

Reformulating Islamic Digital Finance Regulation in the Contemporary Era: Toward Inclusive and Sustainable Development in Indonesia

Solikhah Solikhah

Faculty of Law Universitas Sebelas Maret, Indonesia
solikhah_fh@staff.uns.ac.id

Burhanudin Harahap

Faculty of Law Universitas Sebelas Maret, Indonesia
burhanudin.harahap@staff.uns.ac.id

Zeni Lutfiyah

Faculty of Law Universitas Sebelas Maret, Indonesia
zenilutfiyah@staff.uns.ac.id

Luthfiyah Trini Hastuti

Faculty of Law Universitas Sebelas Maret, Indonesia
luthfiyah_trini@staff.uns.ac.id

Nur Sulistiyarningsih

Faculty of Law Universitas Sebelas Maret, Indonesia
nursulis@staff.uns.ac.id

Muhamad Abduh

School of Business Economics, University Brunei Darussalam, Brunei Darussalam
muhamad.abduh@ubd.edu.bn

Received: 26-09-2025

Revised: 10-10-2025

Accepted: 20-11-2025

Published On: 30-12-2025

Abstract: This study examines the contemporary reformulation of Islamic digital finance regulation in Indonesia amid the rapid expansion of technology-driven financial services. The acceleration of digitalisation has created new opportunities for efficiency and financial inclusion, yet it also introduces regulatory challenges—particularly the low level of Islamic financial literacy and limited public understanding of Sharia principles embedded in digital financial products. Employing a normative legal research approach through statute and conceptual analyses, this study evaluates the alignment between the Financial Services Authority Regulation Number 40 of 2024 on Information Technology-Based Joint Funding Services and the National Sharia Council–Indonesian Ulema Council Fatwa Number 117/DSN-MUI/II/2018, which allows conventional business units to establish Sharia units, a provision previously restricted under Financial Services Authority Regulation Number 10 of 2022. The findings demonstrate that legal certainty, regulatory coherence, and innovation in Islamic digital financial products significantly shape the sector's development. Furthermore, the study proposes a model for a Sharia governance regulatory framework to strengthen good governance and ensure full compliance with Sharia principles. The research concludes that effective collaboration among the government, financial authorities, Islamic financial institutions, and the public is essential to enhancing the contribution of Islamic digital finance toward inclusive and sustainable development in Indonesia through continuous regulatory reform and ecosystem strengthening. Academically, this research contributes by proposing a contextual model for reformulating Islamic digital finance regulation in Indonesia, strengthening the conceptual linkage between statutory provisions and Sharia normative frameworks in fintech governance, and enriching scholarly debates on the role of Islamic digital finance as a driver of inclusive and sustainable development.

Keywords: Financial Inclusion, Islamic Digital Finance, Regulatory Reformulation, Sharia Governance, Sustainable Development.

Abstrak: Kajian ini menelaah reformulasi regulasi keuangan digital syariah di Indonesia pada era kontemporer, ketika layanan keuangan berbasis teknologi berkembang dengan sangat cepat. Percepatan digitalisasi membuka ruang baru bagi efisiensi dan perluasan akses keuangan, namun juga memunculkan sejumlah tantangan, terutama rendahnya literasi keuangan syariah dan minimnya pemahaman publik terhadap prinsip-prinsip syariah yang menjadi dasar produk keuangan digital. Dengan menggunakan pendekatan penelitian hukum normatif melalui analisis peraturan perundang-undangan dan pendekatan konseptual, studi ini mengkaji kesesuaian antara Peraturan Otoritas Jasa Keuangan Nomor 40 Tahun 2024 tentang Layanan Pendanaan Bersama Berbasis Teknologi Informasi dan Fatwa Dewan Syariah Nasional–Majelis Ulama Indonesia Nomor 117/DSN-MUI/II/2018, yang memberi ruang bagi unit usaha konvensional untuk mendirikan unit usaha syariah—ketentuan yang sebelumnya dibatasi dalam Peraturan OJK Nomor 10 Tahun 2022. Hasil penelitian menunjukkan bahwa kepastian hukum, konsistensi regulasi, serta inovasi produk keuangan digital syariah merupakan faktor penting yang membentuk arah perkembangan sektor ini. Studi ini juga menawarkan model kerangka regulasi tata kelola syariah yang bertujuan memperkuat prinsip tata kelola yang baik dan memastikan kepatuhan terhadap nilai-nilai syariah. Temuan tersebut menegaskan bahwa kolaborasi antara pemerintah, otoritas keuangan, lembaga keuangan syariah, dan masyarakat menjadi kunci untuk memaksimalkan kontribusi keuangan digital syariah bagi pembangunan yang inklusif dan berkelanjutan melalui pembaruan regulasi yang berkesinambungan dan penguatan ekosistem. Secara akademik, penelitian ini memberikan kontribusi melalui pengajuan model reformulasi regulasi yang kontekstual bagi keuangan digital syariah di Indonesia, penguatan keterhubungan antara regulasi positif dan kerangka normatif syariah dalam tata kelola fintech, serta pengayaan diskursus ilmiah mengenai peran strategis keuangan digital syariah sebagai pendorong pembangunan inklusif dan berkelanjutan.

Kata kunci: Inklusi Keuangan, Keuangan Digital Syariah, Reformulasi Regulasi, Tata Kelola Syariah, Pembangunan Berkelanjutan.

