

Optimizing Sharia Fintech for Financial Inclusion in Indonesia in the Digital Era: An Islamic Economic Perspective

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Abstract

This systematic literature review (SLR) investigates the optimization of sharia-compliant fintech to enhance financial inclusion in Indonesia, guided by Islamic economic principles. Analyzing 36 peer-reviewed articles from 2018 to 2024, the study employs a qualitative approach to explore trends, challenges, and opportunities. Findings reveal that sharia fintech, through innovations like peer-to-peer lending, crowdfunding, and e-wakaf, significantly improves access to financial services for unbanked populations and MSMEs. Key enablers include technological advancements, sharia compliance, and government support, while challenges involve regulatory ambiguity, low financial literacy, and public trust issues. The review underscores the importance of consumer preferences, literacy programs, and integration with sharia microfinance institutions in scaling adoption. Recommendations include robust regulatory frameworks, enhanced digital literacy initiatives, and collaborative ecosystems to ensure sustainable growth. This SLR contributes to the literature by synthesizing insights, identifying research gaps, and offering evidence-based strategies for policymakers and stakeholders to foster inclusive economic development in Indonesia's digital era.

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INTRODUCTION

The rapid advancement of financial technology (fintech) has transformed the global financial landscape, particularly in Muslim-majority countries like Indonesia, where Sharia-compliant financial services are in high demand. With over 270 million people and a predominantly Muslim population, Indonesia presents a fertile ground for Sharia fintech to bridge financial inclusion gaps (Adipurno, 2025). Traditional banking has struggled to reach unbanked and underbanked populations, especially in rural areas, due to geographic and economic barriers. Sharia fintech, grounded in Islamic economic principles such as fairness, risk-sharing, and the prohibition of usury, offers innovative solutions like peer-to-peer lending (P2PL), crowdfunding, and e-wakaf. These tools align with the cultural and religious values of Indonesian Muslims, making them critical for economic empowerment. The digital era, characterized by widespread internet access and mobile technology, amplifies the potential of Sharia fintech to serve marginalized communities, including micro, small, and medium enterprises (MSMEs), which form the backbone of Indonesia's economy (Kismawadi & Irfan, 2025). This study addresses the need to optimize Sharia fintech to maximize its impact on financial inclusion, contributing to sustainable economic growth and social equity.

This systematic literature review (SLR) seeks to answer: How can Sharia fintech be optimized to enhance financial inclusion in Indonesia from an Islamic economic perspective? Sub-questions include the roles of financial literacy, technological innovation, regulatory frameworks, consumer behaviour, and integration with Sharia microfinance institutions. These questions are critical because financial inclusion remains a challenge in Indonesia, with millions lacking access to formal financial services. Sharia fintech, with its ethical and inclusive approach, can address this gap, but its optimization requires understanding the interplay of technology, policy, and cultural factors. Answering these questions is vital for policymakers, financial institutions, and fintech providers to design strategies that align with Indonesia's 2020-2025 Islamic Banking Roadmap and the Sustainable Development Goals (SDGs). By identifying best practices and gaps in existing research, this SLR aims to guide stakeholders in creating a robust Sharia fintech ecosystem that fosters economic justice and empowerment, particularly for underserved communities.

Existing literature underscores the transformative potential of Sharia fintech in Indonesia. Yulia et al. highlight how Sharia microloans and P2PL platforms empower women and youth, reducing economic inequality (Devi Yulia, Cory Vidiati, 2024). However, their study highlights regulatory ambiguities and low digital literacy as barriers to scalability, without exploring how these challenges differ across urban and rural contexts. Similarly, Hehanussa and Syarifuddin the results showed that FinTech

plays an active role in the development of the national sharia economy in the digital era in Indonesia, as well as the strengthening of startup companies that can strengthen the halal industry chain, so as to create a sharia economy based on technology infrastructure, emphasize Sharia fintech's role in strengthening the halal industry (Hehanussa & Syarifuddin, 2021). However, their literature review lacks empirical data on user adoption. This gap limits understanding of practical implementation challenges in Indonesia's diverse socio-economic landscape. Wahyudi et al. explore Islamic crowdfunding and e-wakaf, finding they enhance transparency and access for MSMEs, yet their quantitative approach overlooks qualitative consumer perspectives (Wahyudi et al., 2025).

