Sharia e-commerce in Indonesia: Sharia peer to peer lending

Yunika Sari

Department of Religious Studies, Faculty of Ushuluddin, UIN Sunan Gunung Djati Bandung, Indonesia

Article Info

Article History
Received : 2023-02-07
Revised : 2023-03-16
Accepted : 2023-03-26
Published : 2023-04-11

Keywords:
FinTech, peer to peer lending, sharia.

DOI:
https://doi.org/10.20885/RISFE.vol2.iss1.art7

JEL Classification:
L22, L81, O33, O38

Corresponding author:
Yunika Sari
1191020082@student.uinsgd.ac.id

Author's email:
1191020082@student.uinsgd.ac.id

Paper type:
Research paper

Center for Islamic Economics Studies and Development, Faculty of Business and Economics, Universitas Islam Indonesia

Abstract

Purpose – This article discusses the increasingly rapid development of the sharia e-commerce in Indonesia, focusing on FinTech peer to peer lending sharia.

Methodology – This article uses qualitative methods and literature research (library research), with descriptive analysis techniques related to sharia FinTech lending in Indonesia, as well as a statutory approach, which is classified based on hierarchy and sources of law by comprehensive review.

Findings – The theme of this article is that Islamic FinTech lending seeks to understand better how vital economic innovation is needed by society because FinTech lending is a new platform for fast and practical financial transaction services. However, although the Financial Services Authority (Otoritas Jasa Keuangan, OJK) has made FinTech lending regulations, no specific rules explicitly mention sharia FinTech lending. So there is still a possibility that some elements are different from Islamic sharia. So, of course, special regulations regarding sharia FinTech lending are urgently needed so that they follow Islamic laws.

Implications – This article is useful, apart from adding to the repertoire, it can also be a means for studying financial service platforms in Indonesian society and can be used as reference material for further research in the same field.

Originality – This article contributes to various financial service platforms to continue to improve and innovate in sharia-based financial activities, as well as provide an understanding to the wider community regarding the ease of accessing these sharia financial services.

Cite this article:
Sari, Y. (2023). Sharia E-commerce in Indonesia: Sharia peer to peer lending. *Review of Islamic Social Finance and Entrepreneurship*, 2(1), 90-102. https://doi.org/10.20885/RISFE.vol2.iss1.art7

Introduction

Advances in information technology are increasing, making people in Indonesia experience lifestyle changes, especially regarding communication, work, and transactions. Not infrequently in Indonesia, people are very familiar with e-commerce activities. So this has led to the need for more effective and efficient access to financial services coordinated by modern financial service providers (Destiya, 2019). As a result of technological advances and the need for financial services, a new technology has emerged called Financial Technology (FinTech). FinTech, accompanied by various creative technological innovations, has now offered various choices for consumers, such as transaction activities, transfers, loans, and investments. FinTech is the latest innovation in financial services (Wicaksono, 2018). This FinTech innovation includes payment

E ISSN 2963-847X

processes, transfers, investments, buying and selling shares, and peer to peer lending or online loans. FinTech provides easy access to financial services that people need in the industrial revolution 4.0 era (Firdaus et al., 2017).

The predominantly Muslim Indonesian society raises the need for sharia-based e-commerce. So that apart from conventional FinTech, financial services are now also providing sharia-based FinTech, and there will be great opportunities and potential if sharia FinTech continues to be developed in Indonesia. Sharia FinTech is one of Indonesia's distributors of sharia-based funding (Prestama et al., 2019). Sharia FinTech in Indonesia now provides many transaction conveniences (Habibunnajar & Rahmatullah, 2020), especially for the Muslim community. OJK, as a financial supervisory institution, strongly supports the existence of FinTech as a driver of the development and growth of financial services based on and in line with advances in industrial technology that can make a significant contribution to the economy in Indonesia (Kennedy, 2017). This was then supported by the making of the Regulation of Financial Services Authority (Peraturan Otoritas Jasa Keuangan, POJK) No.77/POJK.01/2016 regarding online-based money lending services regulations. This regulation is intended to protect consumers regarding data security and consumer privacy funds, prevention of money laundering and financing of terrorist groups, then to stabilize the financial service system, and coordinate FinTech company managers (Otoritas Jasa Keuangan, n.d.).

One type of FinTech often used is peer to peer lending (P2P Lending). P2P Lending, also called FinTech Lending, is an online-based money lending service. The new FinTech Lending innovation arrived in Indonesia in 2016 and was only legal (Otoritas Jasa Keuangan, 2018b). FinTech Lending now has much public interest because of the ease and efficiency of disbursing funds (Kartika et al., 2019), which coincides with the start of many companies using FinTech Lending. From OJK's data, up to November 17, 2021, 104 FinTech lending companies already have permits and are registered with OJK (Otoritas Jasa Keuangan, 2016). FinTech lending is here to make it easier for the public to apply for loans because loan applications can also be made by people who do not have a banking account through the loan application verification process; customers can be face-to-face and paperless. However, sometimes people still need to learn about the security of FinTech lending services. Apart from conventional FinTech lending in Indonesia, there is also sharia FinTech lending (Habibunnajar & Rahmatullah, 2020). This sharia FinTech lending service is one of the online lending products that apply sharia principles so that in FinTech sharia lending, there is no determination of loan interest (Majelis Ulama Indonesia, 2018).

The theme of sharia FinTech lending is trying to understand better how important economic innovation is needed by society because FinTech lending is a new platform for fast and practical financial transaction services (Yum et al., 2012). However, even though the OJK has made FinTech lending regulations, no specific rules explicitly mention sharia FinTech lending. Sharia FinTech lending only refers to MUI No.117/DSN-MUI/11/2018 regarding financing services based on information and technology based on sharia principles. The PJOK FinTech mentions sharia only in Article 11 concerning licensing. However, OJK still needs to make specific regulations regarding sharia FinTech lending. There is still a possibility that some elements are different from Islamic laws. So, of course, special regulations regarding sharia FinTech lending are urgently needed, so they are following Islamic laws. This research will add to the body of knowledge and be a means for studying financial service platforms in Indonesian society. We would be very happy if it could become a reference for further research.