How to cite this article:

Solikhah Muslich and Others, Reformulating Islamic Digital Finance Regulation in the Contemporary Era: Toward Inclusive and Sustainable Development in Indonesia, *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan*, 12.2 (2025), 789-802
Doi: <http://dx.doi.org/10.29300/mzn.v12i2.9649>



Copyright (c) 2025 The Authors

Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi, dan Keagamaan

Published by Faculty of Sharia, State Islamic University of Fatmawati Sukarno Bengkulu

This work is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International License](https://creativecommons.org/licenses/by-sa/4.0/)

Introduction

The development of Islamic digital finance has been rapid in recent years. According to the National Survey of Financial Literacy and Inclusion (SNLIK) conducted by the Financial Services Authority (OJK), the Islamic financial literacy index has reached 43.42 per cent. Meanwhile, the Islamic financial inclusion rate in 2025 is expected to be only 13.41 per cent.¹ Meanwhile, a Bank Indonesia survey recorded the Islamic economic literacy index at 28.01 per cent in 2023, rising to around 42.84 per cent in 2024. High literacy rates are positively correlated with increased public use of Islamic financial products and services.² However, despite this rapid development, the Islamic financial sector in Indonesia also faces several challenges. The main challenges are limited Islamic financial literacy among the public and a lack of understanding of Islamic financial products and principles.³

Previous studies have examined the role of financial literacy in increasing the adoption of digital sharia-compliant financial services. Islamic financial literacy encompasses the community's understanding of the basic principles of Islamic finance, the benefits they offer, and how to apply them in everyday life.⁴ Fathul Aminudin Aziz highlights that although regulations from the Financial Services

Authority (OJK) are already in place, challenges remain in implementing Islamic Fintech, particularly regarding public literacy and operational transparency.⁵ Sharia financial inclusion, which reflects how much the community utilises sharia financial products, is also still limited, especially in rural and remote areas.

There will always be challenges in technological development, including regulatory hurdles and the lack of financial literacy among users of these technologies. Furthermore, many people still assume that Islamic finance is limited to banking products, even though its scope is much broader, encompassing insurance.

(*takaful*), capital markets, microfinance, and even zakat, infaq, and waqf. However, the integration of technology in Islamic finance promises to expand access to financial services, ultimately contributing to a more equitable financial landscape.⁶ Serving a core population of 1.8 billion Muslims worldwide and a broader global ethical finance audience, its role is growing in global significance, especially in addressing global social financing needs. The global fintech revolution is having a similar impact on Islamic finance through the evolution of a nascent Islamic fintech ecosystem.⁷ Developing financial literacy is

¹ Aman Santosa, <https://Ojk.Go.Id/En/Berita-Dan-Kegiatan/Siaran-Pers/Pages/OJK-And-Statistics-Indonesia-Present-National-Survey-On-Financial-Literacy-And-Inclusion-2024-Findings.aspx>, n.d.

² Yosita Nur Wirdayanti and Sulaeman Rahman Nidar, "Islamic Financial Institutions' Perceptions on Financing for Public-Private Partnership Projects in Indonesia," *Jurnal Ekonomi Dan Perbankan Syariah* 12, no. 2 (July 2024): 91–116, <https://doi.org/10.61111/jeps.v12i2.679>.

³ Ahmad Kholil et al., "Optimizing Islamic Financial Instruments in Indonesia to Support SDGs: Maqashid Syariah Perspective," *Profetika: Jurnal Studi Islam* 26, no. 01 (July 2025): 191–210, <https://doi.org/10.23917/profetika.v26i01.9217>.

⁴ Samud Samud, Teuku Fajar Shadiq, and Hani Hasanah, "Inclusion and Literacy, Strategies for the Future of Islamic Finance," *MSJ : Majority Science Journal* 3, no. 1 (February 2025): 144–53, <https://doi.org/10.61942/msj.v3i1.274>.

⁵ Fathul Aminudin Aziz, "Menakar Kesyariahan Fintech Syariah di Indonesia," *Al-Manahij: Jurnal Kajian Hukum Islam* 14, no. 1 (June 2020): 1–18, <https://doi.org/10.24090/mnh.v14i1.3567>.

⁶ Siti Nur Aisyah, *Islamic Digital Finance: Technology to Enhance Financial Systems to Be More Inclusive and Equitable*, 2024.

⁷ World Bank Group, *Leveraging Islamic Finance To Improve Financial Inclusion*, Oktober (2020).

crucial for creating a robust economy and financial sector.

Legal issues that need to be reviewed include the lack of harmonisation among regulations, legal gaps, and overlaps between the Fatwa of the National Sharia Council of the Indonesian Ulema Council (MUI) and the Financial Services Authority (OJK) Regulations, first, regarding the process of sharia financial transactions, which have implementing regulations with varying interpretations. Second, regarding dispute resolution, the Supreme Court has its own guidelines for interpreting regulations. This is Fatwa DSN MUI No. 117/DSN-MUI/IX/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles. However, unfortunately, POJK No. 40/2024 does not contain any provisions governing the implementation of sharia-based financial technology or mandating that its implementation comply with the provisions stipulated in Fatwa DSN MUI No. 117/DSN-MUI/IX/2018 concerning Information Technology-Based Financing Services Based on Sharia Principles.

Based on this presentation, the main question this study seeks to answer is: How can Islamic digital financial regulation be reformed to promote inclusive and Sustainable Development in Indonesia? This question emphasises the global economy in the digital era, contributing to a more just and equitable world. Theoretically, this study contributes to the literature on Islamic economic law by presenting an integrative model based on Sharia values. Meanwhile, from a practical perspective, the findings of this study can serve as a reference for Governments, the Indonesian Financial Services Authority, and central banks to harmonise financial regulations and Sharia *fatwas* across different

institutions to provide a cohesive operating environment.

Method

This study uses a descriptive, qualitative approach grounded in normative legal research, combining statutory and conceptual approaches with interpretative analysis to examine legal norms in the context of Islamic digital finance in Indonesia. The statutory approach involves a systematic review of laws, OJK regulations, and DSN-MUI *fatwas* to understand their legal basis and practical application. In contrast, the conceptual approach explores relevant legal doctrines and principles to support the reformulation of digital finance regulations that are inclusive and sustainable.

Data were collected through document and literature studies, including laws, OJK regulations, DSN-MUI *fatwas*, and supporting materials such as books, journals, academic articles, and online news. Data analysis was conducted using qualitative descriptive methods, focusing on interpreting legal, social, and institutional contexts, supplemented by legal hermeneutics to extract deeper meanings from the legal texts. Data validation was ensured through source triangulation, comparing regulations, *fatwas*, and scholarly literature to ensure consistency and accuracy of findings. The study aims to reformulate the position of DSN-MUI *fatwas* and OJK regulations within Indonesia's national legal system, while strengthening the Islamic financial sector through regulatory improvements, digital product innovation, and collaboration among key stakeholders.