However, there is a lack of comprehensive analysis that considers social, economic, and technological dimensions in the context of Islamic crowdfunding and e-wakaf. Menne et al. demonstrate that Sharia fintech, combined with human resource capacity and business diversification, improves SME sustainability, but their focus on Makassar limits generalizability (Menne et al., 2022). However, their regional focus limits generalizability to Indonesia's broader context. These studies reveal a critical controversy: while Sharia fintech is celebrated for inclusivity, debates persist over whether technological innovation can align with Sharia principles without compromising scalability or user trust, especially in diverse regulatory environments.

This controversy manifests as a discourse deadlock – global models emphasize technological sophistication, yet local studies highlight persistent barriers like regulatory fragmentation and low financial literacy, creating uncertainty about optimal implementation strategies. For instance, Malaysia's centralized Sharia governance contrasts with Indonesia's decentralized approach, raising questions about regulatory harmonization (Muryanto, 2023). Furthermore, the lack of cross-cultural studies comparing consumer behaviour in Muslim-majority countries hinders the development of universal Sharia fintech frameworks. This SLR addresses these gaps by synthesizing local and global findings to resolve debates on balancing innovation, compliance, and inclusion, offering a comprehensive framework for optimizing Sharia fintech in Indonesia's Islamic economic context. These studies collectively highlight the need for a comprehensive review to synthesize findings, address gaps such as regulatory harmonization and consumer behaviour, and provide a holistic view of Sharia fintech's optimization. This SLR fills this gap by analyzing diverse studies to offer actionable insights.

The primary objective of this SLR is to synthesize evidence on optimizing Sharia fintech to enhance financial inclusion in Indonesia, focusing on Islamic economic principles. It aims to identify key strategies, challenges, and research gaps across six sub-themes: financial access, Sharia

financial literacy, technological innovation, regulatory frameworks, consumer preferences, and microfinance integration. The article is structured as follows: the Introduction provides context and research questions; the Methods section details the SLR process; the Results and Discussion section presents findings across sub-themes, compares studies, and discusses implications; the Conclusion summarizes key insights and offers recommendations; and the References list all reviewed studies. This structure ensures a clear, systematic exploration of Sharia fintech's role in Indonesia's digital economy, providing a roadmap for researchers and practitioners to advance financial inclusion.

METHODS

The SLR included peer-reviewed articles published between 2018 and 2024, focusing on sharia fintech's role in financial inclusion in Indonesia within an Islamic economic framework. Studies were selected based on relevance to Islamic finance principles, fintech applications, and inclusivity outcomes, such as access for MSMEs or unbanked populations. Inclusion criteria required articles to be in English or Indonesian, published in reputable journals or conference proceedings, and utilize qualitative, quantitative, or mixed methods. Excluded were studies not explicitly addressing sharia fintech, outside the 2018–2024 timeframe, or not specific to Indonesia. Non-peer-reviewed sources, such as industry reports or blogs, were also excluded to ensure academic rigor. These criteria ensured a robust dataset of 24 articles, enabling a comprehensive analysis of trends, challenges, and optimization strategies for sharia fintech, aligning with Islamic economic principles and Indonesia's financial inclusion goals.

The literature search was conducted using databases such as Scopus, Google Scholar, and Web of Science, with keywords including "sharia fintech," "Islamic financial technology," "financial inclusion," and "Indonesia." Boolean operators (e.g., "sharia fintech AND financial inclusion") refined the search, initially yielding approximately 180 articles. After applying inclusion and exclusion criteria, 24 articles were selected. A narrative synthesis approach integrated findings, highlighting convergences and divergences across studies. This systematic process ensured transparency and depth, addressing the research questions comprehensively. The analysis provides a foundation for evidence-based recommendations to optimize sharia fintech, fostering inclusive financial systems in Indonesia's digital era while adhering to Islamic economic principles.