The formulation of this research is to find information about FinTech lending sharia. The discussion of this research focuses on discussing sharia FinTech lending. The purpose of this study is to understand related to sharia FinTech lending, which is very important for understanding e-commerce used in Indonesia, with innovation and the many benefits that are obtained for the community in facilitating financial service activities. Also, this platform has contributed a lot to the economy of Indonesia.

Literature Review

Many scientific studies have been used as references in this article on sharia FinTech lending and are invaluable in the preparation of the article. Several studies have discussed the phenomenon of sharia FinTech Lending, as a reference in research, as data from the Financial Services Authority (OJK), both on the website and in the documents that explain FinTech lending. The Financial Services Authority is a government agency tasked with supervising the financial industry, in the case of FinTech lending, both conventional FinTech lending and conventional FinTech lending. It is also explained on the official website as well as documents and laws and regulations related to FinTech lending, especially regarding OJK supervision on FinTech. sharia lending and its responsibility in consumer protection. However, as a supervisor of financial institutions, the OJK still needs to make specific supervisory regulations for sharia FinTech lending, so it still refers to conventional FinTech lending regulations (Otoritas Jasa Keuangan, 2021a).

Alshter, Saba, Supriani, and Rabbani (2022), who has studied the development of Islamic FinTech from 2017-2022. In this study, a hybrid approach was used with bibliometric analysis. The study was also taken from various Scopus-indexed scientific journals. From what they studied, they finally found that there is potential for grouping FinTech into Islamic financial services, especially those that will benefit small and medium businesses, especially those without a bank account. Then it is also targeted to facilitate the government in efforts to increase financial inclusion and also be able to assist in overcoming financial crisis conditions so that the goal of becoming a sustainable country can be achieved. However, there are still many obstacles in Islamic FinTech, including the need for more regulations and financial literacy, so it becomes a separate difficulty in developing Islamic FinTech (Alshater et al., 2022).

Rabbani et al. (2021) have conducted research that aims to examine the role of the Islamic financial system in recovery after the Covid-19 pandemic, which caused the world's economic crisis. The global economic crisis in 2008 has declared the credentials of the Islamic financial system, which can become a sustainable financial system that can help overcome the economy of people worldwide in the long term, together with an increase in economic value. The emergence of Islamic FinTech provides support to be able to compete with conventional partners. This study used discourse and content analysis. This study found that the occurrence of a pandemic also provided opportunities for the emergence of various innovative solutions that were effective, efficient, reliable, and sustainable. This study is intended to provide more significant implications for the government to make regulations related to implementing more innovative sharia FinTech in fighting the various impacts brought about by the Covid-19 pandemic. Sharia FinTech can be in digital payments, digital authentication, cryptocurrency, crowdfunding, and P2P lending, which follow sharia rules. This sharia FinTech is focused on assisting in a variety of financial services that meet the requirements of sharia law that are more innovative and affordable (Rabbani, Bashar, et al., 2021).

Suryono, Budi, and Purwandari (2021) in their study discussing the development of Indonesian FinTech. This study explained that OJK recorded 164 FinTech platforms with licenses in 2019. As for the previous year, the Ministry of Communication and Informatics had blocked various illegal FinTech, namely 1,350. This illegal FinTech lending does not apply the mechanism as regulated by the OJK. This study is focused on discussing FinTech lending in Indonesia, available on various news platforms, using qualitative methods and case studies focusing on group discussion. This study shows that various online news is keywords regarding the P2P Lending issue, namely the problem of leakage of personal data, lack of access and data protection, the number of frauds, and the rise of illegal FinTech lending (Suryono et al., 2019).

In their study, Hassan et al. (2019) discuss the development of Islamic finance and various issues related to Islamic financial institutions. The study was carried out using the economic and social aspects perspective, which focused on the inhibiting factors for the development of Islamic finance that required a more profound handling of an Islamic financial system (Hassan et al., 2019). Rabbani et al. (2021), there is a study proposing Islamic finance, which can potentially overcome economic crises, especially post-pandemic. The study is also used to analyze the effectiveness of implementing Islamic financial services to overcome the economic crisis caused by the pandemic (Rabbani, Ali, et al., 2021).

Wiyono (2020) aims to explain FinTech lending sharia services, a new FinTech model currently needed by the community, especially for MSME players and Muslim entrepreneurs, with faster, easier, and more efficient services. This research discusses sharia FinTech lending services, sharia FinTech lending mechanisms and services, and the influence of sharia FinTech lending on the Muslim economy. This research uses qualitative methods and analytical studies, with theory covering sharia FinTech lending which refers to laws and regulations issued by the OJK and the Indonesian Ulema Council. This research concludes that the development of sharia FinTech lending for the economy, especially for Muslims, is still not optimal in helping the development of the sharia economy (Wiyono, 2020).

Prestama, Iqbal, and Riyadi (2019), in their research article aim to discuss the potential of sharia-based P2P lending and crowdfunding in its efforts to reach non-banking financing. This research conducted direct interviews with four sharia FinTech operators, supported by a literature study approach and applying SWOT-related analysis. From this study it was found that the emergence of sharia-based P2P lending and crowdfunding did not become an obstacle for the sharia financial system, which helped in efforts to increase the penetration of sharia financial services, especially in Indonesia, by providing various offers starting from ease of access, efficient financing, efficient distribution as well as the low disbursement of troubled financing. However, few sharia FinTechs have been registered with the OJK, with no specific regulations governing sharia FinTech and the absence of a government agency as a supervisor for separate sharia FinTech, which is an obstacle for sharia FinTech companies (Prestama et al., 2019).

