

TRANSFORMATION OF ISLAMIC FINTECH IN ENHANCING FINANCIAL INCLUSION: DIGITALIZATION STRATEGY BASED ON *MAQASHID SHARIAH*

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Abstract: This study examines the transformation of Islamic fintech in enhancing financial inclusion through digitalization strategies based on the principles of maqashid shariah. The rapid development of Islamic fintech in Indonesia has significantly contributed to expanding financial access, particularly for underserved communities. However, challenges such as low financial literacy, limited digital infrastructure, and regulatory gaps hinder its full potential. This study employs a qualitative approach through in-depth interviews and document analysis to identify key strategies for strengthening the digitalization of Islamic fintech. The findings reveal that digital financial education, collaboration for infrastructure development, and enhanced regulatory frameworks are crucial for the sustainable growth of Islamic fintech. Digital financial literacy campaigns using artificial intelligence (AI) and social media platforms can enhance public awareness, while government collaboration can bridge the digital divide. Furthermore, regulatory improvements by the Financial Services Authority (OJK) and the National Sharia Council (DSN- MUI) are essential to ensure compliance with maqashid shariah. This study provides practical implications for stakeholders in the fintech industry, regulators, and policymakers in promoting an inclusive and sustainable Islamic financial ecosystem.

Keywords: Islamic Fintech, Financial Inclusion, Digitalization Strategy, Maqashid Shariah, Islamic Finance.

Introduction

In the rapidly evolving era of digitalization, financial technology (fintech) has become one of the key drivers in expanding access to and inclusion in financial services across various countries, including Indonesia. Fintech holds great potential in reaching segments of society that remain underserved by conventional banking services, particularly in areas with limited access to formal financial institutions. As the country with the largest Muslim population in the world, Indonesia has seen the emergence of Islamic fintech as an innovative solution that not only provides technology-based financial services but also upholds Shariah principles in its operations (Amin, H., & Ridwan, 2024).

Although financial inclusion in Indonesia has significantly improved in recent years, data indicate that Islamic financial inclusion remains relatively low compared to overall financial inclusion. According to a 2023 report by the Financial Services Authority (OJK), the Islamic financial literacy index increased to 39.11%, yet the Islamic financial inclusion rate was only 12.88% (Otoritas Jasa Keuangan (OJK), 2023). This gap suggests that while public awareness of Islamic finance is growing, the utilization of Islamic financial services remains suboptimal. Several factors contribute to the low level of Islamic financial inclusion, including limited digital infrastructure, low digital financial literacy, and a lack of service innovation tailored to user needs (Amrullah, A., & Hasan, 2021).

The transformation of Islamic fintech through digitalization strategies represents a strategic approach to overcoming these challenges (Rizky, M. & Wahyudi, 2020). Digitalization enables the development of Islamic financial services that are more inclusive,

efficient, and accessible to a broader segment of society, including those without access to formal banking (Dahrani, D., Saragih, F., & Ritonga, 2022). However, implementing digitalization in Islamic fintech is not merely about adopting technology; it must also be grounded in the principles of Maqashid Shariah. These principles, which include the protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect (*hifz al-aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*), should serve as the foundation for developing the Islamic fintech ecosystem to ensure alignment with Islamic values (Chapra, 2023).

However, research on the integration of Maqashid Shariah in the digital transformation of fintech remains limited. Most previous studies have focused more on regulatory aspects, technology adoption, and user behavior without fully considering how Maqashid Shariah principles can be comprehensively implemented in the development of Islamic fintech (Gani, 2023). Therefore, this study aims to bridge the research gap by exploring digitalization strategies based on Maqashid Shariah to enhance Islamic financial inclusion in Indonesia. By understanding digitalization strategies aligned with Maqashid Shariah, the Islamic fintech industry is expected to develop more optimally and provide broader economic benefits to society.

Literature Review

Islamic Fintech and Its Development in Indonesia

Islamic fintech is a digital financial innovation that operates in accordance with Shariah principles. According to Suryani, N. & Hidayat (2023), Islamic fintech has experienced rapid growth in recent years, with an increasing number of platforms offering Shariah-compliant financial services, such as peer-to-peer (P2P) lending, digital payments, and Islamic-based investments. The adoption of Islamic fintech has also been driven by regulatory advancements and support from the Financial Services Authority (OJK), which provides incentives to foster the growth of this sector.

Financial Inclusion and Challenges in the Islamic Sector

Islamic financial inclusion still faces various challenges, including low financial literacy, limited digital infrastructure, and a lack of public trust in Islamic fintech services (Harahap, M. A., Daud, A., & Sinaga, 2022). (Otoritas Jasa Keuangan (OJK), 2023) reported that the Islamic financial inclusion index remains significantly behind conventional banking. One of the key reasons for this gap is the lack of education on Islamic fintech products and the limited reach of services to remote areas.