Table 1. PRISMA Flow Table

Stage	Description	Number of Articles (n)	Note
Identification	Records identified through database searching (Scopus, Google Scholar, etc.)	180	Search strings: “sharia fintech AND financial inclusion,” “Islamic fintech OR e-wakaf AND Indonesia,” etc.
Screening (Step 1)	Records after duplicates removed	148	32 duplicates removed
Screening (Step 2)	Records screened (title and abstract)	148	Screened against inclusion criteria (sharia fintech, Indonesia, 2018–2024)
Screening (Excluded)	Records excluded after title/abstract screening	92	Excluded due to irrelevance to sharia fintech or inclusion criteria
Eligibility	Full-text articles assessed for eligibility	56	Full-text review for relevance and methodological rigor
Excluded (Full-text)	Full-text articles excluded	32	Reasons: not specific to Indonesia, non-peer-reviewed, outside 2018–2024, etc.
Included	Studies included in qualitative synthesis	24	Analyzed using thematic coding (6 sub-themes: financial access, etc.)

Search strings combined keywords such as “sharia fintech,” “Islamic financial technology,” “financial inclusion,” “Indonesia,” “Islamic economics,” “P2PL,” “crowdfunding,” and “MSMEs,” using Boolean operators (e.g., “sharia fintech AND financial inclusion,” “Islamic fintech OR e-wakaf AND Indonesia”). This yielded 180 articles. The PRISMA process involved: (1) removing duplicates (n=32); (2) screening titles and abstracts against inclusion criteria (n=148); (3) full-text review for eligibility (n=56); and (4) final selection of 24 articles after quality assessment using the Critical Appraisal Skills Programme (CASP) checklist. Data were extracted into a spreadsheet capturing study objectives, methods, findings, and limitations. A thematic coding approach, identifying six sub-themes: financial access, Sharia financial literacy, technological innovation, regulatory frameworks, consumer behaviour, and microfinance integration. This method ensured systematic analysis of convergences and divergences,

providing evidence-based insights into optimizing Sharia fintech while addressing research questions comprehensively.

RESULT AND DISCUSSION

Role of Sharia Fintech in Enhancing Financial Access

Sharia fintech significantly enhances financial access for Indonesia's unbanked and underbanked populations, aligning with Islamic economic principles of equity and social welfare. Platforms like peer-to-peer lending and crowdfunding provide accessible financing for MSMEs, which contribute over 60% to Indonesia's GDP (Syarifuddin et al., 2021). For example, applications like Laku Habis streamline loan processes, reducing collateral barriers for small businesses (Alika et al., 2021). Dewi and Adinugraha, highlight that mobile-based sharia services reach remote communities, fostering inclusivity for halal MSMEs. These platforms leverage technology to assess creditworthiness ethically, ensuring usury-free transactions (Dewi & Adinugraha, 2023). However, scalability is hindered by infrastructure gaps in rural areas and low awareness of sharia-compliant options. Collaborative initiatives, such as LinkAja Syariah, demonstrate how partnerships with Islamic banks expand market reach (Aminah et al., 2020). To optimize access, stakeholders must invest in digital infrastructure and public awareness campaigns. These efforts can ensure sharia fintech bridges financial gaps effectively, supporting marginalized groups and aligning with Indonesia's inclusive economic goals. Longitudinal studies are needed to assess sustained impacts, particularly in underserved regions, to refine strategies for broader adoption.

Despite these achievements, challenges persist in scaling financial access. Limited digital infrastructure in remote areas hampers platform accessibility, as noted by Syahputra et al. (2023). Additionally, inconsistent internet connectivity and high smartphone costs exclude some populations from digital financial services (Syahputra et al., 2023). Studies like Alfarizi et al, point out that while platforms like LinkAja Syariah have grown, many users remain unaware of Sharia-specific features due to inadequate marketing. Furthermore, the lack of standardized Sharia compliance across platforms raises concerns about trust and adoption (Alfarizi et al., 2021). Addressing these barriers requires investment in digital infrastructure, targeted outreach to rural communities, and robust Sharia governance frameworks. By overcoming these obstacles, Sharia fintech can further democratize financial access, supporting economic empowerment and reducing inequality in line with Islamic economic principles.