Results and Discussions

The development of digital Islamic finance in Indonesia

Digitalisation of the financial system and technology is an innovation that enables people to easily access financial products and services, thereby weakening barriers to entry.⁸ Digitalisation requires all to move dynamically to keep pace with global competition in financial products and services. Business people make various efforts to pamper consumers, users, or customers by developing innovations in online business transactions, such as e-commerce and e-payment applications, using payment instruments in the form of card-based or server-based e-money.⁹ Islamic digital finance is the integration of Islamic financial principles with digital technology.¹⁰ This concept aims to create a more inclusive and fair financial system that aligns with Islamic ethical values. This lecture will review various aspects of Islamic digital finance, including the challenges and opportunities, as well as how technology can support financial inclusion and justice.¹¹

Digital Islamic finance explains that many

technological updates, such as sharia fintech, blockchain, and sharia crowdfunding, have had a positive influence on the financial sector. By collaborating with the E-Commerce marketplace, these technologies increase access to financial services, enhance transparency, and improve efficiency in financial transactions, especially digital transactions.¹² The sharia economy, which utilises technological innovation, is highly influential and helps create an inclusive, sustainable economic system that benefits all levels of society.¹³

Humans created technology to make life easier. Fintech is an innovation that develops through the use of technology. It helps to solve the financial problem in society.¹⁴ Fintech has transformed the global financial industry landscape by introducing innovations that accelerate access to financial services. Sharia-compliant Fintech is an innovation in financial technology that adheres to Sharia principles, such as the prohibition of *riba* (interest)¹⁵, *gharar* (uncertainty), and *maysir* (speculation).¹⁶ Its focus on ethics and fairness in financial transactions makes it appealing to

⁸ Irfan Nurfalah and Aam Slamet Rusydiana, "Digitalisasi Keuangan Syariah Menuju Keuangan Inklusif: Kerangka Maqashid Syariah," *Ekspansi: Jurnal Ekonomi, Keuangan, Perbankan dan Akuntansi* 11, no. 1 (May 2019): 55, <https://doi.org/10.35313/ekspansi.v11i1.1205>.

⁹ Tri Hidayati et al., "Digitalization of Islamic Finance: Epistemological Study of the National Sharia Board-Indonesian Council of Ulama's Fatwa," *Al-Ahkam* 33, no. 2 (October 2023): 255–78, <https://doi.org/10.21580/ahkam.2023.33.2.17324>.

¹⁰ Muhammad Nanang Choiruddin et al., "Financial Literacy, FinTech, and Contemporary Innovation in Islamic Economic Law: An Analysis of MSME Performance Sustainability in Indonesia and Malaysia," *MILRev: Metro Islamic Law Review* 4, no. 2 (August 2025): 976–1008, <https://doi.org/10.32332/milrev.v4i2.10164>.

¹¹ Aisyah, *Islamic Digital Finance: Technology to Enhance Financial Systems to Be More Inclusive and Equitable*.

¹² Edi Mulyono and Mahmoud Mohamed Ali Mahmoud Edris, "From Jurisprudence to Algorithms: The Role of

Artificial Intelligence in Contemporary Sharia Financial Decision-Making," *NUSANTARA: Journal Of Law Studies* 4, no. 2 (October 2025): 129–42, <https://doi.org/10.5281/zenodo.17341980>.

¹³ Muhammad Rizky Dwi Kurniawan and Fauzatul Laily Nisa, "Analisis Inovasi Dan Implementasi Peran Ekonomi Syariah Dalam Menghadapi Era Digital," *JURNAL EKONOMI BISNIS DAN MANAJEMEN* 2, no. 3 (June 2024): 127–33, <https://doi.org/10.59024/jise.v2i3.789>.

¹⁴ Muhammad Annas and Muhammad Anwar Anshori, "Problematics of Determining Interest in Peer-to-Peer Lending in Indonesia," *Jurnal Media Hukum* 28, no. 1 (July 2021): 102–17, <https://doi.org/10.18196/jmh.v28i1.10022>.

¹⁵ Muharir Muharir et al., "Islamic Legal Hermeneutics on Riba in Digital Banking: Contextualizing Imam al-Qurṭubī's Exegesis of Qur'an 2:275," *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 1 (April 2025): 128–49, <https://doi.org/10.29300/mzn.v12i1.7690>.

¹⁶ Nafis Alam, Lokesh Gupta, Abdolhossein Zameni,

those seeking financial solutions aligned with Islamic values.

The digital era in the financial industry has given rise to financial technology (Fintech), which is now unavoidable in Islamic finance. Digital Islamic finance, driven by technological innovation in the financial industry, needs clear parameters. There are at least 5 (five) parameters of digital Islamic finance, namely: Sharia financial and technological innovation is in principle permitted (*ibadah*), especially since Islam always encourages innovation in financial services to facilitate humanity in effective and efficient transaction activities.¹⁷

- a. The implementation of Fintech must pay attention to prohibitions, such as interest (*riba*), gambling (*maysir*), uncertainty (*garar*), danger (*dharar*), fraud (*tadlis*), etc.;
- b. Fintech implementation must pay attention to the rules in the contract, such as pillars (*rukun*) and conditions (*shurut*);
- c. The implementation of Fintech must pay attention to Islamic ethics in transactions, and
- d. The implementation of Fintech must aim to realise benefits (*maslahah*) and avoid losses (*mafsadah*) in society.

The parameters of Islamic digital finance must be based on the principles and values of Islamic teachings on muamalah transactions and their scope, sourced from the Quran and Hadith, as well as the consensus of scholars, such as the DSN MUI Fatwa.

Social change is necessary, along with the development and complexity of

the needs of human life. Islam is recognised as a universal religion (Al-Qur'an Surah Saba': 28, and al-Anbiyā': 107), flexible,

and dynamic, which is identified through its legal products, both Sharia and fiqh, in answering all the problems of human life. According to Ash Shiddieqy, Islamic law has the characteristics of *takaful* (whole), *wasatīyah* (balanced, harmonious), and *ḥarakah* (dynamic), which are always present and are grounded in the *maqāṣid al-sharī'ah* as its philosophy, by paying attention to the principles of Islamic law contained therein.¹⁸

Al-Qur'an Surah Saba: 28

We have not sent you (Prophet Muhammad), except to all humanity as a bringer of good news and a warner. However, most of humanity does not know.

