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Digital Lending Platforms and Islamic Financial Technology in Indonesia: Reconciling Regulatory Paradigms Through *Maqāṣid al-Sharīʿah* and Consumer Protection Philosophies

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ABSTRACT
Indonesia's Islamic fintech leadership necessitates aligning digital finance with Sharia governance and compliance. This study evaluates doctrinal conformity in Indonesia's Sharia fintech ecosystem, focusing on spiritual-financial obligations (*zakat, infaq, sadaqah*) and commercial transactions. Through qualitative analysis of MUI fatwas, laws, and operational frameworks, systemic gaps are identified between *maqāṣid al-sharīʿah* (Islamic legal objectives) and current practices. Three critical deficiencies emerge: (1) ambiguous *aqd* (contract) standardization for P2P lending, (2) inadequate consumer data safeguards under OJK oversight, and (3) fragmented coordination between DSN-MUI and fintech operators. The research proposes a value-driven regulatory model integrating Islamic legal philosophy—prioritizing justice (*ʿadl*), welfare (*maṣlaḥah*), and ethical risk-sharing—into governance structures. Such reforms could position Indonesia as a global benchmark for harmonizing faith-based economic principles with fintech innovation, ensuring legal certainty and advancing financial inclusion. By bridging jurisprudential expectations with technological advancement, this paradigm fosters sustainable Sharia compliance while strengthening inclusive digital finance ecosystems.

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1. INTRODUCTION

The digital revolution has catalyzed a seismic shift in global finance, with Indonesia emerging as a critical laboratory for the interplay of technological innovation and ethical accountability. Financial technology (fintech), particularly online lending, has surged as a cornerstone of financial inclusion, penetrating even the most remote corners of the archipelago (Kusuma & Wiwiek, 2020). In parallel, Sharia fintech has risen as a purportedly ethical alternative, pledging adherence to Islamic principles—*riba*-free transactions, prohibition of speculative risk (*maysir*), and elimination of contractual ambiguity (*gharar*). Yet, this veneer of moral superiority belies a troubling reality: platforms branded as "Sharia-compliant" increasingly mirror the ethical breaches of their conventional counterparts, from predatory data practices to coercive debt collection (Yudha, 2021). This dissonance begs a pivotal question—does Indonesia's regulatory scaffolding, blending secular oversight and Islamic jurisprudence, possess the philosophical rigor to govern fintech's ethical frontiers, or does it merely sanctify exploitation under the banner of faith?

Indonesia's fintech boom, while lauded for democratizing access, has unmasked systemic frailties. Even as platforms like Ammana Sharia tout compliance with DSN-MUI Fatwa No. 117/2018 and POJK *(Peraturan Otoritas Jasa Keuangan)* 10/2019—showcasing *wakālah bi al-ujrah* contracts and Sharia Supervisory Board (DPS) oversight—scholars uncover insidious *gharar* in transactional frameworks (Nurhayati et al., 2021). Such contradictions reveal a regulatory mirage: procedural adherence to licensing and fatwas masks substantive deviations from *maqāṣid al-sharīʿah* (the higher objectives of Islamic law), reducing Sharia compliance to a marketing ploy rather than a fiduciary covenant.

The stakes transcend legality. As fintech permeates Indonesia's 207 million Muslims—many prioritizing faith-aligned finance—the sector's ethical integrity becomes a litmus test for reconciling technological progress with moral imperatives. Studies by Gunawan Surya and Putri Nurhayati illustrate this tension. While affirming Ammana's alignment with DSN-MUI Fatwa No. 113/2017 on *wakālah bi al-ujrah* agreements, their analyses sidestep critical questions of distributive justice and *maṣlaḥah* (public welfare). For instance, opaque fee structures and asymmetrical risk-sharing mechanisms, though technically compliant, contravene the spirit of Islamic ethics, privileging profit over communal equity (Yulianti et al., 2024).

This study diverges from prior regulatory-compliance narratives by interrogating the legal-philosophical bedrock of Indonesia's Sharia fintech ecosystem. It posits that true ethical governance demands more than checkbox adherence to fatwas and licensing—it requires embedding *maqāṣid al-sharīʿah* into algorithmic design and contractual transparency. By deconstructing platforms like Ammana through the lenses of substantive justice and Islamic legal philosophy, we challenge the sector to evolve from symbolic compliance to ethical leadership—a paradigm where technology serves not just markets, but morality.

