

The Role of Sharia Financial Technology (Fintech) in Increasing MSME's Financial Access

Peran Teknologi Keuangan Syariah (Fintech) Dalam Meningkatkan Akses Keuangan UMKM

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ABSTRACT

The development of Sharia-based financial technology (Fintech) has significantly improved financial access for Micro, Small, and Medium Enterprises (UMKM) in Indonesia. Many UMKM struggle to secure funding from conventional financial institutions due to collateral and administrative constraints. Sharia Fintech provides an alternative through Sharia-compliant financing models such as peer-to-peer (P2P) lending, crowdfunding, and profit-sharing schemes (mudharabah and musyarakah). This study analyzes the role of Sharia Fintech in expanding UMKM financing using a qualitative descriptive method with a case study approach on several Sharia Fintech platforms in Indonesia. Data was collected through interviews with MSME actors, document analysis, and literature reviews, then analyzed using triangulation for validity. The findings reveal that Sharia Fintech enhances financial accessibility through ease of access, fast fund disbursement, and a flexible financing system. However, challenges remain, including low Sharia financial literacy, regulatory limitations, and digital adoption barriers. Strengthening regulations, enhancing financial education, and optimizing technology use are essential to improving Sharia Fintech's effectiveness as an inclusive and sustainable MSME financing instrument.

Keywords: Sharia Fintech, MSME, Financing

ABSTRAK

Perkembangan teknologi finansial (Fintech) berbasis syariah telah meningkatkan akses pembiayaan bagi Usaha Mikro, Kecil, dan Menengah (UMKM) di Indonesia. Banyak UMKM kesulitan memperoleh pendanaan dari lembaga keuangan konvensional akibat keterbatasan jaminan dan persyaratan administratif. Fintech Syariah hadir sebagai solusi alternatif melalui model pembiayaan berbasis syariah, seperti peer-to-peer (P2P) lending, crowdfunding, serta skema bagi hasil (mudharabah dan musyarakah). Penelitian ini menganalisis peran Fintech Syariah dalam memperluas pembiayaan UMKM dengan menggunakan metode deskriptif kualitatif dan pendekatan studi kasus pada beberapa platform Fintech Syariah di Indonesia. Data dikumpulkan melalui wawancara dengan pelaku UMKM, analisis dokumen, serta studi literatur, kemudian dianalisis dengan metode triangulasi untuk memastikan validitas temuan. Hasil penelitian menunjukkan bahwa Fintech Syariah memperluas akses keuangan dengan kemudahan akses, pencairan dana yang cepat, dan sistem pembiayaan yang fleksibel. Namun, tantangan masih ada, seperti rendahnya literasi keuangan syariah, keterbatasan regulasi, dan hambatan adopsi teknologi digital. Oleh karena itu, diperlukan penguatan regulasi, peningkatan edukasi keuangan syariah, serta optimalisasi teknologi guna meningkatkan efektivitas Fintech Syariah sebagai instrumen pembiayaan UMKM yang inklusif dan berkelanjutan.

Kata Kunci: Fintech Syariah, UMKM, Pembiayaan

1. Introduction

The development of financial technology (fintech) has brought significant transformations to the global financial industry, including the Islamic economy sector. Islamic fintech emerges as an innovative solution that not only provides digital financial services but also upholds Sharia principles

in its operations (Akttausyaniah & Hidayat, n.d.). In Indonesia, the presence of Islamic fintech is becoming increasingly significant, given the country's Muslim-majority population and the growing need for inclusive and Sharia-compliant financial access. One sector that particularly requires this support is Micro, Small, and Medium Enterprises (MSMEs) (Dian Indiraswari et al., 2023; Ilmiah & Makna, 2020; Yolanda, n.d.), which have long faced various challenges in obtaining financing from conventional financial institutions. MSMEs serve as the backbone of Indonesia's economy, contributing more than 60% to the Gross Domestic Product (GDP) and absorbing a large portion of the workforce. However, classic constraints such as limited capital, lack of collateral, and complex banking procedures often hinder MSMEs from accessing formal financial services. Islamic fintech offers a technology-based solution that is more flexible, faster, and aligned with the principles of justice and transparency in Islam.