Allah is the Almighty God. He is not worthy of being associated with anything. He sent the Prophet Muhammad as a mercy to all of nature. Moreover, we did not send you, O Prophet Muhammad, but to all humanity until the Day of Resurrection as a bearer of good news that obedient people will obtain happiness, and as a warning to the disobedient about misery if they are reluctant to repent. However, most humans do not know this, so they remain reluctant to believe the message of the Prophet Muhammad.

Al-Qur'an Surah Al-Anbiyā': 107

And We have not sent you (Muhammad) except as a mercy to all the worlds.

Allah sent the Prophet Muhammad SAW as a blessing for all of creation, both humans and animals, and the universe. The message he

Fintech and Islamic Finance Digitalization, Development and Disruption (Springer International Publishing, 2019).

¹⁷ Mohamad Akram Laldin and Hafas Furqani, *The Foundations of Islamic Finance and The Maqāṣid Al-*

Shari'ah Requirements, n.d.

¹⁸ Muhammad Hasbi Ash-Shiddieqy, *Falsafah Hukum Islam* (Jakarta: Bulan bintang, 1975).

brought, namely Islam, carries the values of peace, justice, and compassion that encompass all creatures. This shows the Prophet Muhammad as a messenger who brought goodness and prosperity to all of Allah's creation.

Regulation of Digital Islamic Finance

The digitalisation of Sharia-based transactions is being promoted by both Islamic financial institutions, including banks and non-banks, to facilitate customers' easy access to Sharia financial services. Digital financial policies are becoming a new model in the financial industry, combining Sharia-compliant financial services and the halal ecosystem by launching digital platforms as a competitive advantages that leverage digital technology for e-commerce transactions. The growth of the halal ecosystem creates products that are close and easily accessible to the public, providing new experiences and impressions in every transaction.¹⁹

The government's efforts to enhance Sharia banking are evident in the issuance of numerous policies, laws, and regulations, divided into Bank Indonesia Regulations (PBI), Financial Services Authority Regulations (OJK), *Fatwas* from the Indonesian Council of Ulama (DSN-MUI), and various rules issued by relevant authorities. Therefore, to ascertain that the existing regulations have made significant progress, it is crucial to identify them.²⁰

Several policies have been issued to support the growth of the halal ecosystem and

digital transactions. The government has enacted several regulations, including:

- a. Law No. 11 of 2008, then amended through Law No. 19 of 2016 and Law No. 1 of 2024 concerning Electronic Information and Transactions. Indonesia's Electronic Information and Transaction (EIT) Law establishes the legal framework for electronic transactions, digital signatures, electronic documents, and online business activities, while also regulating online content to balance legal certainty with public order and freedom of expression. The amendments address issues such as online child safety, mandatory electronic certifications, and the application of Indonesian law to international electronic contracts, aiming to create a more just and trustworthy digital environment.
- b. Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector (PPSK Law) supports economic and financial activities, including those based on Sharia principles. Furthermore, OJK Regulation No. 3 of 2024 concerning the Implementation of Technology Innovation in the Financial Sector (POJK ITSK) has been enacted to implement the mandate of the PPSK Law, ensuring regulatory certainty for the digital financial ecosystem, particularly ITSK, and supporting a variety of financial innovations.
- c. DSN-MUI Fatwa No. 116/DSN-MUI/IX/2017 concerning Sharia Electronic Money
This fatwa explains the various contracts

¹⁹ Bani Idris Hidayanto et al., The Progressiveness of Islamic Financial Regulations In Encouraging The Growth of The Halal Ecosystem In The Digital Era: Jurnal Pemikiran Dan Pengembangan Perbankan Syariah} 10, no. 1 (2024)

²⁰ Mariske Myeke Tampi, "Menakar Progresivitas Teknologi Finansial (Fintech) dalam Hukum Bisnis di Indonesia," *Era Hukum - Jurnal Ilmiah Ilmu Hukum* 16, no. 2 (July 2019), <https://doi.org/10.24912/erahukum.v16i2.4529>.

used in Islamic electronic money, the cost provisions, and the provisions prohibited under Islamic principles.

d. DSN-MUI Fatwa No 117/DSN-MUI/II/2018

This fatwa explains the parties, the contracts used, the financing service models that financial technology can provide, the contract mechanism, and dispute resolution. It also explains various provisions prohibited by Sharia principles. The National Sharia Council-Indonesian Ulema Council (DSN-MUI) plays a vital role in shaping Islamic finance in Indonesia through its *Fatwas*, which guide financial practices in accordance with Sharia principles. These *Fatwas* provide theological interpretations and practical guidelines for structuring Sharia-compliant products such as *murabahah*, *ijarah*, and *wakalah*, aligning Islamic finance with national legal standards and fostering sector development. While not statutory regulations, DSN-MUI *Fatwas* serve as a legal basis for Islamic banking operations and ensure compliance with Sharia principles.²¹

DSN-MUI has issued 141 *fatwas* to date, covering banking and non-banking matters, the capital market, and general contracts in Islamic financial law. To supervise its enforcement, DSN-MUI has a Sharia Supervisory Board (DPS) as an additional organisational structure, on duty to advise and take into account the practice of Islamic law in financial institutions.²²

e. OJK Regulation No. 40 of 2024 concerning Technology-Based Co-Funding Services

This new regulation is OJK Regulation No. 40 of 2024 regarding Information Technology-Based Co-Funding Services ("OJK Reg.

40/2024"), which supersedes OJK Regulation No. 10/POJK.05/2022 dated July 4, 2022 ("OJK Reg. 10/2022"). Among the key provisions of the new regulation are updates to foreign ownership regulations, changes in the rules for controlling shareholders and legal entity shareholders, and guidelines for the employment of foreign workers. The new regulation also addresses capital requirements, reporting obligations, and approval processes for ownership changes.