Indonesia's ascendancy as a global epicenter of Islamic finance is juxtaposed against a burgeoning crisis of ethical legitimacy within its Sharia fintech sector. While the nation's status as the world's largest Muslim-majority country positions it as a natural leader in faith-aligned digital finance, recent revelations expose troubling fissures between professed Islamic principles and operational realities. Case in point: PT Ammana Syariah, a flagship Sharia fintech platform lauded for regulatory compliance, has faced scrutiny for embedding *gharar* (contractual

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ambiguity) within its transactional frameworks—a violation of core Islamic prohibitions that undermines its ethical claims. This contradiction mirrors a broader tension: the sector's explosive growth, driven by 207 million Muslims and a youth-led demand for Sharia-compliant services, clashes with systemic failures to align innovation with the moral rigor of *maqāṣid al-sharīʿah* (Mardi, 2021).

The rise of Sharia fintech—purportedly free from *riba* (usury), *maysir* (speculative risk), and *gharar*—reflects Indonesia's ambition to harmonize technological progress with religious identity. Platforms like Ammana symbolize this vision, replacing interest-based models with profit-sharing (*mudarabah*) and trade-based (*murābaḥah*) mechanisms. Yet, scholarly audits reveal a disquieting trend: contractual opacity in *wakālah bi al-ujrah* (fee-based agency) agreements, where service charges lack transparency, and risk-sharing principles are diluted by fixed returns reminiscent of conventional debt (Nurhayati et al., 2021). Such practices not only betray Islamic jurisprudence but also expose a regulatory lacuna, where formal adherence to DSN-MUI fatwas and OJK *(Otoritas Jasa Keuangan)* licensing masks substantive ethical compromises.

This dissonance underscores a critical scholarly and practical gap. While Indonesia's fintech penetration reaches rural populations long excluded from formal banking, the sector's moral architecture remains precarious. The younger generation's embrace of Sharia finance—fueled by religiosity and digital fluency—demands more than token compliance; it necessitates a philosophical reckoning. Can algorithmic efficiency coexist with Al-Ghazali's conception of *maṣlaḥah* (societal benefit), or does the pursuit of market share eclipse the protection of *ḥifẓ al-māl* (safeguarding wealth) and *ḥifẓ al-dīn* (preserving faith)?

This study posits that Indonesia's Sharia fintech evolution hinges on transcending performative religiosity. By interrogating platforms like Ammana through the dual lenses of legal formalism and Islamic ethics, we challenge the sector to redefine success—not by user acquisition metrics, but by its capacity to enshrine justice (*ʻadl*), transparency, and communal welfare as non-negotiable pillars. The stakes extend beyond finance: as a bellwether for the global Islamic economy, Indonesia's ability to reconcile code with conscience will determine whether Sharia fintech emerges as a beacon of ethical innovation or a cautionary tale of faith commodified.

Indonesia's regulatory scaffolding for Sharia fintech—spearheaded by the Financial Services Authority (OJK) and Bank Indonesia (BI)—reflects a concerted effort to balance innovation with Islamic ethical compliance. The establishment of Sharia Supervisory Boards (DPS) within fintech institutions, mandated to audit transactional adherence to *riba*-free contracts and risk-sharing principles, signals institutional recognition of faith as a non-negotiable pillar of financial governance. Yet, these mechanisms falter in practice, revealing a chasm between procedural compliance and the substantive embodiment of *maqāṣid al-sharīʿah*. While frameworks like the PPSK Law (No. 4/2023) and DSN-MUI fatwas on *qarḍ*, *murābaḥah*, and *ijārah* provide technical guardrails, they often reduce Sharia principles to checkboxes—validating form over ethical function.

Existing scholarship, exemplified by Virdi's (2022) analysis of regulatory challenges, has predominantly navigated the sector's operational hurdles. However, such studies remain tethered to legal formalism, neglecting the philosophical underpinnings that animate Islamic finance. This research diverges by interrogating the moral ontology of Sharia fintech: What justifies its legal existence beyond statutory authorization? How do its practices align with the teleological

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objectives of Islamic law—*ḥifẓ al-dīn* (protection of faith), *ḥifẓ al-māl* (protection of wealth), and *ḥifẓ al-ʻaql* (protection of intellect)? By applying Gustav Radbruch's axiom that "law must not merely be valid, but just," this study probes whether Indonesia's dual legal systems—secular positive law and Islamic jurisprudence—cohere to elevate justice (*ʻadl*) and *maṣlaḥah* (public welfare) above transactional efficiency.