The optimism surrounding Sharia fintech's inclusivity is tempered by significant challenges and biases in the literature. Syahputra et al, underscore limited digital infrastructure and high smartphone costs as barriers in rural areas, yet their analysis overlooks the socio-cultural factors,

such as distrust in digital systems, that may exacerbate exclusion. Similarly, Alfarizi et al, critique inadequate marketing of Sharia-specific features in platforms like LinkAja Syariah but fail to address potential biases in targeting tech-savvy urban Muslims, potentially skewing inclusivity claims. The lack of standardized Sharia compliance across platforms, as noted by Muryanto, introduces a dialectical tension: can Sharia fintech maintain its ethical appeal without uniform governance? This gap in the literature, particularly the absence of studies exploring rural adoption barriers beyond infrastructure, suggests a bias toward urban success stories. Critical analysis calls for longitudinal studies to assess whether Sharia fintech genuinely democratizes access or perpetuates inequities, ensuring alignment with Islamic economic goals of universal welfare.

Sharia Financial Literacy as a Determinant of Success

Sharia financial literacy is a critical driver of fintech adoption in Indonesia, shaping its success in promoting financial inclusion. Yulia et al, note that limited understanding of sharia principles and digital platforms restricts inclusivity, especially in rural areas (Devi Yulia, Cory Vidiati, 2024). Saputra et al, advocate for educational campaigns, such as the SHAFICA application, which enhances literacy through user-friendly interfaces and incentives (Saputra et al., 2022). Studies indicate that Generation Z, with higher digital fluency, drives adoption, while older demographics lag due to literacy gaps (Fadillah, 2021). Cybersecurity concerns and mistrust in digital platforms further undermine engagement (Sawitri Yuli Hartati, Emelia Kontesa, 2023). Tailored literacy programs combining sharia education with fintech training are essential to empower users. Partnerships with Islamic institutions can enhance credibility, fostering trust. For instance, campaigns leveraging digital media and community outreach have proven effective in urban areas (Tanjung & Syahriza, 2024). Optimizing literacy requires scalable, region-specific initiatives to address diverse demographic needs, ensuring sustainable adoption. Future research should explore effective literacy models and their long-term impact on fintech engagement across Indonesia's varied socio-economic contexts.

However, low literacy levels continue to pose significant barriers. Anggara and Nuraeni, highlight that limited understanding of Sharia principles among rural populations and older demographics restricts platform usage. Many MSMEs lack the skills to navigate digital interfaces (Anggara & Nuraeni, 2025), as noted by Agustina, leading to reliance on informal financing. Moreover, the complexity of Sharia-compliant products can deter potential users, particularly those accustomed to conventional fintech.(Agustina, 2023). To address this, studies recommend integrating educational features into fintech platforms, such as tutorials on Sharia

principles (Fitriyani, 2025). Collaboration with Islamic boarding schools and community organizations could also enhance outreach. Overcoming these literacy gaps is essential to maximize Sharia fintech's impact, ensuring that financial inclusion efforts are inclusive and sustainable across diverse demographic groups in Indonesia.

The literature's urban bias and lack of critical engagement with literacy's limitations are glaring. Anggara and Nuraeni, and Agustina note rural MSMEs' reliance on informal financing due to literacy gaps, yet neither explores how cultural perceptions of Sharia compliance shape these choices. Fitriyani recommends integrating educational features into platforms, but this assumes universal digital access, ignoring infrastructure disparities. The complexity of Sharia-compliant products, as Agustina suggests, deters users accustomed to conventional fintech, yet the literature rarely critiques whether overly complex Sharia frameworks alienate potential users. This gap fuels a discourse deadlock: can literacy programs scale inclusivity without addressing structural and cultural barriers? Critical analysis demands studies that probe these biases, exploring how literacy intersects with trust, culture, and access. Without such scrutiny, Sharia fintech risks reinforcing exclusion under the guise of Islamic ethics, necessitating region-specific literacy models to ensure equitable adoption.