Additionally, it sets performance-level standards, expands the scope of business activities for Peer-to-Peer Organisers, raises the maximum financing thresholds, mandates the use of Indonesian legal entities for third-party cooperation, and imposes a credit-scoring obligation to improve risk management and transparency.

f. Bank Indonesia Regulation No. 19/12/PBI/2017 concerning the Implementation of Financial Technology through registration, regulatory sandbox, licensing and approval, as well as monitoring and supervision.

The term fintech, which stands for financial technology, is defined in Article 1, number 1, of Bank Indonesia Regulation Number 19/12/PBI/2017 concerning the Implementation of Financial Technology (PBI No. 19/12/PBI/2017). Fintech is defined as the use of technology in the financial industry (financial), which is to produce new business models (products and services) to provide convenience to the public (consumers) and can also have an impact on financial system stability in Indonesia. The fintech concept that

²¹ Mukhtar Adinugroho et al., *The Role of The Sharia Supervisory Board In Sharia Banking In Indonesia*, n.d.

²² Salokhiddin Avazkhodjaev et al., "Assessing the Role of Sharia-Compliant Investments in Promoting Clean Energy and Sustainable Economic Development: A

Study of Asia's Financial and Renewable Energy Sectors," *International Journal of Energy Economics and Policy* 14, no. 6 (November 2024): 513–22, <https://doi.org/10.32479/ijeep.17018>.

adapts to technological developments is expected to facilitate a more practical, secure, and modern financial transaction process, including digital-based financial services that are currently developing worldwide.²³

g. Bank Indonesia Regulation No. 20/06/PBI/2018 concerning Electronic Money (E-Money)

This PBI serves as the regulatory basis for e-money operations by Sharia banks, Sharia business units, or non-bank institutions that operate in accordance with Sharia principles. Non-bank operators must place their funds in Sharia banks.

Interpreting Islamic law sources must be updated, taking current needs, circumstances, and situations into account as a paradigm.²⁴ Islamic Sharia, which is always consistent with its principles, will be able to respond to the development and progress of the times, especially in this digital era. Soekanto argues that community change can occur without being attempted, desired, or planned by humans (unintended change/unplanned change) or through human efforts (planned change) as agents of change.²⁵

Internal and external factors influence social change. Internal factors include population changes, discoveries, and internal societal conflicts, while external factors include natural disasters and seasonal changes.

Khaeruman concludes that three factors drive social change: population, environment, and technology.²⁶ Social changes in politics, the economy, and culture can affect the form and evolution of law. The object of law is an act of human behaviour that will naturally continue to change as culture and knowledge surrounding it evolve. For this reason, the law will also change from time to time. Dynamic changes in the law indicate that the law is living (living law), and, in its context, it provides solutions and answers to all social problems for which the law is unclear. Ibn Qayyim al-Jauziyyah, in his book *I'lam al-Muwaqqi'in*, discusses the issue of changing this law by mentioning the limitations of *uṣūl*, which read: "Changes and differences in *fatwas* according to changes in times, places, circumstances, intentions, and customs.

Reformulation of Digital Islamic Finance

Islamic Fintech refers to financial technology that complies with Islamic financial regulations and principles.²⁷ Islamic Fintech, or shariah-compliant Fintech, is based on the principles of Islamic finance.²⁸ Shariah-compliant fintech models are designed to provide financial services that comply with Islamic law.²⁹ The principles of Islamic finance are also used to analyse the performance of Islamic banks and fintech companies.³⁰ In

²³ Irwan Sugiarto and Hari Sutra Disemadi, "Consumers Spiritual Rights In Indonesia: A Legal Study Of Sharia Fintech Implementation In The Consumers Protection Perspective," *Jurnal IUS Kajian Hukum Dan Keadilan* 8, no. 3 (December 2020): 437–52, <https://doi.org/10.29303/ius.v8i3.766>.

²⁴ Izomiddin, *Pemikiran Dan Filsafat Hukum Islam*, (2018), Jakarta, Prenadamedia Group, [294]. (Jakarta: Prenadamedia group, 2018).

²⁵ Soekanto Soerjono, *Sosiologi Suatu Pengantar* (Jakarta: Raja Grafindo Persada, 2006).

²⁶ Khaeruman Badri, *Hukum Islam Dalam Perubahan Sosial* (Bandung: Pustaka Setia, 2010).

²⁷ Suaidi Suaidi et al., "Harmonisation Between DSN-MUI

Fatwas and OJK Regulations: Towards an Innovative and Inclusive Sharia-Compliant Fintech Ecosystem in Indonesia," *Mazahib* 24, no. 1 (June 2025): 182–97, <https://doi.org/10.21093/mj.v24i1.10032>.

²⁸ Muhammad Sulhan et al., "Financial Behavior Dynamics of MSME Actors: A Contemporary Islamic Financial Management Study on Literacy, Attitude, Intention, Personality, and Legal Aspects," *MILRev: Metro Islamic Law Review* 4, no. 1 (April 2025): 129–55, <https://doi.org/10.32332/milrev.v4i1.10075>.

²⁹ Nisar Ahmed, Khadija Rasheed, and Muhammad Talha, *Islamic Banking Perspective on Shariah Compliant FinTech (Financial Technology) Model*, n.d.

³⁰ Nugroho Lucky, *Prinsip-Prinsip Dasar Keuangan Syariah*

Islamic Fintech, shariah guidelines must be followed to the letter, specifically the branch of Islamic law that governs economic transactions. This is then applied to the smart contract, Regulatory standards, and frameworks.³¹

Nevertheless, Islamic Fintech also has similarities with other kinds of Fintech (conventional Fintech). Their products include peer-to-peer lending, crowdfunding, money transfers, mobile payments, and trading platforms. The primary services of Islamic Fintech are to promote financial inclusion by providing affordable financial services to underserved and unbanked populations, which aligns with the ideal of bringing prosperity to individuals in Islamic finance. The aim is to lift people from poverty, enabling them to save and invest and, ultimately, become contributors to Zakat, Sadaqah, and other forms of Islamic social financing. Islamic Fintech can also tap into the Islamic social financing market to support the global Sustainable Development Goals (SDGs).³² The potential of Fintech in Islamic finance to promote financial inclusion has been studied, and the results reveal that it can do so by providing affordable financial services.³³

Financial Services Authority Regulation (POJK) Number 40 of 2024 concerning Information Technology-Based Joint Funding Services replaces the previous regulation. It aims to reform the regulation to align with MUI Fatwa Number 117/DSN-MUI/II/2018, thereby opening opportunities for conventional business units to establish sharia business units by fulfilling the applicable requirements, which were previously prohibited in POJK Number 10

of 2022.