The urgency of this inquiry is magnified by Indonesia's unique sociolegal landscape. As digital lending platforms like Ammana Syariah operationalize DSN-MUI Fatwa No. 113/2017 on *wakālah bi al-ujrah*, their contractual ambiguities expose a critical paradox: technical adherence to fatwas coexists with ethical violations, such as opaque service fees and asymmetrical risk allocation. These practices, though legally permissible under OJK licensing, contravene the spirit of *maqāṣid*, reducing Sharia compliance to a veneer that legitimizes exploitation. This dissonance underscores a broader philosophical crisis: when law is divorced from its moral raison d'être, it risks becoming an instrument of harm, cloaked in the legitimacy of formal compliance.

By synthesizing positive law analysis with Islamic legal philosophy, this study transcends conventional regulatory critiques. It posits that Sharia fintech's legitimacy hinges not on regulatory approvals but on its capacity to operationalize *maqāṣid* as lived ethics. Can algorithms encode equitable profit-sharing? Can smart contracts embody *ṣidq* (honesty) and *amānah* (trustworthiness)? These questions reframe the discourse from "Is it compliant?" to "Is it just?"—a shift vital for Indonesia to lead not merely in market growth, but in ethical innovation.

2. METHODS

This study adopts a qualitative, theory-driven methodology anchored in legal-philosophical inquiry to critically examine the normative and ethical dimensions of Indonesia's Islamic fintech ecosystem. Eschewing empirical data collection, the research prioritizes conceptual and doctrinal analysis to dissect the interplay between regulatory frameworks, Islamic jurisprudence, and sociopolitical values. Such an approach aligns with the study's objective to interrogate how legal norms—both secular and religious—mediate the tension between technological innovation and ethical compliance in Sharia fintech.

The analytical framework is structured around two axes: Islamic legal philosophy (particularly *maqāṣid al-sharīʿah*) and Western legal theories of justice, enabling a cross-jurisdictional critique of Indonesia's fintech governance. Primary data derives from authoritative regulatory texts, including Financial Services Authority Regulation (POJK) No. 10/POJK.05/2022 and DSN-MUI Fatwa No. 117/DSN-MUI/II/2018, which collectively define the operational and ethical boundaries of Sharia fintech. These documents are supplemented by policy guidelines from Bank Indonesia, offering insights into the state's balancing act between fostering innovation and preserving financial stability.

Secondary sources are synthesized from peer-reviewed scholarship on Islamic finance, legal theory, and digital governance, alongside institutional publications from entities such as the Indonesian Sharia Fintech Association (AFSI) and the Financial Services Authority (OJK). This corpus is analyzed through the lens of substantive justice—drawing on Gustav Radbruch's assertion that law must transcend procedural validity to embody moral legitimacy—and *maṣlaḥah* (public welfare), which anchors Islamic legal philosophy in communal benefit.

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By triangulating these sources, the study constructs a critical narrative that evaluates whether Indonesia's regulatory architecture fulfills its dual mandate: to democratize financial access through technology while safeguarding the ethical imperatives of Sharia compliance. The absence of empirical fieldwork is deliberate, reflecting the research's focus on deconstructing systemic norms rather than individual behaviors. Ultimately, this methodology bridges theoretical rigor and pragmatic critique, positioning the study as a scaffold for reimagining fintech governance at the intersection of faith, law, and digital modernity.

3. RESULTS AND DISCUSSION

3.1. An Overview of Fintech

The term "fintech" is an abbreviation for financial technology. According to the National Digital Research Center (NRDC), fintech refers to innovations in the financial sector that utilize cutting-edge technology to facilitate, accelerate, and improve the efficiency of financial transactions. Fintech represents a hybridization of modern technology with traditional financial services. Schueffel defines fintech as a phenomenon that encapsulates the fusion of contemporary technology and financial innovation. In practice, fintech encompasses a range of digital services, including peer-to-peer lending, online investment, and various other technology-driven financial solutions (Aswirah et al., 2024). Based on these sources, financial technology can be understood as the integration of modern digital tools into financial services such as lending, investment, and transactions, with the aim of increasing speed and accessibility.