Technological Innovation and Sharia Compliance

Technological innovation is central to sharia fintech's growth, but maintaining sharia compliance presents challenges. Innovations like blockchain and artificial intelligence enhance transaction efficiency and transparency, as seen in e-wakaf and crowdfunding platforms (WAHYUDI et al., 2025). These tools align with Islamic principles by ensuring ethical, risk-sharing transactions. However, Muryanto, warns that weak sharia governance risks non-compliance, eroding public trust. Comparative studies with Malaysia and the UK suggest standardized sharia supervisory boards to balance innovation and compliance (Muryanto, 2023). Regulatory ambiguity further complicates the adoption of advanced technologies (Lutfiah, 2024). Fintech firms must adopt robust sharia governance frameworks and invest in compliance-focused technologies to optimize impact. Collaboration with Islamic scholars and regulators can ensure innovations adhere to sharia principles, enhancing credibility. For example, platforms like PT. Dana Syariah Indonesia leverage technology while prioritizing ethical transactions (Tanjung & Syahriza, 2024). Addressing these challenges can position Indonesia as a leader in ethical fintech, but research is needed to develop scalable compliance models that support rapid technological advancements.

However, balancing innovation with Sharia compliance presents challenges. Lutfiah, notes that rapid technological adoption sometimes

outpaces regulatory frameworks, leading to inconsistencies in Sharia governance (Lutfiah, 2024). For instance, some platforms struggle to standardize Sharia-compliant contracts, raising concerns about ethical integrity (Muryanto, 2023). Additionally, cybersecurity risks and data privacy issues, highlighted by Hartati et al, threaten user trust. (Sawitri Yuli Hartati, Emelia Kontesa, 2023). Addressing these requires robust Sharia Supervisory Boards and standardized governance protocols, as recommended by Muryanto. Investment in secure, scalable technologies and continuous auditing for Sharia compliance is also critical. By harmonizing innovation with ethical standards, Sharia fintech can maintain its appeal and efficacy, ensuring sustainable financial inclusion within Indonesia's Islamic economic framework.

The literature's bias toward celebrating innovation without critiquing its ethical implications is problematic. Hartati et al. highlight cybersecurity and data privacy risks, but few studies explore how these undermine Sharia fintech's ethical appeal. Lutfiah notes inconsistent Sharia contracts, yet the literature rarely questions whether technological complexity alienates less tech-savvy users, particularly in rural areas. This urban-tech bias limits the discourse, ignoring how innovation may widen digital divides. The absence of studies on scalable Sharia-compliant technologies, like blockchain tailored for low-resource settings, reveals a gap in addressing inclusive innovation. Critical analysis demands a re-evaluation of whether Sharia fintech's technological push aligns with Islamic equity goals or risks creating new exclusions. Future research must explore governance models that balance innovation with compliance, ensuring Sharia fintech remains a tool for universal financial access rather than an elite-driven enterprise.

Role of Government and Regulatory Policies

Government and regulatory policies are pivotal in optimizing sharia fintech's contribution to financial inclusion. The Financial Services Authority (OJK) has introduced frameworks to support fintech growth, but regulatory clarity remains a barrier (Lutfiah, 2024). Muryanto, emphasizes the need for standardized sharia compliance regulations to enhance supervision and trust. Malaysia's cohesive regulatory model offers lessons for Indonesia, where regional inconsistencies stifle innovation (Muryanto, 2023). Policies promoting digital infrastructure and literacy, as suggested by Saputra et al, can amplify fintech's reach (Saputra et al., 2022). Incentives for bank-fintech collaborations, such as LinkAja Syariah, drive inclusivity by leveraging established networks (Aminah et al., 2020). To optimize impact, the government must harmonize regulations, establish dedicated sharia supervisory boards, and invest in public education. These measures can create a supportive ecosystem, ensuring sharia fintech aligns with

national economic goals and Islamic principles. Future research should evaluate the effectiveness of regulatory reforms and their impact on fintech scalability across diverse Indonesian regions.

Despite progress, regulatory challenges persist. Lutfiah and Syahputra et al. note that unclear regulations and complex licensing processes hinder Sharia fintech scalability. Inconsistent Sharia compliance standards across platforms create confusion, as highlighted by Muryanto. Moreover, regulatory frameworks often lag behind technological advancements, limiting innovation (Puput Indriyani, 2025). To address this, studies recommend harmonizing regulations across regions and strengthening coordination between OJK, DSN-MUI, and fintech providers. Public education campaigns to clarify Sharia fintech's benefits and compliance could also boost adoption. By creating a supportive and transparent regulatory environment, the government can unlock Sharia fintech's full potential, ensuring it serves as a catalyst for inclusive economic growth in Indonesia

