

# THE ROLE SHARIA FINTECH TO SUPPORT HALAL INDUSTRY IN INDONESIA

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## **Abstract**

*The purpose research to show growth sharia fintech, as well as analysis forms supporting sharia fintech improving halal industry in Indonesia. Research method used qualitative with literature study. Sources data used are secondary data has been presented certain institutions and then processed by researchers. Such as data from Financial Services Authority, Bank Indonesia, and other Data collection techniques used libraries from several sources are considered relevant. Data analysis technique used is descriptive qualitative. Results study indicate development sharia fintech period 2019 to 2020 sharia fintech assets 4.474,86. Sharia fintech lending players 10. Sharia fintech can support development halal industry, with easy access, including Halal SMEs. Multipayment fintech can be a means of payment for business. Sharia fintech Peer to Peer (P2P) Lending will provide access capital, as well as investment facilities. Type sharia crowdfunding fintech provides access joint funds finance halal industry so actors can be helped increase their business.*

*Keywords: Sharia Fintech, Supporting, and Halal Industry*

## **INTRODUCTION**

Indonesia as a large country has such great potential in supporting the development of the halal industry players which are currently starting to develop. The existence of this potential can be seen from the largest Muslim population in the world, which will continue to grow, which is estimated to reach 256 million people, in 2025. Then several sectors in the halal industry, such as in the Islamic banking and non-bank financial sector, then the growth trend of halal tourism, then the trend of Muslim fashion, continues to be an achievement for Indonesia to be able to compete in the eyes of the world. Other supports from the existing demographic conditions are developing in the younger generation, and geographical natural conditions which also support the

development of the halal industry. The clear legality of the existence of the halal industry in law number 33 of 2014, then equipped with access to technology that will complement it. These supportive factors will drive economic growth by increasing export trade activities and increasing the country's foreign exchange reserves. Indonesia will also face difficult challenges in developing the halal industry. These challenges can come from internal parties or challenges from external parties. The external challenge is in the form of competition from many countries, then there is also no international standard. Then the internal challenge is the lack of knowledge and sensitivity of the Indonesian people towards halal products, problems arise to support the implementation of the Halal Product Guarantee law coupled with the level of public awareness to be able to compete in presenting good quality halal products. It is hoped that many parties will begin to recognize and know, and make products from the halal industry a consideration in using these products. By referring to the opportunities and challenges that may occur, the role of the government is needed to provide education and introduce good quality goods and services that can be marketed to the public. By increasing education and maximum assistance activities, it can lead Indonesia from a consumer country to a better producer in the future (Fathoni, 2020).

Indonesia has great potential and great opportunity to respond and contribute to the development of the halal industry. Demographic conditions, Indonesia is a large country with a majority Muslim population with a level of awareness that wants to consume halal products that are not maximized. The halal industry is divided into several sectors, such as for food and drink products, fashion products, the tourism sector, cosmetic products, and service products that can be consumed. Indonesia also has sufficient capital to encourage the growth of the halal industry. This includes developing a halal ecosystem and establishing a sharia financial system that continues to grow rapidly. Indonesia is committed and has a vision to become a country that presents the largest Islamic financial financial products and services at the global level. The arrangement of the halal ecosystem forms a chain of halal product networks, which can be applied continuously, including to support the growth of an area. At the global level, internationally, it also continues to experience good growth, both in terms of demand and supply. In addition to Muslim-majority countries, other countries that are not Muslim-majority also see and take advantage of opportunities in the development of the halal industry to take part. There are three important points that support the need to take a global role in the halal industry sector, firstly, the use of fintech which continues to grow in the supply process and serves the demand

for halal products. Second, the use of technology 4.0 in order to create efficiency and be more effective in expanding access to the halal industry. Third, take advantage of community development as a social life that will require advice and infrastructure through the use of technology (Nasution, 2020a).