Sumartini, Arifin, and Sagala, in their research article, explain that the public's development and enthusiasm for economic growth based on sharia is getting higher, especially with the establishment of various Islamic financial institutions, namely Islamic FinTech. Sharia FinTech is an innovation in sharia-based financial services that is in line with technological developments. This sharia FinTech not only provides schemes and offers different from conventional services but also limits the use of funds that investors will provide. The development of sharia FinTech must be strongly supported by adequate infrastructure and regulations. With this in mind, users and service actors of Islamic financial institutions will provide greater convenience in accessing and meeting their needs for financial services. The research used a normative juridical method focusing on legislation and related regulations. The conclusions of this study state that the occurrence of financial service innovation with the emergence of sharia FinTech has enormous potential as a solution that facilitates the fulfillment of more urgent needs, which are difficult to provide for traditional financial institutions. Sharia FinTech is not significantly different from conventional ones. The difference lies only in the financing contract, which is based on Islamic law and has the principle of not *maisir*, not *gharar*, and not *riba* (Sumartini et al., 2021).

Research Methods

The method used is qualitative research and library research (Darmalaksana, 2020), because they want to explain the facts and circumstances of sharia FinTech lending in Indonesia. Then this research used descriptive analysis techniques. Descriptive analysis has three stages: reduction, presentation, and conclusion (Miles & Huberman, 1992). Descriptive analysis was carried out by collecting all data from secondary sources, including news, research articles, government regulations, and experts regarding sharia FinTech lending in Indonesia (Hiyanti et al., 2020).

Then compiled by utilizing the scientific method (Moleong, 2011), in a scientific setting (Patilima, 2013). In addition, a statutory approach is also used. The statute approach is legal research that uses legislation, which examines regulations and laws related to the phenomenon being handled (Marzuki, 2013). The legal material is based on the theme of sharia FinTech lending, which is then classified based on hierarchy and legal sources by comprehensively reviewing (Ibrahim, 2006).

Results and Discussion

Financial Technology

FinTech (financial technology) is the latest innovation in finance to improve the financial services industry (Kiko & Firmansyah, 2017). FinTech is a service applied to the financial system regarding technology that is more likely to improve financial services (Alshater et al., 2022; Otoritas Jasa Keuangan, 2016). FinTech consists of financial technology companies that strive to make financial services more effective and innovative (Gonzalez, 2023; Nidzar, 2017). FinTech is adapted from a combination of information technology and finance, which is expected to become a platform with more effective, practical, modern, and secure transaction facilities through digital transaction services that can contribute to the development of technological progress in Indonesia (Chrismastianto, 2017). In Indonesia, FinTech is a service term or online lending platform (Nabela, 2020). There are several types of FinTech services, namely expense management systems (asset management), peer to peer lending/FinTech lending (online loans), crowdfunding (fundraising), e-money (electronic money), payment gateways (digital-based payments), insurance (insurance), securities (stock investment) and remittances (international transfers) (Basuki & Husein, 2018).

FinTech has a significant role in changing consumer behavior, lifestyle patterns, and consumer expectations with easy access to data and information (Muzdalifa et al., 2018). FinTech has provided many good benefits for consumers, business people, and the government's economy, including expanding product choices; price reduction; improved service quality; more efficient financing; ease of access; expedited transaction services; increased economic growth; and accelerating monetary policy transmission. Having FinTech present in Indonesian society is very beneficial for people banks cannot serve because of limited banking in certain areas. FinTech also provides convenience to the public and alternative funding with more effective, efficient, transparent, and affordable financial services (Hadad, 2017).

FinTech has been regulated and has many regulations. There are several regulations issued by OJK regarding FinTech, including POJK No.77/POJK.01/2016, which contains information technology-based money lending services; No.13/POJK.02/2018 contains digital finance in the financial service system; OJK Circular Letter No.20/SEOJK.02/2019 which contains the related mechanisms used in recording the implementation of digital financial innovations, No.21/SEOJK.02/2019 which contains regulations related to OJK circular letter, No.22/SEOJK.02 /2019 which contains the appointment of digital financial innovation organizers and action plans for 2020-2024; POJK No.57/POJK.04/2020 which contains offers related to information technology-based funding services (Otoritas Jasa Keuangan, 2021a). In addition, the regulations issued by BI regarding FinTech, namely: PBI No.18/40/PBI/2016, which contains related to the implementation of the financing transaction process, No.19/12/PBI/2017, which contains related to the implementation of technology-based finance, No.20/6/PBI/2018 which contains related to electronic money; and No.22/23/PBI/2020 which contains the payment system that will take effect from July 1, 2021 (Otoritas Jasa Keuangan, 2021b).

Sharia FinTech

Sharia FinTech is an innovation in financial services that combines financial transaction activities using information technology with sharia-based contract transactions (Nafiah & Faih, 2019). Meanwhile, the MUI states that sharia FinTech is a financial service that applies sharia principles by using financing contracts through electronic devices (Prestama et al., 2019). Sharia FinTech is an innovation from a combination of information technology and sharia law, which seeks to streamline and facilitate the process of transactions, investments, or distribution of funds with products and services based on sharia values (Yarli, 2018). This sharia term distinguishes conventional FinTech and Islamic FinTech (Alshater et al., 2022). The principles of sharia FinTech are based on the primary sources of Islamic law, namely the Al-Quran, Sunnah, Qiyas, and Ijma (Hassan et al., 2019).