The literature's optimism about regulatory progress masks critical biases and gaps. Indriyani and Utama note that regulatory frameworks lag behind technological advancements, yet few studies critique how this lag disproportionately affects rural fintech providers. Muryanto's focus on compliance overlooks how complex licensing burdens small fintechs, potentially stifling innovation. The literature's urban-centric lens – evident in studies like Aminah et al, neglects rural regulatory barriers, such as inconsistent local enforcement. This bias fuels a discourse deadlock: can regulations balance innovation with inclusivity, or do they inadvertently favor established players? Critical analysis calls for studies that probe these inequities, exploring how policies can address regional disparities and simplify compliance for smaller fintechs. Without such scrutiny, Sharia fintech risks becoming an urban luxury rather than a tool for Islamic economic equity, necessitating research into equitable regulatory models.

Consumer Preferences and User Behaviour

Consumer preferences and user behaviour significantly shape sharia fintech adoption in Indonesia. Fitriyani, highlights that millennials, with their digital fluency, prefer user-friendly, sharia-compliant platforms like peer-to-peer lending, driving inclusivity (Fitriyani, 2025). In contrast, older demographics exhibit reluctance due to unfamiliarity with technology and data privacy concerns (Sawitri Yuli Hartati, Emelia Kontesa, 2023). Ethical appeal and transparency, rooted in Islamic principles, enhance trust among Muslim consumers (Devi Yulia, Cory Vidiati, 2024). Marketing strategies, such as those by PT. Dana Syariah Indonesia, leverages digital media and offline events to align with consumer values (Tanjung & Syahriza, 2024). To optimize adoption, fintech providers must design

intuitive interfaces and integrate educational features on Sharia principles. Robust cybersecurity measures are also critical to address privacy concerns. Understanding diverse consumer needs- urban vs. rural, young vs. old- can ensure broader engagement. Research into consumer segmentation and behaviour across demographics can further refine platform design, enhancing Sharia fintech's scalability and impact on financial inclusion.

However, variations in consumer behaviour pose challenges. Rural and older demographics often exhibit lower adoption rates due to limited digital literacy and skepticism about online platforms (Anggara & Nuraeni, 2025). Nurbaiti et al, highlight differences between Sharia and conventional fintech users, with Sharia users prioritizing ethical compliance over speed (Nurbaiti et al., 2023). Additionally, inadequate marketing of Sharia-specific features, such as those in LinkAja Syariah, limits awareness (Alfarizi et al., 2021). Addressing these requires tailored marketing strategies, such as leveraging Islamic community networks and simplifying platform interfaces. Understanding diverse consumer needs and enhancing user experience are critical to broadening Sharia fintech's reach, ensuring it meets the expectations of both tech-savvy and underserved populations.

The literature's focus on urban success stories reveals significant gaps. Anggara and Nuraeni highlight rural users' low adoption due to literacy and skepticism, yet their analysis lacks depth on cultural or religious factors shaping these behaviors. Nurbaiti et al, note Sharia users' preference for ethical compliance over speed, but the literature rarely critiques whether this slows adoption compared to conventional fintech, a key competitive disadvantage. Alfarizi et al, point to poor marketing of Sharia features in LinkAja Syariah, yet few studies explore how marketing biases toward urban Muslims exclude rural communities. This urban-centric bias fuels a discourse deadlock: can Sharia fintech balance ethical appeal with broad accessibility? Critical analysis demands studies that segment consumer behavior by region and age, probing how cultural and trust factors shape adoption. Without addressing these gaps, Sharia fintech risks alienating the very communities it aims to empower.

Integration with Sharia Microfinance Institutions

Integrating sharia fintech with microfinance institutions (MFIs) amplifies financial inclusion, particularly for MSMEs. Aminah et al, note that partnerships with sharia banks and cooperatives, like LinkAja Syariah, expand service delivery and leverage established trust (Aminah et al., 2020). Dwijayanti et al, highlight that fintech-MFI collaborations facilitate easier financing applications and digital services, reaching unbanked populations. For instance, sharia peer-to-peer lending platforms collaborate with MFIs to provide accessible funding (Dwijayanti et al., 2022). However, challenges include aligning technological capabilities and ensuring sharia compliance

across platforms (Lutfiah, 2024). Developing interoperable systems and clear regulatory guidelines for collaborations is essential for optimization. Training MFIs to adopt fintech solutions can enhance efficiency, while public campaigns can raise awareness of integrated services. This integration strengthens the sharia financial ecosystem, fostering inclusive growth aligned with Islamic principles. Future studies should explore scalable integration models and their impact on MSME financing and rural financial inclusion.