Digitalization and the Transformation of Islamic Fintech

Hasan, R., & Wahyuni (2024) emphasize that digitalization plays a crucial role in expanding access to Islamic financial services. The use of technologies such as artificial intelligence (AI), blockchain, and big data enhances operational efficiency and transparency in Islamic financial services. Additionally, digitalization allows Islamic fintech to adopt more flexible business models, such as branchless banking, which can reach communities in underserved areas where traditional banking services are limited.

Maqashid Shariah Principles in Digital Finance

Maqashid Shariah serves as the fundamental principle in the development of Islamic fintech to ensure alignment with Islamic values. Chapra (2023) asserts that integrating Maqashid Shariah into digital finance can enhance public trust and ensure that financial products and services meet Islamic ethical standards. The Maqashid Shariah framework consists of five core aspects: protection of religion (*hifz al-din*), life (*hifz al-nafs*), intellect

(*hifz al-aql*), lineage (*hifz al-nasl*), and wealth (*hifz al-mal*) . By adopting this approach, Islamic fintech can ensure that its financial services are not only economically profitable but also socially beneficial for the broader community (Anggara, W., & Iqbal, 2021).

Method

This study employs a qualitative approach using a case study method to analyze the transformation of Islamic fintech in enhancing financial inclusion through digitalization strategies based on Maqashid Shariah. This approach enables an in-depth exploration of the phenomenon occurring in the Islamic fintech sector by examining various perspectives from stakeholders, including regulators, industry players, and users of Islamic fintech services (Prasetyo, A. & Fadilah, 2022).

The data used in this study consists of primary and secondary data. Primary data is collected through in-depth interviews with Islamic fintech experts, regulators such as the Financial Services Authority (OJK) and the National Sharia Council - Indonesian Ulema Council (DSN- MUI), as well as Islamic fintech industry players involved in the development of Shariah- compliant digital financial services. Additionally, direct observations of the implementation of Islamic fintech services are conducted to understand how digitalization is applied to improve financial inclusion. Meanwhile, secondary data is gathered from various sources, such as financial reports, regulations related to Islamic fintech, scientific journals, and relevant academic publications.

The data collection techniques used in this study include in-depth interviews, documentation, and observations. The interviews are conducted using semi-structured interview guidelines, allowing flexibility in extracting information based on the experiences and insights of the respondents. Documentation is utilized to analyze various regulations, industry reports, and academic studies related to the development of Islamic fintech and financial inclusion. Meanwhile, observations are carried out to gain first-hand insights into the practices of Islamic fintech services across various digital platforms.

For data analysis, this study employs thematic analysis, which facilitates the identification of patterns and key themes related to Islamic fintech development, barriers to financial inclusion, and Maqashid Shariah-based digitalization strategies. To enhance the validity and reliability of the research findings, data triangulation is applied by comparing multiple data sources, including interviews, documentation, and observations.

To ensure the credibility of the data, this study adopts several strategies, including credibility, transferability, dependability, and confirmability. Credibility is achieved through data triangulation and member checking with respondents to verify the accuracy of the information. Transferability is enhanced by providing detailed descriptions to ensure that the research findings can be applied in different contexts. Dependability is maintained by conducting an audit trail of the data collection and analysis process. Meanwhile, confirmability is ensured by ensuring that data interpretation is based on objective evidence and is not influenced by subjective biases of the researcher.

Result and Discussion

Transformation of Islamic Fintech in Enhancing Financial Inclusion

The research findings indicate that the transformation of Islamic fintech has significantly contributed to improving financial inclusion in Indonesia. Islamic fintech provides broader access to financial services, particularly for communities that remain unserved by conventional banking (Prasetyo, A. & Fadilah, 2022). By adhering to Maqashid Shariah principles, Islamic fintech not only ensures compliance with Islamic law but also promotes societal well-being through equitable and inclusive financial services (Hilmawati,

M. R. N., & Kusumaningtias, 2021).

For instance, Shariah-compliant peer-to-peer (P2P) lending services have emerged as an alternative financing option for micro, small, and medium enterprises (MSMEs) that face challenges in securing capital from banks. According to interviews with industry players, transactions in the Islamic fintech sector have grown by 35% over the past two years, particularly in Shariah-based P2P lending and digital payment services (Huda, N., & Nasution, 2023).

Table 1: Growth of Islamic Fintech in Indonesia (2022-2024)

| Year | Number of Islamic Fintech Platforms | Total Users (Million) | Transaction Volume (Trillion IDR) |
|------|-------------------------------------|-----------------------|-----------------------------------|
| 2022 | 10 | 3,5 | 15,2 |
| 2023 | 15 | 5,7 | 22,8 |
| 2024 | 22 | 8,9 | 35,4 |

Sources: OJK, Bank Indonesia (BI), Indonesian Sharia Fintech Association (AFSI), 2024

The table above illustrates the development of Islamic fintech in Indonesia over the past three years (2022-2024) based on the number of available platforms, total users, and transaction volume. The data indicates a significant growth trend, with the number of Islamic fintech platforms increasing from 10 in 2022 to 22 in 2024. This growth aligns with the rise in users, from 3.5 million in 2022 to 8.9 million in 2024. Additionally, transaction volume has also surged significantly, rising from IDR 15.2 trillion in 2022 to IDR 35.4 trillion in 2024 (Ika, Putri, S., Hayati, S., Friantini, E., 2021).