Article 24 of the Financial Services Authority Regulation Number 10 of 2022

(1) The business activities of the Provider consist of:

- a. provision;
- b. management; and
- c. operation.

(2) In carrying out business activities as referred to in paragraph (1), the Organiser shall carry out business activities conventionally or based on Sharia Principles.

(3) Organisers who carry out business activities conventionally, as referred to in paragraph (2), are prohibited from carrying out business activities based on Sharia Principles.

Under Article 24, paragraph 3, conventional financial service providers are prohibited from conducting business in accordance with Sharia principles. Suppose conventional service providers are prohibited from using Sharia units. In that case, this will clarify the operational separation between Sharia and conventional businesses, the potential loss of customers who want Sharia products from these institutions, and the expansion of the market for pure Sharia banks that can focus on customers and products based on Sharia principles without interference from conventional businesses.

Article 1 of Financial Services Authority Regulation Number 40 of 2024

(4) A Sharia Business Unit, hereinafter abbreviated as UUS, is a work unit of the head office of a conventional provider that carries out some business activities based on Sharia Principles and/or functions as the parent office of offices conducting business based on Sharia

(Sumatera Utara: Az-Zahra, 2023).

³¹ Mohd Ma'Sum Billah, *Islamic FinTech: Insights and Solutions* (Spinger International Publishing, 2021).

³² Aishath Muneeza and Zakariya Mustapha, *Islamic*

FinTech and Financial Inclusion (Springer, 2021).

³³ World Bank Group, *Leveraging Islamic Finance To Improve Financial Inclusion*.

Principles.

Pursuant to Article 1, paragraph 4, of Financial Services Authority Regulation Number 40 of 2024, there is an amendment that eliminates Financial Services Authority Regulation Number 10 of 2022, thereby permitting conventional financial providers to operate Sharia business units.

Table 1 . Concept Reformulation Regulation

Number	Concept	Application in Regulation Reform
1	<i>Maqasid al-Shariah</i> (Preservation of faith, life, intellect, wealth, lineage, and environment)	Basis for evaluating digital finance instruments, ensuring financial inclusion, environmental responsibility, and social equity.
2	<i>Fiqh al-Mu'amalat</i> (Islamic commercial jurisprudence)	Provides transaction models for digital products (example: murabahah, mudarabah, musharakah, Ijarah, Rahn, wakalah, qard hasan.
3	Inclusive and Sustainable Development	Aligns Islamic finance with national development priorities: No Poverty, Decent Work, Industry, Innovation, Reduced Inequality.

Purpose of the Regulatory Changes:

a. Achieving the Goals of Regulatory Reformulation

This change aims to ensure that financial institution regulations are reformed to better align with Sharia principles and to provide greater space for the development of Sharia-compliant financial services.

Table 2. Policy Recommendations

No	Area	Current Gap	Reformulation
1	Legal Framework	Fragmented and conventional-based	Develop the Islamic Digital Finance Act that integrates maqasid and sustainability principles.
2	Shariah Governance	Manual, institution-specific	Introduce the Digital Shariah

No	Area	Current Gap	Reformulation
			Supervisory System with real-time compliance audits.
3	Inclusion	The Ministry of Micro, Small, and Medium Enterprises is underrepresented	Create an Islamic Fintech Inclusion Fund supported by zakat/waqf-based models
4	Sustainability	Limited ESG integration	Require Maqasid-ESG Reporting for Islamic digital institutions

The limited integration of Environmental, Social, and Governance (ESG) in digital Islamic finance stems primarily from a lack of standardised reporting frameworks, regulatory inconsistencies across regions, and limited stakeholder awareness. Maqasid-ESG reporting for Islamic digital institutions is an emerging area in Islamic finance that integrates traditional Maqasid al-Shariah principles with modern Environmental, Social, and Governance (ESG) frameworks. While there is no single universally mandatory standard yet, the integration is highly encouraged and driven by stakeholder demand and the inherent compatibility between the two concepts. The higher objectives of Islamic law aim to protect and promote human well-being and societal interests. These are traditionally categorised into five necessities: protection of faith (*din*), life (*nafs*), intellect (*'aql*), lineage (*nasl*), and property (*mal*).

b. Repealing and Replacing Previous Regulations

Financial Services Authority Regulation Number 40 of 2024 was enacted to replace and refine regulations on Information Technology-Based Joint Funding Services (LPBBTI), including the previous regulation that prohibited conventional business units from

establishing Sharia business units.

c. Accommodating the MUI Fatwa

By following the Fatwa of the National Sharia Council of the Indonesian Ulama Council (DSN-MUI) Number 117/DSN-MUI/II/2018, this new POJK provides flexibility for conventional business units to establish Sharia business units, as long as they meet all specified requirements.

Regulatory and legal reforms

a. Strengthen digital Sharia compliance.

Create clear legal frameworks for digital platforms that align with Islamic principles, minimising *gharar* (uncertainty) and *maysir* (speculation).

b. Develop ethical digital infrastructure:

Mandate that digital financial services be designed and implemented with fairness and transparency, avoiding injustices (*zalim*) and promoting the equitable distribution of digital economic benefits; strengthen digital literacy and Shariah literacy programs; and encourage data-sharing ecosystems among Islamic banks, fintech startups, and regulators.

c. Regulate digital Islamic finance:

Establish a robust regulatory environment for digital Islamic finance to improve efficiency, transparency, and accountability in fund distribution.

Financial inclusion and literacy

a. Boost financial literacy:

Implement formal and informal education programs to increase public understanding of Islamic finance and digital services, which are key obstacles to expansion.

b. Address the digital divide:

Develop policies that ensure equitable access to digital finance for all segments of society, bridging the gap between those with and without access to technology.