The governance of Sharia fintech in Indonesia operates within a robust regulatory ecosystem shaped by key legal instruments and religious edicts. At its foundation lies *POJK No.77/POJK .01/2016*, a pivotal regulation issued by the Financial Services Authority (OJK) to oversee peer-to-peer (P2P) lending platforms leveraging information technology. This framework mandates that service providers operate as registered legal entities under OJK licensing, functioning strictly as intermediaries while ensuring full transparency in contractual agreements. By requiring clear disclosure of terms to users, the regulation establishes a secure and equitable environment for digital financial transactions, fostering trust and accountability across the fintech sector.

Complementing this legal structure, the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) has issued fatwas that infuse Islamic ethical principles into financial practices. For instance, *Fatwa DSN-MUI No.17/DSN-MUI/IX/2000*, addresses moral conduct in debt repayment, categorizing intentional payment delays by financially capable clients as unjust behavior. To deter such practices, the fatwa permits Islamic institutions to impose pre-agreed penalties, provided the collected funds are channeled toward social causes rather than institutional profit. This mechanism aligns punitive measures with communal welfare, reinforcing the balance between discipline and social responsibility in Sharia finance.

Further refining contractual norms, *Fatwa DSN-MUI No.13/DSN-MUI/IX/2017*, elaborates on the *wakālah bi al-ujrah* framework, which governs delegated authority agreements. The fatwa stipulates that fees (*ujrah*) for representation services must be mutually agreed upon at the contract's inception, ensuring clarity and adherence to Sharia principles. It explicitly prohibits exploitative arrangements, thereby safeguarding parties from unethical practices while promoting transparency in fiduciary relationships.

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Trade-based financing mechanisms receive specific attention under DSN-MUI Fatwa No. 08/DSN MUI, 2000, which delineates the *murābaḥah* contract as a cost-plus-profit sale structure. Financial institutions acting as sellers must first acquire goods before reselling them to clients at disclosed margins, with transactions executed transparently and free from usury (*riba*). This guideline ensures that profit generation remains rooted in tangible asset exchanges, upholding the Islamic prohibition of speculative gains.

Lastly, *Fatwa DSN-MUI No.117/DSN-MUI/II/2018* consolidates these principles within the context of modern fintech. It mandates that Sharia-compliant digital financing services employ contracts such as *murābaḥah*, *muḍārabah*, *mushārakah*, *ijārah*, or *wakālah*, all of which must explicitly adhere to Islamic legal norms. By emphasizing end-to-end transparency and contractual rigor, the fatwa ensures that technological innovation does not compromise Sharia ethics, thereby protecting stakeholder interests and maintaining the integrity of Islamic finance.

Collectively, these regulations and fatwas construct a dual-layered governance model, harmonizing state-mandated legal standards with religiously grounded ethical guidelines. This integration not only fortifies the operational legitimacy of Sharia fintech but also positions Indonesia as a pioneer in aligning digital financial innovation with Islamic jurisprudence.

Indonesia's fintech landscape has undergone transformative growth, evolving from a modest four companies in 2006 to a robust ecosystem of 96 firms by 2023, as documented by the Indonesian Joint Funding Fintech Association. Notably, this expansion encompasses a growing cohort of Sharia-compliant platforms, reflecting the sector's adaptability to diverse financial ideologies (Lanskap Pendanaan Fintech, 2023). This surge is propelled by a confluence of socioeconomic and technological shifts. Scholars such as Chandra Yuda (2020) identify critical drivers, including shifts in consumer preferences toward digital solutions, widespread adoption of mobile technologies, and accelerated innovation in financial infrastructure. Concurrently, diminishing public confidence in traditional banking systems, reduced entry barriers for digital-first enterprises, and the allure of rapid, accessible credit options have further catalyzed sectoral growth. Governmental initiatives, particularly regulatory frameworks encouraging innovation, have also played a pivotal role in nurturing this ecosystem.

The sector's evolution has redefined financial accessibility, spawning non-traditional alternatives to conventional capital markets. These include digital financing institutions, microfinance platforms, insurtech solutions, and tech-driven capital market interfaces, all of which challenge traditional financial paradigms. Amiruddin (2020) classifies Indonesia's fintech innovations into three dominant models, each addressing distinct market needs. Peer-to-Peer (P2P) Lending, exemplified by platforms like Ammana and Danasyariah, leverages Sharia principles to ethically connect lenders and borrowers via digital intermediaries, democratizing access to capital while adhering to religious financial ethics. Digital Payment Platforms, such as Gopay, OVO, and Dana, have revolutionized transactional efficiency, enabling seamless electronic payments across banking and non-banking entities (Qur'anisa, 2024). Meanwhile, Market Aggregators like Duha Syariah and Alami consolidate financial products from multiple providers into unified interfaces, empowering consumers with comparative insights to optimize decision-making.