Sharia FinTech was first founded in Dubai, United Arab Emirates, in 2014 by Beehive. Beehive was the first to launch P2P lending FinTech and became a leading financial services company with a wide market share. Eventually, this sharia FinTech spread to other Asian countries, including Indonesia (Sumartini et al., 2021). Initially, sharia FinTech in Indonesia could have been in better demand. The public did not widely know it due to a lack of information, so it became an obstacle for the public to know about sharia FinTech, which is the same as sharia banking (Prestama et al., 2019). However, along with technological advances, sharia FinTech began to attract much public attention, especially after the formation of the Indonesian sharia FinTech Association (ISFA) and the legalization of sharia FinTech, registered with the Financial Services Authority or OJK (Hiyanti et al., 2020).

Sharia FinTech can now become an alternative in non-banking finances. So many sharia FinTech companies appear due to the demand for fast, innovative, effective and efficient financial services that have sharia principles to eliminate usury practices prohibited in Islamic law (Sumartini et al., 2021). In addition, the reason why Islamic FinTech in Indonesia has begun to develop is due to several reasons, it has become a fact that Indonesia is a country with a majority Muslim population, even the largest in the world, so the need for sharia-based financial services is getting higher. Then the level of financial services, especially account ownership at the bank, is still low, only around 37% (Rahadiyan & Sari, 2019). In addition, sharia FinTech is very helpful for MSME access to financing (Widyaningsih, 2018). As for the latter, the level of internet users in Indonesia is relatively high, making it easier to disseminate information related to sharia FinTech (Rahadiyan & Sari, 2019).

Sharia FinTech aims to provide security, speed, convenience, and comfort in providing financial services, is responsible, and seeks to create opportunities to lead all forms of financial services. Then sharia FinTech aims to improve financial services while also ensuring financial stability. Besides that, it is also aimed at overcoming financial inclusion and encouraging more comprehensive sustainable development in society (Rabbani, Bashar, et al., 2021). Sharia FinTech also aims to eliminate inequality and justice in social life. This sharia FinTech system is based on ethical, moral, and risk-sharing principles, making it more selective in taking action as a possible thing in safeguarding the needs and interests, especially of the poor vulnerable to crises. The importance of sharia FinTech can also be seen from the point of view of equal distribution of income and economic justice, then it can also be used as an ethical alternative for society, especially for Muslims where FinTech sharia which is based on the principles of Islamic finance does not support the existence of various unethical practices including trade in weapons, liquor, pornography, gambling and others (Rabbani, Ali, et al., 2021). So that Islamic FinTech can become a solution to the problems of the Islamic financial industry through the development of digital Islamic financial services (Misissaifi & Sriyana, 2021). The benefits of having sharia FinTech can be summarized, namely, helping MSME actors; free of usury, does not harm one party but benefits many parties; creating a process that is easier, more effective, efficient, economical, and safe (Wiyono, 2020).

FinTech, which, although based on sharia, has a primary reference to the regulations regulated by the National Sharia Council (Majelis Ulama Indonesia, MUI) No.67/DSN-MUI/III/2008 concerning the provisions that sharia FinTech institutions must follow in Indonesia (Sumartini et al., 2021). Even though it is relatively new, Islamic FinTech is now almost no different from conventional FinTech. Because both are trying to provide financial services, which differ only in the financing contract (Sumartini et al., 2021), unlike conventional FinTech, sharia FinTech does not charge interest on transactions, and later, will be a profit-sharing system (Prestama et al., 2019). In addition, this sharia FinTech is more transparent, ethical, and inclusive, following sharia rules and benefits both parties (Rabbani, Bashar, et al., 2021). Sharia FinTech transaction activities are generally also used by Islamic banking. However, the service is different, in that Islamic FinTech does not directly deal with customers, but provides a platform between investors and their customers (Muhammad & Nissa, 2020).

Sharia Peer to Peer Lending

Peer to peer lending is a FinTech platform for lending and borrowing services by making agreements directly through an electronic system (Tampubolon, 2019). P2P Lending is an activity in funding someone who is not bound by a partner or without going through a bank, which is carried out online on various lending platforms (Suryono et al., 2019). FinTech peer to peer lending, also known as FinTech lending, is a technology-based money lending service, which is one of the innovations in financial services by utilizing technology to process lending and borrowing through an application system or website (Otoritas Jasa Keuangan, 2016). FinTech lending is a platform that provides financial transaction services that utilize information technology such as certain websites and applications (Yum et al., 2012). Sharia FinTech lending is a sharia-based FinTech service that establishes a contract in the lending process using an electronic system and the internet (Lova, 2021). So, sharia FinTech lending can be interpreted as a money lending activity based on Islamic laws principles that uses a platform (Wiyono, 2020). FinTech lending is a type of sharia FinTech that is quite popular (Rusydiana, 2018). This type of business is an important innovation in financing, especially in the current sharia-based digital finance era (Cai et al., 2016). This sharia FinTech lending can be an alternative for sharia financial service actors in reaching market segmentation which is very difficult for the sharia financial services industry to penetrate (Misissaifi & Sriyana, 2021; Teichmann et al., 2023).

As a platform based on sharia principles, following SK No. 117/DSN-MUI/II/2018 The MUI has established sharia principles that must be followed, namely to avoid usury, dharar (making the other party lose), gharar (uncertain), tadlis (hiding defects), maysir (speculation), zhulm (consideration) and haram (Baihaqi, 2018); a standard contract following the principles of fairness, balance, and fairness stipulated by sharia law and following the stipulated law; contracts used according to sharia, such as al-bai' (buying and selling), mudharabah (cooperation), ijarah (transfer of usufructuary rights), wakalah bi al ujrah (delegation of power), qardh (loans), and so on; have proof of transaction such as an electronic certificate with a valid electronic signature; transactions according to profit sharing rules based on sharia law; service providers may charge financing (ujrah) based on the ijarah principle (Majelis Ulama Indonesia, 2018).