Strategic and technological development

a. Enhance digital infrastructure:

Encourage financial institutions to invest in technology to offer faster, more convenient, and innovative Sharia-compliant digital products and services to customers.

b. Foster collaboration:

Promote partnerships between government, regulators, and institutions to create a supportive ecosystem for Islamic Fintech, as outlined in the OJK's Islamic Finance Development Roadmap.

Table 3. Roadmap Reformulation Regulation

No	Short-term (2025-2026)	Medium-term (2027-2030)	Long-term (2030-2040)
1.	Regulatory sandbox for Islamic digital products	Launch a unified Shariah digital finance framework	ASEAN-level Shariah fintech harmonisation
2.	Stakeholder consultations (Financial Services Authority, DSN-MUI, fintechs, ulama councils)	Integration of waqf and zakat digital platforms	Maqasid integrated reporting system

Conclusion

Reforming Islamic digital finance regulation in Indonesia is crucial to ensure that the country's rapid digital transformation aligns with inclusivity, sustainability, and Shariah compliance. A contemporary regulatory framework should be grounded in the principles of *maqasid al-shariah* and closely linked to the Sustainable Development Goals. By embedding ethical finance, social justice, and environmental responsibility into the digital finance ecosystem, Islamic finance can catalyse equitable and inclusive growth. Strengthening Shariah governance, enhancing digital literacy, expanding financial inclusion through instruments such as *zakat*, *waqf*, and *qard hasan*, and implementing impact-based

reporting standards are essential to ensure that Islamic digital finance contributes to both social welfare and environmental sustainability.

In the long term, an integrated regulatory model grounded in Islamic economic values and supported by digital innovation could position Indonesia as a global leader in inclusive and sustainable Islamic finance. Such reform not only advances the national vision for economic justice and digital inclusion but also demonstrates how faith-based financial systems can meaningfully contribute to broader sustainable development goals. For future research, it is recommended to conduct empirical studies on the practical implementation of Islamic digital finance regulations, including evaluating public digital literacy, assessing the social impact of financial inclusion, and examining the effectiveness of Shariah governance in digital product innovation. Further studies on collaboration between regulators, financial institutions, and society could provide valuable insights for developing a more inclusive and sustainable Islamic digital finance ecosystem..

CRedit authorship contribution statement

Solikhah: Conceptualization, Research design, Writing – original draft, Supervision. Burhanudin Harahap: Theoretical framework, Doctrinal analysis, Writing – review & editing. Zeni Lutfiyah: Methodology, Formal analysis, Data interpretation, Writing – review & editing. Luthfiyah Trini Hastuti: Legal analysis, Case examination, Validation. Nur Sulistiyarningsih: Literature review, Data curation, Discussion refinement. Muhamad Abduh: Comparative perspective, Critical review, Proofreading, Final revision. All authors have read and approved the final manuscript.

Declaration of competing interest

The authors declare that they have no known competing financial, institutional, or personal interests that could have appeared to influence the work reported in this paper.

Acknowledgements

The authors would like to acknowledge the academic and institutional support provided by the Faculty of Law, Universitas Sebelas Maret. Appreciation is also extended to the School of Business Economics, University Brunei Darussalam, for its scholarly input and international academic perspective. The authors are grateful to all colleagues and contributors who provided valuable insights and constructive feedback during the preparation of this manuscript.

References

- Adinugroho, Mukhtar, Teguh Herlambang, Firman Yudianto, and Moh Saiful Hakiki. *The Role of The Sharia Supervisory Board In Sharia Banking In Indonesia*. n.d.
- Agustina, Refi, and Fita Nurotul Faizah. "Sharia Fintech: Opportunities and Challenges in Indonesia." *Journal of Islamic Economics (JoIE)* 3, no. 1 (June 2023): 61–75. <https://doi.org/10.21154/joie.v3i1.6289>.
- Ahmad Kholil, Muhammad Zuardi, Amrin, and Juryatina. "Optimising Islamic Financial Instruments in Indonesia to Support SDGs: Maqashid Syariah Perspective." *Profetika: Jurnal Studi Islam* 26, no. 01 (July 2025): 191–210. <https://doi.org/10.23917/profetika.v26i01.9217>.
- Ahmed, Nisar, Khadija Rasheed, and Muhammad Talha. *Islamic Banking Perspective on Shariah Compliant FinTech (Financial Technology) Model*. n.d.
- Aishath Muneeza and Zakariya Mustapha. *Islamic FinTech and Financial Inclusion*. Springer, 2021.