This diversification underscores fintech's role as a catalyst for financial inclusion, bridging gaps between underserved populations and formal economic systems. By integrating advanced technologies with culturally resonant practices—such as Sharia compliance—the sector not only

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expands its reach but also reinforces Indonesia's position as a nexus of innovation in global Islamic finance. As technological advancements continue to unfold, the interplay between regulatory support, consumer demand, and ethical frameworks will likely shape the next phase of Indonesia's fintech trajectory.

3.2. The Concept of Online Lending and Sharia – Compliant Financial Technology

Sharia online loans represent a digital financial innovation that offers technology-based financing solutions while strictly adhering to Islamic sharia principles. The primary strength of this service lies in its application of Islamic contracts such as *murābaḥah*, *muḍārabah*, *mushārakah*, and ijarah which ensure transactions are free from usury (*riba*), uncertainty (*gharar*), and gambling (*maysir*), while emphasizing justice and transparency between funders and recipients.

As such, sharia online loans provide a safer and more ethically sound alternative, especially for Muslims seeking to avoid conventional financial systems that involve interest and potential exploitation. A case in point is Dana Syariah, a sharia-compliant P2P lending platform in Indonesia focused on property financing and productive business development, where all contracts align with the principles of Islamic law and the provisions of the DSN-MUI (Malik et al., 2025).

The rise of P2P lending as a disruptive force within the financial services landscape has garnered significant interest from both academics and industry practitioners as an alternative financing model. Essentially, P2P lending connects borrowers including international business entities and individual lenders directly through a digital platform (Reardon, 2023). From a benefit standpoint, sharia online loans not only provide fast and practical access to capital through digital platforms, but also contribute significantly to promoting financial inclusion in Indonesia. This service broadens opportunities for micro, small, and medium enterprises (MSMEs), as well as individuals seeking financing options without the burden of high-interest rates or practices conflicting with Islamic values.

Transparency in determining profit margins, profit-sharing mechanisms, and contract clarity offers legal assurance and a sense of fairness for all parties involved. Nevertheless, users must remain cautious in selecting sharia online loan platforms. It is essential to verify that the platform is registered with the OJK and operates under the supervision of a Sharia Supervisory Board (DPS), while also understanding the specific contracts and financing terms being applied. Public education and literacy in Islamic finance are vital to prevent consumers from engaging with loan services that merely adopt a sharia label without faithfully implementing its core principles.

The evolution of Sharia fintech in Indonesia unfolds against a backdrop of both structural constraints and untapped potential. Regulatory frameworks established by the Financial Services Authority (OJK), while enabling formal registration for Islamic fintech platforms, present dual-edged implications. Although the OJK mandates licensing to ensure operational legitimacy, stringent capital requirements and procedural complexities have limited the sector's formal growth. As of 2019, only four entities—Ammana, Investree, Dana Syariah, and ALAMI—have successfully navigated these hurdles, underscoring the need for policy recalibration to balance oversight with inclusivity (Hiyanti, 2019). This bottleneck stifles market diversification, even as demand for ethical financial solutions rises among Indonesia's Muslim majority.

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Compounding these structural challenges is the persistent gap in digital literacy, particularly in rural regions. While fintech promises financial inclusion through innovative platforms, many communities lack the technological proficiency to utilize these services effectively. Limited understanding of digital interfaces and Sharia-compliant mechanisms—such as profit-sharing agreements or asset-backed financing—restricts adoption, perpetuating financial exclusion in areas where Islamic fintech could otherwise thrive (Perwira, n.d.). Paradoxically, this obstacle coexists with a unique opportunity: the growing disillusionment with conventional fintech. High-profile scandals involving aggressive debt collection, harassment, and tragic outcomes linked to predatory lending have tarnished the reputation of mainstream platforms. Sharia fintech providers, by contrast, can leverage Islamic ethics—prohibiting *gharar* (excessive uncertainty) and *riba* (usury)—to position themselves as humane, socially responsible alternatives. This ethical differentiation could redefine consumer trust in digital finance.