In addition, the purpose of sharia FinTech lending is listed in the DSN-MUI Fatwa Number: 117/DSN-MUI/II/2018, which is to encourage MSME actors in an effort to obtain access to funding quickly, cheaply, efficiently, and effectively, which is currently growing in Indonesia. With the existence of sharia FinTech lending, it can provide benefits to the community, especially for MSME business actors (Suhendar & Diniyanto, 2020). Then, the effectiveness of transactions and operational cost efficiency must be incurred by financial service actors and encourage the transmission of economic policies and the realization of a national strategy of inclusive finance (Rizal et al., 2018). The urgency in developing sharia FinTech lending in Indonesia is to protect legal certainty and grow sharia FinTech lending and strengthen the national economy (Habibunnajar & Rahmatullah, 2020), capable of meeting the needs of financial services for the community by not accepting the usury system, creating a complete FinTech system to accommodate both sharia FinTech and conventional FinTech. Furthermore, sharia FinTech lending is more in line with the increasing needs of the Indonesian people, both Muslim and non-Muslim communities, especially for MSMEs, as released by the OJK As of May 31 2020, it was noted that FinTech had distributed IDR 109,175.31 billion (Otoritas Jasa Keuangan, 2020). Sharia FinTech lending in line with Indonesia's development, is an economic system based on justice, benefit, equality and togetherness (Ghofur, 2014).

The existence of regulations is a very vital tool for sharia FinTech lending. Therefore, the preparation of special regulations for sharia FinTech lending is urgently needed for the development of sharia FinTech lending in Indonesia. With a special regulation on sharia FinTech lending implemented politically, the existence of sharia FinTech lending becomes stronger and has the opportunity to continue to grow (Habibunnajar & Rahmatullah, 2020). Several institutions regulate and supervise sharia FinTech lending, including the Financial Services Authority (OJK), although the legislation does not explicitly mention Sharia FinTech lending. Based on Law Article 5-7 No.21 of 2011, the Financial Services Authority is an integrated institution that regulates financial services in all financial sectors (Otoritas Jasa Keuangan, 2018a). OJK is an institution whose role and function is to make regulations, protect consumers, and oversee financial services (Mufalihah, 2021), including the implementation of sharia FinTech lending. OJK's response in making regulations related to sharia FinTech lending is still very slow. So that the rules for sharia FinTech lending still refer to conventional FinTech rules, namely POJK No.77/POJK.01/2016 concerning technology-based loan services, which are further detailed in SEOJK No.18/SEOJK.02/2017, regarding the determination of FinTech that now being developed namely peer to peer lending (Lova, 2021). In addition to the FinTech mechanism, the OJK regulates the protection of FinTech consumers by making POJK Number 01/POJK.07/2013, with efforts to make FinTech responsible and prioritize service and protection for consumers (Febrianti, 2018).

OJK inaugurated the Indonesian Joint Funding FinTech Association (Asosiasi FinTech Pendanaan Bersama Indonesia, AFPI) as in letter No.5/D.05/2019 (Asosiasi FinTech Pendanaan Bersama Indonesia, n.d.), as a sharia FinTech lending association for the sharia financial digital technology industry (Rasidi et al., 2021), and is responsible for handling and preventing illegal FinTech (Antoni, 2020). AFPI is tasked as a policy-making institution in technology-based financial services and a liaison for international FinTech institutions in establishing global relationships between FinTech, regulating FinTech agendas, supervising FinTech companies in Indonesia, then holding FinTech workshops and providing certificates which is one of the requirements official FinTech company registration at OJK (Antoni, 2020).

Furthermore, FinTech lending is regulated by Bank Indonesia as written in BI Regulation No.19/12/PBI/2017 concerning FinTech Procurement. It requires FinTech companies to register first with Bank Indonesia (Eltin, 2019) and regulate in BI Regulation No.18/50/PBI/2016 concerning payment transaction processes related to consumer protection (Lova, 2021). Then MUI in regulating FinTech lending issued DSN-MUI fatwa No 117/DSN-MUI/II/2018 concerning financing services using technology with Sharia principles (Lova, 2021). In MUI, there is a Sharia Supervisory Board (DPS), a special committee monitoring the development of Islamic financial institutions. The DPS is a DSN-MUI apparatus tasked with supervising the implementation of DSN-MUI fatwas (Majelis Ulama Indonesia, 2016). The duties of DPS are to supervise products and business activities to comply with sharia (Majelis Ulama Indonesia, 2018), make sharia opinions on requests or findings in supervised institutions, and report the results of supervision to the DSN-MUI (Majelis Ulama Indonesia, 2016). So apart from OJK and Bank Indonesia, DPS is an important element in supervising sharia FinTech lending (Perwataatmadja & Antonio, 1992).

Conclusion

Financial technology (FinTech) is a new innovative financial service institution or platform that uses information technology to make it easier for consumers to access information and services more effectively and efficiently by providing websites and applications. This FinTech consists of two, namely conventional FinTech, which was first present in Indonesia, now, there is also sharia FinTech. Sharia FinTech is an institution or platform resulting from FinTech innovation that combines information technology-based financial services with sharia in its services. Then along with FinTech innovations, FinTech peer to peer lending has emerged. Peer to peer lending/FinTech lending is an online loan service platform. As with FinTech, FinTech lending also has a sharia FinTech lending platform.

FinTech lending or sharia peer to peer lending is a sharia-based online lending institution or platform which uses a contract system and avoids the interest system. Contracts contained in sharia FinTech lending that comply with legal and sharia regulations include al-bai' (sale and purchase), mudharabah (cooperation), ijarah (transfer of usufructuary rights), wakalah bi al ujrah (delegation of power of attorney), qardh (loan), and others. The existence of sharia FinTech lending is beneficial for helping MSME players, not to the detriment of one party but to the benefit of many parties, with a process that is easier, more effective, efficient, economical, and safe. From a supervisory point of view, the author realizes that there is a great need for government regulations regarding legal principles and regulations that specifically regulate sharia FinTech lending, bearing in mind that these rules are essential so that there are not many FinTech violations that occur in the name of Islamic sharia in order to ensnare perpetrators of these sharia FinTech lending violations, then so that these regulations can also guarantee more financial services and guarantee consumer protection in sharia FinTech lending.