- Aisyah, Siti Nur. *Islamic Digital Finance: Technology to Enhance Financial Systems to Be More Inclusive and Equitable*. 2024.
- Annas, Muhammad, and Muhammad Anwar Anshori. "Problematics of Determining Interest in Peer-to-Peer Lending in Indonesia." *Jurnal Media Hukum* 28, no. 1 (July 2021): 102–17. <https://doi.org/10.18196/jmh.v28i1.10022>.
- Avazkhodjaev, Salokhiddin, Mavluda Askarova, Nargiza Achilova, Madina Jalolova, Sitora Amirdjanova, and Charoskhon Otajonova. "Assessing the Role of Sharia-Compliant Investments in Promoting Clean Energy and Sustainable Economic Development: A Study of Asia's Financial and Renewable Energy Sectors." *International Journal of Energy Economics and Policy* 14, no. 6 (November 2024): 513–22. <https://doi.org/10.32479/ijeep.17018>.
- Aziz, Fathul Aminudin. "Menakar Kesyariahan Fintech Syariah di Indonesia." *Al-Manahij: Jurnal Kajian Hukum Islam* 14, no. 1 (June 2020): 1–18. <https://doi.org/10.24090/mnh.v14i1.3567>.
- Badri, Khaeruman. *Hukum Islam Dalam Perubahan Sosial*. Bandung: Pustaka Setia, 2010.
- Choiruddin, Muhammad Nanang, Heri Pratikto, F. Danardana Murwani, and Nurika Restuningdiah. "Financial Literacy, FinTech, and Contemporary Innovation in Islamic Economic Law: An Analysis of MSME Performance Sustainability in Indonesia and Malaysia." *MILRev: Metro Islamic Law Review* 4, no. 2 (August 2025): 976–1008. <https://doi.org/10.32332/milrev.v4i2.10164>.
- Hidayati, Tri, Muhammad Syarif Hidayatullah, Parman Komarudin, and Atika Atika. "Digitalisation of Islamic Finance: Epistemological Study of the National Sharia Board-Indonesian Council of Ulama's Fatwa." *Al-Ahkam* 33, no. 2 (October 2023): 255–78. <https://doi.org/10.21580/ahkam.2023.33.2.17324>.
- Izomiddin. *Pemikiran Dan Filsafat Hukum Islam*, (2018), Jakarta, Prenadamedia Group, [294]. Jakarta: Prenada Media Group, 2018.
- Laldin, Mohamad Akram, and Hafas Furqani. *The Foundations of Islamic Finance and The Maqāṣid Shari'ah Requirements*. n.d.
- Lucky, Nugroho. *Prinsip-Prinsip Dasar Keuangan Syariah*. Sumatera Utara: Az-Zahra, 2023.
- Mohd Ma'Sum Billah,. *Islamic FinTech: Insights and Solutions*. Springer International Publishing, 2021.
- Muhammad Hasbi Ash-Shiddieqy. *Falsafah Hukum Islam*. Jakarta: Bulan bintang, 1975.
- Muhammad Rizky Dwi Kurniawan and Fauzatul Laily Nisa. "Analisis Inovasi Dan Implementasi Peran Ekonomi Syariah Dalam Menghadapi Era Digital." *JURNAL EKONOMI BISNIS DAN MANAJEMEN* 2, no. 3 (June 2024): 127–33. <https://doi.org/10.59024/jise.v2i3.789>.
- Muharir, Muharir, Irfan Kuncoro, Agus Yosep Abduloh, Ulummudin Ulummudin, and Hisam Ahyani. "Islamic Legal Hermeneutics on Riba in Digital Banking: Contextualizing Imam al-Qurṭubī's Exegesis of Qur'an 2:275." *Jurnal Ilmiah Mizani: Wacana Hukum, Ekonomi Dan Keagamaan* 12, no. 1 (April 2025): 128–49. <https://doi.org/10.29300/mzn.v12i1.7690>.
- Mulyono, Edi, and Mahmoud Mohamed Ali Mahmoud Edris. "From Jurisprudence to Algorithms: The Role of Artificial Intelligence in Contemporary Sharia Financial Decision-Making." *NUSANTARA: Journal Of Law Studies* 4, no. 2 (October 2025): 129–42. <https://doi.org/10.5281/zenodo.17341980>.
- Nafis Alam, Lokesh Gupta, Abdolhossein Zameni. *Fintech and Islamic Finance Digitalization, Development and Disruption*. Springer International Publishing, 2019.
- Nurfalah, Irfan, and Aam Slamet Rusydiana. "DIGITALISASI KEUANGAN SYARIAH MENUJU KEUANGAN INKLUSIF: KERANGKA MAQASHID SYARIAH." *Eksansi: Jurnal Ekonomi, Keuangan, Perbankan dan Akuntansi* 11, no. 1 (May 2019): 55. <https://doi.org/10.35313/ekspansi.v11i1.1205>.

- Samud, Samud, Teuku Fajar Shadiq, and Hani Hasanah. "Inclusion and Literacy, Strategies for the Future of Islamic Finance." *MSJ : Majority Science Journal* 3, no. 1 (February 2025): 144–53. <https://doi.org/10.61942/msj.v3i1.274>.
- Santosa, Aman. "Https://Ojk.Go.Id/En/Berita-Dan-Kegiatan/Siaran-Pers/Pages/OJK-And-Statistics-Indonesia-Present-National-Survey-On-Financial-Literacy-And-Inclusion-2024-Findings.AspX." <https://Ojk.Go.Id/En/Berita-Dan-Kegiatan/Siaran-Pers/Pages/OJK-And-Statistics-Indonesia-Present-National-Survey-On-Financial-Literacy-And-Inclusion-2024-Findings.AspX>, n.d.
- Soerjono, Soekanto. *Sosiologi Suatu Pengantar*. Jakarta: Raja Grafindo Persada, 2006.
- Suaidi, Suaidi, Zainul Mun'im, Sriyati Dwi Astuti, Ivan Riyadi, Siti Khabibah, and Nurul Huda. "Harmonisation Between DSN-MUI Fatwas and OJK Regulations: Towards an Innovative and Inclusive Sharia-Compliant Fintech Ecosystem in Indonesia." *Mazahib* 24, no. 1 (June 2025): 182–97. <https://doi.org/10.21093/mj.v24i1.10032>.
- Sugiarto, Irwan, and Hari Sutra Disemadi. "Consumers' Spiritual Rights In Indonesia: A Legal Study Of Sharia Fintech Implementation In The Consumers Protection Perspective." *Jurnal IUS Kajian Hukum Dan Keadilan* 8, no. 3 (December 2020): 437–52. <https://doi.org/10.29303/ius.v8i3.766>.
- Sulhan, Muhammad, Heri Pratikto, Imam Mukhlis, Puji Handayati, and Muhammad Irfanul Hakim Zain. "Financial Behavior Dynamics of MSME Actors: A Contemporary Islamic Financial Management Study on Literacy, Attitude, Intention, Personality, and Legal Aspects." *MILRev: Metro Islamic Law Review* 4, no. 1 (April 2025): 129–55. <https://doi.org/10.32332/milrev.v4i1.10075>.
- Tampi, Mariske Myeke. "MENAKAR PROGRESIVITAS TEKNOLOGI FINANSIAL (FINTECH) DALAM HUKUM BISNIS DI INDONESIA." *Era Hukum - Jurnal Ilmiah Ilmu Hukum* 16, no. 2 (July 2019). <https://doi.org/10.24912/erahukum.v16i2.45>
- 29.
- Wirdayanti, Yosita Nur, and Sulaeman Rahman Nidar. "Islamic Financial Institutions' Perceptions on Financing for Public-Private Partnership Projects in Indonesia." *Jurnal Ekonomi Dan Perbankan Syariah* 12, no. 2 (July 2024): 91–116. <https://doi.org/10.61111/jeps.v12i2.679>.
- World Bank Group. *Leveraging Islamic Finance To Improve Financial Inclusion*. Oktober. 2020.