Another critical challenge lies in human resource development. Despite Indonesia's 207 million Muslims, expertise in Sharia contractual frameworks—such as *mudarabah* (profit-sharing) or *murabahah* (cost-plus sale)—remains scarce. Public education initiatives are urgently needed to demystify these concepts, ensuring users comprehend the theological and practical foundations of Islamic finance. Collaborative efforts between regulators, academia, and fintech firms could bridge this knowledge gap, transforming Indonesia's demographic advantage into a driver of sectoral growth (Perwira, n.d.).

Simultaneously, the rapid pace of technological innovation presents both a threat and an imperative. As Winnie and Sudirman (2021) caution, Sharia fintech risks obsolescence if it fails to evolve alongside emerging technologies like blockchain and artificial intelligence. To remain competitive, stakeholders must innovate within Islamic ethical boundaries—for instance, developing smart contracts aligned with *akad* (Islamic agreements) or leveraging big data to enhance risk assessment without compromising privacy principles. Proactive adaptation will ensure Sharia fintech not only survives but sets global benchmarks for ethical digital finance.

In conclusion, Indonesia's Sharia fintech sector stands at a crossroads. While regulatory rigor, literacy deficits, and talent shortages constrain scalability, these challenges are counterbalanced by vast opportunities: ethical branding, demographic leverage, and technological reinvention. Addressing these dynamics holistically could catalyze Indonesia's ascent as a leader in equitable, faith-based financial innovation.

3.3. Practical Challenges and Potential Breaches of Ethics

The integration of Sharia principles into Indonesia's fintech sector, while transformative, faces significant practical and ethical complexities. Despite its promise to align technology-driven financial services with Islamic ethics, many platforms struggle with opaque contractual frameworks that introduce elements of *gharar* (ambiguity), undermining both regulatory compliance and consumer trust. Regulatory frameworks such as Financial Services Authority Regulation No. 10/POJK.05/2022 and its predecessor, POJK No. 77/POJK.01/2016, establish a legal basis for Sharia fintech operations. Yet, the gap between policy intent and practical adherence persists, with numerous platforms operating in a gray area of partial compliance.

Core to Sharia fintech legitimacy are four pillars of compliance: adherence to Islamic prohibitions against *riba* (interest), *gharar*, *maysir* (gambling), and *tadlis* (fraud); alignment with DSN-MUI fatwas on permissible contracts like *murābaḥah* and *mushārakah*; responsible

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technological deployment to serve marginalized communities; and rigorous risk management to uphold user trust. However, regulatory oversight remains fragmented. The absence of fintech-specific Sharia guidelines, as noted by Hidayat and Komarudin (2021), complicates consistent enforcement, leaving room for platforms to adopt Islamic terminology without substantive adherence.

A case in point is PT Ammana Syariah, which marketed microfinancing products as Sharia-compliant but faced allegations of *gharar* due to vague contract terms. While claiming to use *mushārakah* (partnership) or *murābaḥah* (cost-plus sale) structures, the platform failed to transparently clarify contractual obligations or profit-sharing mechanisms to users. Such opacity not only violates DSN-MUI Fatwa No. 117/DSN-MUI/II/2018—which mandates explicit consent and clarity—but also distorts risk-sharing principles. In some instances, fixed repayment models mimic conventional lending, eroding the ethical distinction of Sharia finance. These practices contravene the foundational *maqāṣid al-sharīʿah*, which prioritizes justice, transparency, and the protection of societal welfare. Without robust contractual integrity, Sharia fintech risks becoming a veneer for legitimizing exploitative economic power rather than advancing equitable finance (Elvina et al., n.d.).

Equally critical are data security challenges. Article 44(1) of POJK No. 10/POJK.05/2022 legally obligates fintech providers to ensure end-to-end data confidentiality, integrity, and accessibility. However, enforcement mechanisms remain nebulous, with platforms often lacking rigorous safeguards. Breaches in data management—such as inadequate system audits, insufficient cybersecurity protocols, and lax backup procedures—jeopardize user trust and operational reliability. For instance, incomplete contractual documentation on platforms like Ammana not only violates transparency mandates but also exposes users to legal vulnerabilities in disputes. Strengthening cybersecurity infrastructure and instituting clear accountability frameworks are imperative to align technological innovation with the Sharia objectives of justice (*ʻadl*) and legal certainty (*qat'iyyah*).

Ultimately, the evolution of Sharia fintech hinges on reconciling ethical rigor with technological agility. Stakeholders must prioritize education to enhance public understanding of Islamic contracts, coupled with regulatory reforms to close compliance gaps. By embedding *maqāṣid al-sharīʿah* into both operational and oversight frameworks, Indonesia can position Sharia fintech as a global benchmark for ethical digital finance—one that harmonizes innovation with the timeless principles of Islamic jurisprudence.