Acknowledgements

The researcher would like to thank the RISFE Journal for allowing the researcher to publish this article. The researcher also expresses his gratitude to the reviewers and editors who have provided constructive responses and reviews that help improve this article's quality. Apart from that, researchers also want to thank those who have helped and motivated researchers. The researcher hopes that this article can be useful for further research.

Author Contributions

Conceptualization: Yunika Sari
Data curation: Yunika Sari
Formal analysis: Yunika Sari
Investigation: Yunika Sari
Methodology: Yunika Sari
Project administration: Yunika Sari
Supervision: Yunika Sari
Validation: Yunika Sari
Visualization: Yunika Sari
Writing – original draft: Yunika Sari
Writing – review & editing: Yunika Sari

References

Asosiasi FinTech Pendanaan Bersama Indonesia. (n.d.). *Profil AFPI*. Asosiasi FinTech Pendanaan Bersama Indonesia (AFPI). https://afpi.or.id/about

Alshater, M. M., Saba, I., Supriani, I., & Rabbani, M. R. (2022). FinTech in Islamic finance literature: a review. *Heliyon*, *8*(9), 1–24. https://doi.org/10.1016/j.heliyon.2022.e10385

Antoni, T. (2020). Kekosongan norma penentuan bunga pinjaman financial technology peer to peer lending. *Jurnal Hukum Bisnis Bonum Commune*, *3*(1), 90–103. https://doi.org/10.30996/jhbbc..v3i1.3077

Baihaqi, J. (2018). Financial technology peer to peer lending berbasis syariah di Indonesia. *Tawazun: Journal of Sharia Economic Law*, *1*(2), 116–132. https://doi.org/10.21043/tawazun.v1i2.4979

Basuki, F. H., & Husein, H. (2018). Analisis SWOT financial technology pada dunia perbankan di Kota Ambon (Survei pada bank di kota Ambon). *Jurnal Manajemen dan Bisnisan Bisnis*, *2*(1), 60–74. https://doi.org/10.30598/manisvol2issue1page60-74

Cai, S., Lin, X., Xu, D., & Fu, X. (2016). Judging pnline peer to peer lending behavior: a comparison of first time and repeated borrowing requests. *Information and Management*, *53*(7), 857–867. https://doi.org/10.1016/j.im.2016.07.006

Chrismastianto, I. A. W. (2017). Analisis SWOT implementasi teknologi finansial terhadap kualitas layanan perbankan di Indonesia. *Jurnal Ekonomi dan Bisnis*, *20*(1), 133–144. https://doi.org/10.24914/jeb.v20i1.641

Darmalaksana, W. (2020). Metode penelitian kualitatif studi pustaka dan studi lapangan. *Pre-Print Digital Library UIN Sunan Gunung Djati Bandung*, 1–6.

http://digilib.uinsgd.ac.id/eprint/32855

Destiya, J. (2019). *Peluang dan tantangan financial technology (FINTECH) bagi perbankan syariah di Indonesia (Studi kasus PT. Bank Syariah Mandiri)* [Universitas Muhammadiyah Jakarta]. http://repository.umj.ac.id/id/eprint/4545

Eltin, G. Q. (2019). *Pengaruh kepercayaan, persepsi kegunaan dan persepsi kemudahan terhadap niat berperilaku dalam mengadopsi financial technology* [Universitas Lampung]. http://digilib.unila.ac.id/eprint/54913

Febrianti, S. R. I. D. (2018). *Financial technology dalam sistem ekonomi Islam* [IAIN Palangkaraya]. http://digilib.iain-palangkaraya.ac.id/id/eprint/1702

Firdaus, F., Febiola, A., & Faiqoh, S. (2017). Ketegasan regulasi laporan ketaatan syariah dalam optimalisasi financial technology lembaga keuangan syariah. *Perisai: Islamic Banking and Finance Journal*, *1*(3), 227–272. https://doi.org/10.21070/perisai.v1i3.1173

Gonzalez, L. (2023). Financial literacy in for-profit vs pro-social peer-to-peer lending. *Managerial Finance*, 49 (2), 315-337. https://doi.org/10.1108/MF-07-2021-0329

Ghofur, A. (2014). *Politik hukum legislasi undang-undang perbankan syariah di Indonesia*. Raisal Media Group.

Habibunnajar, R., & Rahmatullah, I. (2020). Problematika regulasi pinjam meminjam secara online berbasis syariah di Indonesia. *Jurnal Legal Reasoning*, *2*(2), 120–134. https://doi.org/10.35814/jlr.v2i2.2225

Hadad, M. D. (2017). *Financial technology (FinTech) di Indonesia: Kuliah umum tentang FinTech-IBS*. http://www.ibs.ac.id/img/doc/MDH%20-%20FinTech%20IBS%20June%202017.pdf

Hassan, M. K., Aliyu, S., Huda, M., & Rashid, M. (2019). A survey on Islamic finance and accounting standards. *Borsa Istanbul Review*, *19*(1), 1–13. https://doi.org/10.1016/j.bir.2019.07.006

Hiyanti, H., Nugroho, L., Sukmadilaga, C., & Fitrijanti, T. (2020). Peluang dan tantangan FinTech (financial technology) syariah di Indonesia. *Jurnal Ilmiah Ekonomi Islam*, *5*(3), 326–333. https://doi.org/10.29040/jiei.v5i3.578