Several previous studies have discussed the role of fintech in promoting financial inclusion. Research by Setiawati et al. (2024) indicates that fintech can expand financial access to communities underserved by conventional banks (Setiawati et al., 2024; Tsakila et al., 2024; Zulfa Qur'anisa et al., 2024). Another study by Padli (2021) highlights how Islamic fintech offers a more inclusive financing model by utilizing Sharia contracts such as murabahah and mudharabah (Padli, 2021). However, research on the effectiveness of Islamic fintech in improving financial access for MSMEs in Indonesia remains limited. Most existing studies primarily discuss fintech in general without distinguishing it from conventional financial models. Furthermore, few studies evaluate the challenges Islamic fintech faces in its implementation, such as regulatory aspects, digital financial literacy, and the acceptance of Muslim communities who are still accustomed to conventional banking systems.

Based on this research gap, this study focuses on analyzing the role of Islamic fintech in enhancing financial access for MSMEs, investigating to what extent Islamic fintech platforms can overcome the barriers faced by MSME entrepreneurs. Additionally, this study explores the factors influencing the effectiveness of Islamic fintech in reaching MSMEs and the challenges that may arise in its implementation. In terms of novelty, this research contributes by examining the fundamental differences between Islamic and conventional fintech in the context of MSME financing, as well as evaluating the specific obstacles Islamic fintech encounters in practice.

This study is expected to provide a deeper understanding of the role of Islamic fintech in helping MSMEs gain broader and more sustainable financial access. The findings are anticipated to contribute to the development of Islamic financial policies and strategies to optimize the role of Islamic fintech in Indonesia. Moreover, this research holds practical relevance for stakeholders, including regulators, fintech industry players, and MSMEs themselves. By understanding the factors that support or hinder the adoption of Islamic fintech, more effective strategies can be formulated to enhance digital financial literacy and expand the reach of Islamic fintech services for MSMEs. Overall, this study aims to offer new insights into how Islamic fintech can serve as an effective instrument in improving MSME financial access while providing policy recommendations to strengthen the role of Islamic fintech in fostering an inclusive and sustainable Islamic financial economy.

2. Literature Review

Sharia Financial Technology (Fintech) and Financial Inclusion

The rapid development of financial technology (fintech) has significantly transformed financial services worldwide, including in Indonesia. Fintech plays a crucial role in improving financial inclusion by providing easier and more flexible access to financial services for individuals and

businesses that are traditionally underserved by conventional banking institutions (Jange et al., 2024; Rolando & Sudirman, 2024; Tsakila et al., 2024). Sharia fintech, specifically, operates under Islamic principles, ensuring that all financial transactions are free from elements such as *riba* (usury), *gharar* (uncertainty), and *maysir* (gambling) (Setiawati et al., 2024; Rozi et al., 2024).

The Role of Sharia Fintech in Supporting MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing significantly to GDP and employment. However, many MSMEs face difficulties in accessing formal financial services due to stringent collateral requirements, high interest rates, and lengthy bureaucratic procedures (Dian Indiraswari et al., 2023; Rezky, 2023). Sharia fintech provides a viable alternative by offering financing solutions that align with Islamic principles, such as profit-sharing models (*mudharabah*) and joint venture agreements (*musharakah*) (Herlina et al., 2020; Iskandar et al., 2019). These financing mechanisms enable MSMEs to obtain capital without the burden of fixed interest payments, thereby promoting sustainable business growth (Rumondang, 2018; Padli, 2021).

The Impact of Sharia Fintech on Financial Access

Sharia fintech has been proven to enhance financial access for MSMEs by offering peer-to-peer (P2P) lending platforms, crowdfunding, and digital payment systems (Saripudin et al., 2021; Kusbianto et al., n.d.). Research indicates that MSMEs that receive funding through Sharia fintech platforms experience improvements in business performance and financial stability (Ilmiah & Makna, 2020; Vidiati, 2024). Moreover, fintech platforms help MSMEs expand their market reach and streamline financial transactions, reducing reliance on conventional banking systems (Zulfa Qur'anisa et al., 2024).

Challenges and Opportunities in Sharia Fintech Implementation

Despite its potential, the implementation of Sharia fintech faces several challenges, including regulatory hurdles, lack of public awareness, and digital financial literacy gaps among MSME owners (Ekonomi et al., 2024; Septi et al., 2021). Ensuring compliance with Sharia principles while maintaining competitiveness in the fintech industry requires innovative business models and strong regulatory support (Padli, 2021). However, with continuous advancements in digital technology and increasing demand for ethical financial services, the future of Sharia fintech in Indonesia remains promising (Rozi et al., 2024).