3.4. Analysis of Legal Philosophy: Between Justice and Maṣlaḥah

A legal-philosophical examination of Indonesia's Sharia fintech framework reveals systemic shortcomings in achieving distributive justice and advancing societal welfare. While regulations such as POJK No. 10/POJK.05/2022 formally address the protection of Muslim assets (*ḥifẓ al-māl*) and facilitate Islamic participation in digital finance, they inadequately safeguard the preservation of faith (*ḥifẓ al-dīn*). Article 57 of the regulation mandates the appointment of a Sharia Supervisory Board (DPS) member via DSN-MUI recommendations, yet the supervisory mechanism often fails to enforce foundational Islamic ethical principles like honesty (*ṣidq*) and transparency. This gap underscores a misalignment between regulatory intent and practical outcomes, where procedural compliance eclipses substantive adherence to Sharia's moral objectives (Fateh et al., 2024).

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Central to this critique is the failure to institutionalize *maqāṣid al-sharīʿah*—the higher purposes of Islamic law—within fintech governance. Justice, as a pillar of *maqāṣid*, demands equitable treatment of all stakeholders, prohibiting exploitative practices even in the absence of explicit interest (*riba*). For instance, excessive service fees masked as administrative costs may circumvent interest prohibitions but still violate the spirit of fairness. Similarly, *maṣlaḥah* (social benefit) obligates Sharia fintech to empower marginalized groups, such as MSMEs, through accessible financing. When platforms instead impose burdensome terms or exclude vulnerable populations, they contravene Islam's mandate to prioritize communal welfare over profit (Azizah, 2024).

The case of Ammana Syariah exemplifies these regulatory and ethical lapses. Despite claims of using *wakālah* (delegated authority) contracts, the platform imposes a 1% transaction fee without transparently distinguishing between *wakālah* (non-fee-based) and *wakālah bi al-ujrah* (fee-based agency) structures. This ambiguity violates *Fatwa DSN MUI No. 113/DSN-MUI/IX/2017*, which requires explicit agreement on the quantum and nature of *ujrah* (service fees). Furthermore, *POJK No.10/POJK.05/2019* delineates *wakālah bi al-ujrah* as a distinct contractual category, necessitating clear disclosure of fee mechanisms. Ammana's opacity not only breaches these guidelines but also erodes trust in Sharia fintech's ethical differentiation from conventional models. Such practices highlight a broader systemic flaw: the conflation of formal compliance with genuine adherence to Islamic legal philosophy.

Ultimately, the current framework risks reducing Sharia principles to a symbolic veneer, lacking the philosophical depth to ensure justice and *maṣlaḥah*. Strengthening this ecosystem requires regulators to harmonize technical compliance with the ethical imperatives of *maqāṣid al-sharīʿah*, ensuring that fintech platforms serve as instruments of equitable growth rather than vehicles for economic exclusion.

The contractual ambiguities observed in PT Ammana Syariah's operations underscore the urgent need for institutional reforms aligned with Islamic legal philosophy. To resolve its compliance gaps, Ammana must transparently adopt the *wakālah bi al-ujrah* framework, explicitly detailing the 1% transaction fee as a sharia-compliant *ujrah* (service charge) within formal agreements. This corrective measure would address not only procedural deficiencies but also deeper ethical contradictions rooted in legal-philosophical principles.

Central to this critique is Gustav Radbruch's theory of substantive justice, which posits that laws derive legitimacy not merely from formal enactment but from their alignment with moral imperatives and societal welfare. Radbruch's framework rejects legal validity for norms that perpetuate oppression or inequity, even if procedurally sound. Applied to Sharia fintech, this principle demands that platforms transcend regulatory checklists to embody Islamic ethics: prohibiting *riba* (usury), ensuring contractual fairness, and protecting vulnerable users. Ammana's failure to clarify contract types—such as conflating *wakālah* (non-fee delegation) with *wakālah bi al-ujrah* (fee-based agency)—exemplifies a breach of substantive justice. By obscuring fee structures, the platform risks exploiting information asymmetry, thereby violating the moral core of Islamic finance (Firmanto et al., 2024).