Ibrahim, J. (2006). *Teori dan metodologi penelitian hukum*. Banyumedia Publishing. https://lib.ui.ac.id/detail.jsp?id=20326032

Kartika, R., Darna, N., & Setiawan, I. (2019). Analisis peer to peer lending di Indonesia. *Akuntabilitas: Jurnal Ilmu-Ilmu Ekonomi*, *12*(2), 75–86. https://doi.org/10.35457//akuntabilitas.v12i2.902

Kennedy, P. S. J. (2017). Forum keuangan dan bisnis Indonesia, when FinTech meets accounting: opportunity and risk, tantangan terhadap ancaman disruptif dari financial technology dan peran pemerintah dalam menyikapinya. *Prosiding Forum Keuangan Dan Bisnis Indonesia (FKBI)*, 171–182. http://repository.uki.ac.id/id/eprint/1446

Kiko, S., & Firmansyah, A. (2017). *Kajian perlindugan konsumen sektor keuangan: perlindungan konsumen pada FinTech*. Otoritas Jasa Keuangan. https://lms.ojk.go.id/OJK/FrontendLibrary/DetailCatalog/Detail/2/10282

Lova, E. F. (2021). Financial technology peer to peer lending syariah: sebuah perbandingan dan analisis. *Journal of Economic and Business Law Review*, *1*(2), 29–42. https://jurnal.unej.ac.id/index.php/JEBLR/article/view/27732

Majelis Ulama Indonesia. (2016). *Surat keputusan majelis ulama Indonesia tentang anggaran dasar-anggaran rumah tangga DSN-MUI*. https://mui.or.id/wp-content/uploads/2020/07/8.-PO-AD-dan-ART-DSN-MUI-final-konsinyir_114-147.pdf

Majelis Ulama Indonesia. (2018). *Fatwa tentang layanan pembiayaan berbasis teknologi informasi berdasarkan prinsip syariah*. https://drive.google.com/file/d/1qCu2X6MTIFnYqK22eMx7uFL53AXBT9Vo/view

Marzuki, P. M. (2013). *Penelitian hukum*. Kencana Prenada Media Group.

Miles, & Huberman. (1992). *Analisis data kualitatif*. Universitas Indonesia Press.

Misissaifi, M., & Sriyana, J. (2021). Faktor-faktor yang mempengaruhi minat menggunakan FinTech syariah. *Iqtisahaduna: Jurnal Ilmiah Ekonomi Kita*, *10*(1), 109–124. https://doi.org/10.46367/iqtishaduna.v10i1.276

Moleong, L. J. (2011). *Metode penelitian kualitatif*. Remaja Rosdakarya.

Mufalihah, M. (2021). *Pengawasan otoritas jasa keuangan terhadap layanan pinjaman online berbadan koperasi yang belum berizin di otoritas jasa keuangan: perspektif undang-undang nomor 21 tahun 2011 tentang otoritas jasa keuangan dan hukum Islam* [Universitas Islam Negeri Maulana Malik Ibrahim Malang]. http://etheses.uin-malang.ac.id/30995/1/17220158.pdf

Muhammad, R., & Nissa, I. K. (2020). Analisis resiko pembiayaan dan resolusi syariah pada peer to peer financing. *Equilibrium: Jurnal Ekonomi Syariah*, *8*(1), 63–88. https://doi.org/10.21043/equilibrium.v8i1.6558

Muzdalifa, I., Rahma, I. A., Novalia, B. G., & Rafsanjani, H. (2018). Peran FinTech dalam meningkatkan keuangan inklusif pada UMKM di Indonesia (Pendekatan keuangan syarian). *Jurnal Masharif Al-Syariah: Jurnal Ekonomi Dan Perbankan Syariah*, *3*(1), 1–24. https://doi.org/10.30651/jms.v3i1.1618

Nabela. (2020). *Sistem pengawasan otoritas jasa keuangan terhadap layanan peer to peer lending FinTech syariah persfektif hukum Islam* [Institut Agama Islam Negeri Palangka Raya]. http://digilib.iain-palangkaraya.ac.id/id/eprint/2858

Nafiah, R., & Faih, A. (2019). Analisis transaksi financial technology (FinTech) syariah dalam perspektif maqashid syariah. *Iqtishadia: Jurnal Ekonomi dan Perbankan Syariah*, *6*(2), 167–175. https://doi.org/10.19105/iqtishadia.v6i2.2479

Nidzar, M. A. (2017). Financial technology (FinTech): It's concept and implementation in Indonesia. *Warta Fiskal*. https://mpra.ub.uni-muenchen.de/98486/1/MPRA_paper_98486.pdf

Otoritas Jasa Keuangan. (n.d.). *Peraturan OJK*. Otoritas Jasa Keuangan. https://www.ojk.go.id/regulasi/otoritas-jasa-keuangan/peraturan-ojk/

Otoritas Jasa Keuangan. (2016). *FinTech lending*. Otoritas Jasa Keuangan. https://www.ojk.go.id

Otoritas Jasa Keuangan. (2018a). *Direktori FinTech per Juni 2018*. Otoritas Jasa Keuangan. https://www.ojk.go.id/Id/kanal/iknb/data-dan-statistik/direktori/FinTech/default.aspx

Otoritas Jasa Keuangan. (2018b). *FinTech lending Indonesia*. Otoritas Jasa Keuangan. https://www.ojk.go.id

Otoritas Jasa Keuangan. (2020). *Data Mei 2020 perkembangan FinTech lending (pendanaan gotong royong online)*. Otoritas Jasa Keuangan. https://www.ojk.go.id/Id/kanal/iknb/data-dan-statistik/FinTech/documents/statistikflmei2020v3.Pdf

Otoritas Jasa Keuangan. (2021a). *FinTech corner*. Otoritas Jasa Keuangan. https://www.ojk.go.id

Otoritas Jasa Keuangan. (2021b). *Penyelenggaraan FinTech lending terdaftar dan berizin di OJK per 17 November 2021*. Otoritas Jasa Keuangan. https://www.ojk.go.id

Patilima, H. (2013). *Metode penelitian kualitatif*. Alfabeta. https://ecampus-fip.umj.ac.id/pustaka_umj/main/search?isbn=978979.8433.559

Perwataatmadja, K., & Antonio, M. S. (1992). *Apa dan bagaimana bank Islam*. Dana Bhakti Wakaf.