Challenges in integration include operational mismatches and regulatory complexities. Indriyani and Utama point out that differences in technological readiness between fintech startups and traditional microfinance institutions hinder collaboration. Additionally, varying Sharia compliance standards across institutions create operational inefficiencies (Dwijayanti et al., 2022). Studies recommend developing standardized integration protocols and investing in capacity-building for microfinance staff to adopt digital tools. Collaborative platforms, such as SHAFICA, could also facilitate partnerships by promoting Sharia fintech services (Saputra et al., 2022). By fostering seamless integration, Sharia fintech and microfinance institutions can create a robust ecosystem that maximizes financial inclusion, supporting Indonesia's economic recovery and sustainable development goals.

The literature's focus on successful integrations masks critical gaps and biases. Indriyani and Utama, note technological readiness disparities, yet few studies critique how these favor urban MFIs, potentially excluding rural ones. Dwijayanti et al highlight varying Sharia compliance standards as inefficiencies, but the literature rarely explores how this disadvantages smaller MFIs with limited resources. The urban bias evident in studies like Aminah et al ignores rural MFI struggles, such as limited digital infrastructure. This fuels a discourse deadlock: can integrations scale inclusivity without marginalizing smaller players? Critical analysis demands studies that explore equitable integration models, particularly for rural MFIs, and assess their socio-economic impacts. Without addressing these gaps, Sharia fintech-MFI partnerships risk reinforcing urban-rural divides, undermining Islamic economic principles of fairness and inclusion.

CONCLUSION

This SLR demonstrates that sharia fintech is a powerful tool for enhancing financial inclusion in Indonesia, particularly for MSMEs and unbanked populations. Innovations like peer-to-peer lending, crowdfunding, and e-wakaf align with Islamic economic principles, fostering equitable access and economic empowerment. Key enablers include technological advancements, consumer preferences, and microfinance integration, while challenges involve regulatory ambiguity,

low literacy, and trust issues. Government policies and collaborative ecosystems are critical for optimization. By synthesizing diverse findings, this study highlights sharia fintech's transformative potential and identifies strategies for sustainable growth. It contributes to the literature by providing a comprehensive framework for stakeholders to design inclusive, sharia-compliant financial systems, supporting Indonesia's aspirations as a global Islamic economic hub and advancing equitable economic development in the digital era.

Future research should address identified gaps, including the need for longitudinal studies to evaluate Sharia fintech's long-term impact and empirical research on rural consumer behaviour. Exploring cybersecurity and data privacy in Sharia fintech platforms is critical to building user trust. Comparative analyses with other Muslim-majority countries, like Malaysia, could inform regulatory harmonization. Additionally, pilot programs testing integration models between fintech and microfinance institutions could yield scalable solutions. Mixed-methods approaches combining quantitative metrics with qualitative user insights will enhance understanding of Sharia fintech's diverse impacts. These research directions will guide stakeholders in creating a robust, inclusive Sharia fintech ecosystem, advancing Indonesia's economic development within an Islamic economic framework.

Recommendations for Future Research

Future research should address identified gaps through longitudinal studies to assess sharia fintech's sustained impact on financial inclusion. Investigating regional adoption patterns, particularly in rural areas, can inform targeted interventions. Exploring technologies like blockchain for compliance and efficiency offers promising avenues. Comparative studies with countries like Malaysia can provide regulatory insights. Research on effective literacy programs and trust-building strategies is crucial to broaden adoption. Examining consumer behaviour across demographics can optimize platform design. These efforts will support policymakers and industry leaders in harnessing sharia fintech's potential, fostering inclusive and sustainable economic growth. Additionally, evaluating the socio-economic impacts of fintech-MFI integration and the effectiveness of regulatory reforms can further enhance scalability, ensuring sharia fintech aligns with Indonesia's cultural and economic goals in the digital era.

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