Further complicating this issue is the deviation from *maqāṣid al-sharīʿah*, the higher objectives of Islamic law designed to preserve faith, life, intellect, lineage, and property. Unclear contracts jeopardize *ḥifẓ al-māl* (protection of wealth) by exposing users to hidden costs and *ḥifẓ al-aql* (protection of intellect) by obscuring transactional risks. For instance, Ammana's

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ambiguous documentation leaves borrowers unaware of whether profits are equitably shared (as in *mushārakah*) or fixed (resembling conventional interest). Such practices contravene the *maqāṣid* mandate to harmonize financial innovation with ethical accountability, reducing Sharia compliance to a symbolic gesture rather than a lived commitment to justice (Putra et al., 2025).

Equally critical is the erosion of *maṣlaḥah* (public benefit), a cornerstone of Islamic jurisprudence that prioritizes collective welfare over individual gain. While Ammana positions itself as an enabler of Islamic microfinance, its opaque fee mechanisms and contractual vagueness generate *mafsadah* (harm) by fostering distrust and financial exclusion. Scholars like Al-Ghazali emphasize that *maṣlaḥah* must tangibly advance societal well-being—such as empowering MSMEs or mitigating poverty—rather than serve as a rhetorical shield for profit-driven practices. The platform's current model, which imposes fees without transparent *wakālah bi al-ujrah* agreements, contradicts DSN-MUI Fatwa No. 113/2017 and POJK No. 10/2019, undermining its moral authority (Rusdi, 2017).

To realign with these principles, Ammana must institutionalize three reforms: (1) *Contractual Clarity*, formalize *wakālah bi al-ujrah* as the default framework, with written agreements specifying fee structures and service scopes; (2) *Ethical Oversight*, strengthen DPS oversight to audit compliance with *maqāṣid al-sharīʿah*, ensuring contracts uphold risk-sharing and transparency; (3) *Public Education*, educate users on Islamic contract types to empower informed consent and combat exploitation (al-Gazâlî, 1993). By embedding these measures, Ammana can transform from a case study of regulatory ambiguity into a model of ethical fintech—one where legal philosophy and Sharia principles converge to advance distributive justice and societal trust.

CONCLUSION

Sharia fintech emerges as a transformative force in global finance, marrying cutting-edge digital innovation with the timeless ethical framework of Islamic jurisprudence. In Indonesia, this fusion has catalyzed a financial revolution, driven by the Muslim majority's demand for services that harmonize faith and modernity. Anchored by robust regulatory pillars—such as POJK No. 10/POJK.05/2022 and DSN-MUI fatwas—the sector has carved a niche as a beacon of inclusive finance, promising equity, transparency, and freedom from exploitative practices like *riba* and *gharar*. These frameworks not only legitimize operations but also position Sharia fintech as a moral counterpoint to conventional finance, where profit aligns with piety.

Yet beneath this promise lies a landscape of paradox. Platforms like PT Ammana Syariah expose systemic fractures: contractual ambiguities that dilute risk-sharing principles, superficial Sharia oversight, and lapses in data ethics. Such deviations betray the *maqāṣid al-sharīʿah*, reducing Islamic finance's higher objectives—justice (*ʿadl*), welfare (*maṣlaḥah*), and intellectual integrity—to mere rhetoric. When contracts obscure fee structures or impose fixed returns under the guise of *wakālah*, they replicate the very inequities Sharia finance vows to dismantle. These contradictions risk reducing the sector to a hollow brand, eroding trust in its ethical distinctiveness.

From a legal-philosophical lens, the crisis is one of legitimacy. Laws governing Sharia fintech must transcend procedural compliance to embody Gustav Radbruch's substantive

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justice—where regulations are judged not by their enactment but by their capacity to uplift the marginalized and restrain exploitation. The path forward demands more than regulatory tweaks; it requires a paradigm shift. Strengthening DPS authority to audit contractual integrity, mandating *maqāṣid*-aligned product design, and launching nationwide literacy campaigns are critical steps. Only then can Sharia fintech evolve from a transactional tool into a justice-driven ecosystem.

The stakes transcend finance. As Indonesia navigates its digital transformation, Sharia fintech stands as a litmus test for whether technological progress can coexist with moral accountability. To succeed, it must reimagine itself as a convergence of ethics and innovation—where algorithms serve *maṣlaḥah*, blockchains enhance transparency, and every transaction advances collective dignity. In this vision, Sharia fintech ceases to be merely an alternative and becomes a global standard: proof that finance can be both cutting-edge and conscientiously human.

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