3. Research Methods

The research method employed in this study follows a qualitative approach with a descriptive-analytical research design. This approach was chosen to gain an in-depth understanding of the role of Sharia Fintech in enhancing financial access for MSMEs in Indonesia. The study utilizes both primary and secondary data. Primary data was collected through in-depth interviews with MSME actors who have used Sharia Fintech services, Sharia Fintech service providers, and regulators responsible for overseeing this sector. Meanwhile, secondary data was gathered from various sources, including scientific journals, industry reports, government regulations, and publications from Islamic financial institutions.

For data collection, a purposive sampling technique was used to select respondents relevant to the research topic. The selected respondents included MSMEs that had received financing from

Sharia Fintech platforms and representatives from Sharia Fintech companies operating in Indonesia. Semi-structured interviews were conducted to explore respondents' experiences, challenges, and the benefits derived from using Sharia Fintech. Additionally, document and regulatory analysis was carried out to examine the policies implemented to support the Sharia Fintech ecosystem for MSMEs.

Data analysis in this study was conducted using the thematic analysis method, where data from interviews and document studies were categorized based on emerging key themes. This process involved coding, identifying patterns, and interpreting results to establish relationships between Sharia Fintech and its impact on improving MSMEs' financial access. Furthermore, the findings were compared with previous research to identify consistencies or discrepancies. Through this approach, the study aims to provide a comprehensive understanding of the effectiveness of Sharia Fintech in promoting MSME financial inclusion and to highlight the challenges that need to be addressed for its future development.

4. Results and Discussion

Results

The research findings indicate that Sharia Fintech plays a significant role in improving financial access for MSMEs in Indonesia (Ekonomi et al., 2024; Muzdalifa et al., n.d.; Rozi et al., 2024; Vidiati, 2024). Through Sharia-compliant platforms, MSMEs can access financing more easily compared to conventional banks. Financing mechanisms such as peer-to-peer (P2P) Sharia lending, crowdfunding based on Sharia contracts, and profit-sharing financing models (*mudharabah* and *musyarakah*) provide alternative solutions for MSMEs struggling with limited capital access (Iskandar et al., 2019).

Respondents in this study—MSME actors who have utilized Sharia Fintech—identified **ease of access, speed of fund disbursement, and flexible payment initiation** as key reasons for switching to Sharia Fintech services. Additionally, Sharia Fintech has contributed to **financial inclusion** by expanding financial services to previously underserved regions. Many MSMEs, particularly in rural areas, face challenges in securing business capital due to the lack of bank branch offices or strict administrative requirements. Digital-based Sharia Fintech addresses these barriers by allowing financing applications to be processed online without the need for in-person interactions. This aligns with previous studies, such as Jange et al. (2024), which highlight Fintech's role in enhancing financial inclusion in developing economies (Jange et al., 2024; Rolando & Sudirman, 2024; Tsakila et al., 2024).

The study also found that MSMEs benefiting from Sharia Fintech financing tend to experience **increased productivity and business expansion** (Herlina et al., 2020; Kusbianto et al., n.d.; Rezky, 2023; Rumondang, 2018). Respondents reported that additional capital from Sharia Fintech enabled them to **expand production capacity, hire more workers, and reach broader markets**. Unlike conventional banks, which impose high-interest rates, Sharia Fintech financing offers **profit-sharing models** that align with Islamic principles and allow businesses to grow sustainably.

Discussion

Despite its positive impact, the study identifies several challenges in the implementation of Sharia Fintech for MSMEs:

1. **Low Islamic Financial Literacy:** Many MSME actors lack a proper understanding of **Islamic finance principles**, including Sharia-compliant contracts, risk-sharing mechanisms, and profit-sharing schemes. As a result, some businesses hesitate to adopt Sharia Fintech due to uncertainty about its operations and potential risks. Increasing awareness and literacy on Islamic finance is crucial for improving adoption rates.
2. **Regulatory Constraints:** While the Financial Services Authority (OJK) and Bank Indonesia have established **regulations for Sharia Fintech**, some **legal gaps** remain, particularly in **settlement mechanisms and investor protection**. Some Sharia Fintech providers also face difficulties in aligning their operations with regulatory requirements, which could hinder industry growth. According to Jange (2024), a lack of comprehensive regulations can reduce public trust and limit the expansion of Sharia Fintech services (Jange et al., 2024; Saripudin et al., 2021).
3. **Technological Barriers:** The adoption of digital financial services among MSMEs remains a challenge, especially in rural areas with **limited internet access and digital literacy**. Many MSME owners are unfamiliar with digital financial systems, which prevents them from fully utilizing Sharia Fintech services. Additionally, concerns over **data security, system reliability, and transaction costs** further deter MSMEs from embracing digital financing solutions.
4. **Public Trust and Perception:** The study found that MSME perceptions of Sharia Fintech vary. While some users appreciate its **transparency and compliance with Sharia principles**, others remain skeptical about **legality and security**. Public trust depends largely on the **clarity of contracts, transparency in cost structures, and the reputation of service providers**.
5. **Risk Management for Sharia Fintech Providers:** Unlike traditional banks with well-established risk assessment systems, many Sharia Fintech platforms struggle with **high non-performing financing (NPF) rates** due to **inadequate credit assessment mechanisms**. The absence of formal credit histories for MSMEs further complicates financing evaluations. To address this issue, Sharia Fintech providers must develop **technology-driven risk assessment models**, such as **big data analytics and artificial intelligence (AI)**, to enhance accuracy in evaluating financing recipients.
6. **The Role of Government and Policy Support:** The study highlights the importance of **government intervention** in supporting the Sharia Fintech ecosystem. Regulatory incentives and financial literacy initiatives for MSMEs can enhance adoption rates. Countries like **Malaysia and the United Arab Emirates** have successfully introduced **comprehensive regulations and government-backed programs** to support Sharia Fintech growth, serving as potential models for Indonesia.
7. **Community and Business Association Support:** MSME communities and business associations play a critical role in promoting Sharia Fintech adoption. Several associations have begun partnering with **Sharia Fintech providers** to offer **educational programs and training sessions** on Islamic finance. These initiatives help business owners better understand the benefits and mechanisms of Sharia Fintech, ultimately leading to higher adoption rates.
8. **The Role of Digital Media in Promotion:** An emerging finding from the study is the **impact of digital media in increasing awareness of Sharia Fintech services**. Many MSMEs that initially had little knowledge about Sharia Fintech became interested after encountering **social media campaigns, webinars, and digital advertisements**. This suggests that **digital-based marketing strategies** are essential for expanding the reach of Sharia Fintech services among MSMEs (Septi et al., 2021).

5. Conclusion

Based on the results of this study, Sharia Fintech plays a significant role in increasing financial access for MSMEs in Indonesia. By offering financing systems based on sharia principles, such as sharia P2P lending, sharia crowdfunding, and profit-sharing schemes (mudharabah and musyarakah), Sharia Fintech serves as an alternative solution for MSMEs that have faced difficulties in accessing financing from conventional banks. The ease of access, speed of fund disbursement, and transparency in transaction systems make Sharia Fintech an increasingly popular choice among small and medium-sized business owners.

However, this research also reveals several challenges that must be addressed for Sharia Fintech to function optimally. Some of the main obstacles include low Islamic financial literacy among MSMEs, regulatory limitations that do not yet fully accommodate the needs of the Sharia Fintech industry, and difficulties in adopting digital technology in certain regions. Additionally, concerns regarding transaction security and public trust in Sharia Fintech services highlight the need for strategic measures to enhance credibility and regulatory oversight in this industry.

From an economic impact perspective, this study indicates that MSMEs receiving financing from Sharia Fintech tend to experience increased productivity and business growth. With more flexible, interest-free financing schemes, MSMEs can expand their businesses without being burdened by excessive financial obligations. Moreover, communities, business associations, and digital media have proven to be influential in promoting the adoption of Sharia Fintech among MSMEs.

To strengthen the role of Sharia Fintech in supporting MSMEs, this study recommends several strategic measures. First, improving Islamic financial literacy through extensive education initiatives for business owners. Second, enhancing legal regulations and consumer protection for Sharia Fintech users to ensure a stable and sustainable ecosystem. Third, optimizing the use of big data and artificial intelligence (AI) to improve the accuracy of financing risk assessments. Fourth, fostering collaboration between the government, industry players, and communities to expand access to Sharia Fintech services, particularly in regions with limited digital infrastructure.

By addressing these challenges and implementing these strategic initiatives, Sharia Fintech has the potential to become a more effective instrument in promoting financial inclusion for MSMEs. Its optimal development will not only benefit MSMEs by improving access to capital but also contribute to the creation of a more inclusive, fair, and welfare-oriented financial system in line with Islamic economic principles.

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