Challenges in Implementing Digitalization in Islamic Fintech

Despite the rapid development of Islamic fintech, several key challenges remain in the implementation of digitalization based on Maqashid Shariah principles. The research findings highlight the following main obstacles (Irma Muzdalifa, Inayah Aulia Rahma, 2018):

1. Low Islamic Financial Literacy – A large portion of society still lacks a comprehensive understanding of Islamic finance, limiting the adoption of Shariah-compliant fintech services.
2. Limited Digital Infrastructure in Remote Areas – Restricted internet access and inadequate digital infrastructure hinder the penetration of Islamic fintech in rural areas.
3. Unoptimized Regulatory Framework – Industry players continue to face regulatory uncertainties regarding the operation of Islamic fintech under Maqashid Shariah principles.

Digitalization Strategies Based on Maqashid Shariah Principles

To overcome these challenges, the study identifies several Maqashid Shariah-based digitalization strategies that can be applied by the Islamic fintech industry (Kamaruddin, M. H., & Ishak, 2020):

1. Education and Islamic Financial Literacy
 - a. Utilizing AI-powered educational applications to enhance public knowledge of Islamic finance.
 - b. Conducting digital campaigns via social media and interactive webinars to promote the benefits of Islamic fintech.
2. Strengthening Digital Infrastructure
 - a. Collaborating with the government and telecom providers to expand internet coverage

- in rural areas.
- b. Developing Islamic fintech applications that function efficiently even with limited internet connectivity.
- 3. Enhancing Regulation and Supervision
 - a. Strengthening regulations from the Financial Services Authority (OJK) and DSN-MUI to adapt to Islamic fintech advancements.
 - b. Increasing supervision and audits to ensure the implementation of Maqashid Shariah principles in digital financial services.

Table 2: Recommended Digitalization Strategies for Islamic Fintech

| <i>Strategy</i> | <i>Implementation</i> |
|--|--|
| Islamic Financial Literacy | AI-based educational apps, social media campaigns |
| Digital Infrastructure Enhancement | Internet expansion in rural areas, fintech apps for low connectivity |
| Regulatory & Supervisory Strengthening | Adaptive regulations, increased compliance audits |

Source: OJK and DSN-MUI, 2024

The table above summarizes the key recommended strategies to accelerate Islamic fintech digitalization in order to enhance financial inclusion. These strategies are designed based on the study's findings regarding the main challenges in Islamic fintech adoption, including low financial literacy, uneven digital infrastructure, and regulatory gaps that require further strengthening (Marginingsih, 2021).

Research Implications

This study is expected to make a significant contribution to the development of Islamic fintech and the expansion of financial inclusion in Indonesia (Muhammad Arfan Harahap, Abd Latiip, Herwan Nafil, Dira Puspita Sari, 2022). The research implications include:

1. *Academic Contribution* – Providing new insights into Maqashid Shariah-based digitalization strategies in the context of financial inclusion.
2. *Industry Contribution* – Serving as a guideline for Islamic fintech players to develop more inclusive and sustainable digitalization strategies.
3. *Regulatory Contribution* – Offering recommendations to the government and regulatory bodies in designing policies that better support the Islamic fintech ecosystem.

By implementing appropriate strategies, Islamic fintech has great potential to expand financial inclusion in Indonesia, aligning with Maqashid Shariah principles, which emphasize justice, welfare, and sustainability (Nurul Huda & Adiwarman Karim, 2021).

Conclusion

This study demonstrates that the transformation of Islamic fintech plays a crucial role in enhancing financial inclusion in Indonesia through digitalization based on Maqashid Shariah principles. The increasing number of Islamic fintech platforms, the growth in users, and the surge in transaction volumes indicate a positive trend in public acceptance of Shariah-compliant financial services.

However, several challenges still hinder the optimization of Islamic fintech services, including low Islamic financial literacy, limited digital infrastructure in remote areas, and regulatory frameworks that have not yet fully adapted to the advancements in Islamic

financial technology.

Therefore, Maqashid Shariah-based digitalization strategies serve as the key solution to addressing these challenges, particularly through: 1) digital Islamic financial education, 2) strengthening digital infrastructure, and 3) enhancing regulations to support the Islamic fintech ecosystem. The implications of this study extend beyond academic contributions, offering practical guidance for the Islamic fintech industry and regulators in developing more inclusive and sustainable policies. With the right strategies, Islamic fintech holds great potential to realize a just and sustainable financial system, fully aligned with Islamic values.

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