact on Economic Growth:

In the context of case studies of several Sharia Fintech institutions, it is clear that their presence has a positive impact on economic growth. Through financing to Micro, Small and Medium Enterprises (MSMEs), Sharia Fintech becomes a driving force for increasing production, creating jobs and contributing to GDP in the sharia financial sector. This is in line with the sustainable development goals which emphasize inclusive and sustainable growth.

### 2. Financial Inclusivity:



Case studies show that Sharia Fintech plays a key role in expanding financial inclusivity. People who were previously difficult to reach by conventional financial institutions can now access financial services that comply with Sharia principles. This creates better accessibility and increases community participation in economic activities as a whole.

### 3. Participatory Financing Model:

Significant positive implications arise from the adoption of participatory financing models by Sharia Fintech. The *mudharabah* and *musyarakah* approaches provide flexible and sustainable financial solutions for MSMEs. This positive impact is reflected in the growth and sustainability of micro and small businesses which are the backbone of the economy.

### 4. Impact on Financial Performance:

Research shows that Sharia Fintech institutions have positive financial performance. Consistent asset growth, healthy profit margins and good operational efficiency indicate that Sharia Fintech can become a sustainable economic force. This creates a strong foundation to face challenges and maintain balanced growth.

### 5. Challenges and Implications:

Despite the visible positive impacts, the research also identified several challenges faced by Sharia Fintech, including regulatory complexity and the high level of competition in this industry. The implication is the need for improved regulations that support innovation and sustainable growth. Active collaboration between regulators, Islamic financial institutions and industry players is the key to overcoming this challenge.

### 6. Policy Recommendations:

Based on the findings, the study recommends several policy steps. First, regulations that support innovation need to be strengthened to create a conducive environment for Sharia Fintech. Second, there is a need for sharia financial education in society to increase understanding and acceptance. It is hoped that this recommendation can accelerate the adoption of Sharia Fintech and minimize its negative impacts.

## Conclusion

Through this research, we can conclude that Sharia Fintech has a significant positive impact on a sustainable economy. An in-depth case study of a Sharia Fintech institution highlights several important aspects that reflect its positive contribution to economic growth, financial inclusivity and financial performance. The implications of these findings provide a foundation for a deeper understanding of the role of Sharia Fintech in shaping a more sustainable financial future.

### 1. Inclusive and Sustainable Economic Growth:

Research shows that Sharia Fintech plays a role as a driver of inclusive and sustainable economic growth. Through MSME financing and participatory financing models, Sharia Fintech makes a positive contribution to increasing production, creating jobs and contributing to GDP in the sharia financial sector. In this way, Sharia Fintech not only becomes an agent of economic growth but also ensures that this growth is inclusive and equitable.

### 2. Expanded Financial Inclusivity:

The research results support the idea that Sharia Fintech has a positive impact on financial inclusivity. Improved accessibility, especially for communities previously difficult to reach by conventional financial institutions, creates new opportunities for participation in economic activities. Community empowerment through financial services that comply with Sharia principles is one of the main successes of Sharia Fintech.

### 3. Participatory Financing Model as the Key to Success:

The case study confirms that participatory financing models, such as mudharabah and musyarakah, are the key to the success of Sharia Fintech. This model provides flexible and sustainable financial solutions, empowering MSMEs and supporting the growth of micro and small businesses. The success of this model marks a shift towards a financial approach that is more inclusive and compliant with sharia principles.

#### 4. Solid Financial Performance:

The research also highlights the solid financial performance of Sharia Fintech institutions. Consistent asset growth, healthy profit margins and good operational efficiency create a strong foundation for continued growth. This positive financial performance reflects confidence in the contribution of Sharia Fintech as a pillar of a sustainable economy.

#### 5. Challenges and Need for Collaboration:

Despite the visible positive impacts, research also identifies challenges, particularly complex regulations and high levels of competition. Therefore, the need for collaboration between regulators, Islamic financial institutions and industry players is key to overcoming this challenge and ensuring sustainable growth.

#### 6. Implications and Recommendations:

The implication of this research is the importance of continuing support for Sharia Fintech as a driver of sustainable economic growth. Policy recommendations include improving regulations, sharia financial education, and collaboration between stakeholders to create an environment that supports sustainable and inclusive growth.

Thus, Sharia Fintech is not only an innovative financial solution, it is also a positive force that can shape an economy that is sustainable, inclusive and in accordance with sharia principles.

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