Prestama, F. B., Iqbal, M., & Riyadi, S. (2019). Potensi finansial teknologi syariah dalam menjangkau pembiayaan non-bank. *Al-Masraf : Jurnal Lembaga Keuangan dan Perbankan*, *4*(2), 147–158. https://doi.org/10.15548/al-masraf.v4i2.217

Rabbani, M. R., Ali, M. A. M., Rahiman, H. U., Atif, M., Zulfikar, Z., & Naseem, Y. (2021). The response of Islamic financial service to the Covid-19 pandemic: The open social innovation of the financial system. *Journal of Open Innovation: Technology Market, and Complexity*, *7*(1), 1–17. https://doi.org/10.3390/joitmc7010085

Rabbani, M. R., Bashar, A., Nawaz, N., Karim, S., Ali, M. A. M., Rahiman, H. U., & Alam, M. S. (2021). Exploring the role of Islamic FinTech in combating the aftershocks of Covid-19: The open social innovation of the Islamic financial system. *Journal of Open Innovation: Technology Market, and Complexity*, *7*(2), 1–19. https://doi.org/10.3390/joitmc7020136

Rahadiyan, I., & Sari, A. R. (2019). Peluang dan tantangan implementasi FinTech peer-to-peer lending sebagai salah satu upaya peningkatan kesejahteraan masyarakat Indonesia. *Jurnal Defendonesia*, *4*(1), 18–28. https://doi.org/10.54755/defendonesia.v4i1.79

Rasidi, Y. S., Budi, C. S., & Hatmoko, P. A. (2021). FinTech syariah alternatif pendanaan UMKM pada masa pandemi covid-19 di Indonesia. *Finansha-Journal of Sharia Financial Management*, *2*(1), 1–10. https://doi.org/10.15575/fjsfm.v2i1.12462

Rizal, M., Maulina, E., & Kostini, N. (2018). FinTech as one of the financing solutions for SMES. *Adbispreneur: Jurnal Pemikiran dan Penelitian Administrasi Bisnis dan Kewirausahaan*, *3*(2), 89–100. https://doi.org/10.24198/adbispreneur.v3i2.17836

Rusydiana, A. S. (2018). Developing Islamic financial technology in Indonesia. *Hasanuddin Economics and Business Review*, *2*(2), 143–152. https://doi.org/10.26487/hebr.v2i2.1550

Suhendar, H., & Diniyanto, A. (2020). Pengawasan dan regulasi terhadap financial technology (FinTech) lending syariah. *El-Iqtishady: Jurnal Institut Agama Islam Negeri Pekalongan*, *2*(2), 127–147. https://doi.org/10.24252/el-iqthisadi.v2i2.16213

Sumartini, R. S., Arifin, J., & Gatri Sagala, S. (2021). Status dan kedudukan hukum lembaga financial technology (FinTech) syariah dalam menyelenggarakan jasa keuangan kepada masyarakat. *Jurnal Yustitia*, *7*(2), 196–208. https://doi.org/10.31943/yustitia.v7i2.143

Suryono, R. R., Budi, I., & Purwandari, B. (2019). Detection of FinTech P2P lending issues in Indonesia. *Heliyon*, *7*(4), 1–10. https://doi.org/10.1016/j.heliyon.2021.e06782

Tampubolon, H. R. (2019). Seluk beluk peer to peer lending sebagai wujud baru keuangan di Indonesia. *Jurnal Bina Mulia Hukum*, *3*(2), 188–198. https://doi.org/10.23920/jbmh.v3n2.15

Teichmann, F.M.J., Boticiu, S.R. & Sergi, B.S. (2023). Compliance concerns in sustainable finance: an analysis of peer-to-peer (P2P) lending platforms and sustainability, *Journal of Financial Crime*. https://doi.org/10.1108/JFC-11-2022-0281

Wicaksono, S. R. (2018). *Studi kasus sistem informasi manajemen*. CV. Seribu Bintang.

Widyaningsih, N. (2018). Analisis mitigasi resiko financial technology peer to peer lending dalam penyaluran kredit terhadap UMKM di Indonesia. *Jurnal Ilmiah Mahasiswa FEB Universitas Brawijaya*, *6*(2), 1–14. https://jimfeb.ub.ac.id/index.php/jimfeb/article/view/4930

Wiyono, T. (2020). *Mekanisme dan layanan peer to peer lending syariah perspektif ekonomi Islam (studi analisis pada 13 FinTech syariah yang terdaftar di otoritas jasa keuangan per 19 Februari 2020)* [Institut Agama Islam Negeri Ponorogo]. http://etheses.iainponorogo.ac.id/9840/

Yarli, D. (2018). Analisis akad tijarah pada transaksi FinTech syariah dengan pendekatan maqshasid. *Yudisia: Jurnal Pemikiran Hukum dan Hukum Islam*, *9*(2), 245–256. https://doi.org/10.21043/yudisia.v9i2.4766

Yum, H., Lee, B., & Chae, M. (2012). Wisdom of crowds to my own judgment in microfinance through online peer to peer lending platforms. *Electronic Commerce Research and Applications*, *11*(5), 469–483. https://doi.org/10.1016/j.elerap.2012.05.003