Islamic economics has become a new trend center for economic development in Indonesia. One of them is the rapid development of the halal industry. However, in its development, these industries are often constrained by the funds and sources of capital needed by the company. It is hoped that these obstacles can be overcome and have a positive influence on the development of the halal industry, namely through the Islamic capital market. In the discussion, it has been explained that there are several products from the Islamic capital market that can be selected and used by the halal industry in obtaining funding, namely IPO, sukuk, and ECF. It is hoped that this research can be useful for the development of the halal industry through the Islamic capital market in the future (Melisa & Khikmawati, 2021).

The halalness of a product that is marketed has an economic opportunity. The presence of Law No. 33 of 2014 concerning Halal Product Guarantee is the legal umbrella for the state in the implementation of halal product guarantees. The guarantee of halal products held by the State has implications that are not simple. Therefore, it needs to be taken seriously by various related parties, especially Muslims who need legal certainty for the products they consume. Muslims need legal certainty for the products they consume. There is a need for a guarantee for the halalness of the product. Producers are required to prepare correct information about halal and the State is obliged to serve. Halal certification policies have economic benefits and are very strategic to optimize the captive market. The implementation of mandatory halal certification for business actors by obtaining halal certification for products sold without realizing it has a positive impact on economic development in Indonesia. From a macro perspective, the halalness of a product remains a trend in many countries in the world. Moreover, with the Muslim population in Indonesia reaching 87% of the total population, the potential is enormous. There must be a common awareness about the importance of optimizing the captive market that is in front of our eyes, so that outsiders do not take advantage of this opportunity. And halal products can be pushed in that direction. Another positive implication of mandatory halal is the opening of new job opportunities. Because, with the obligation to be certified halal, the need for human resources to support the implementation of halal product guarantees (JPH) is certainly large. Among them

is the need for a halal auditor which is an important element and must exist in the LPH (Halal Examination Agency). Halal auditors will later become quite an interesting profession. This of course will be a positive for the development of halal in Indonesia and the world (Warto & Samsuri, 2020).

In the process of developing the existing halal industry to continue to grow and develop better, industry players need support from all elements without exception for the Islamic finance industry to be able to contribute to business capital. The role of the government and regulations as well as all are expected to support the development of the halal industry globally. Indonesia with the largest Muslim population has great potential in its development, so to be able to compete requires encouragement from all elements. This includes easier and safer access to finance in the development of the business sector. As the main role of the financial sector that supports the real sector, including the development of the halal industry. A variety of Islamic financial products can be used to encourage the halal industry to grow and develop, with profitable schemes and sharia principles. Islamic finance can offer various schemes, especially for additional capital, as well as other roles. Sharia financial technology (fintech) with technology-based financial services, easy access has harmony in the development of the halal industry. All business actors can develop by following trends and technological developments. Islamic fintech has an important role. Sharia fintech can play a role in providing capital, and digital marketing, as well as easy access to finance with no time and place restrictions for the development of the halal industry.

Fintech is directly related to sharia fintech requirements that need to be known by all levels of society who use it because security and legality are very important and should be known to be useful for maintaining the safety of all elements involved in the use of fintech. Why is it important because related to the legality and security of a system or platform many are manipulated or exploited by irresponsible people only for personal interests which trigger the emergence of tyrannical, unfair characteristics which have implications for the losses incurred and can harm other parties and things another fatal, because this is why education or socialization related to public literacy must always be considered (Saleh et al., 2020).

The presence of Islamic fintech can be an answer to the problems experienced by the community that have not been fully served by Islamic banks. Good growth in Islamic fintech institutions provides easy and fast access to financial services, is closely related to the use of

technology and utilizing the internet network for access. Including the relationship between the halal industry and the use of sharia fintech that can support and complement each other for mutual benefit of both parties. In a simple way, the linkage between sharia fintech and halal industry players can be described by the expression that sharia financial services will strengthen the halal lifestyle, especially the need for financial services. So that Islamic finance becomes part of the existence of the halal industry, the existence of sharia fintech also has principles in carrying out its activities that must be in accordance with the muamalah contract to form a business scheme that runs according to the provisions of Islamic economics (Juda, 2021).

In addition to providing funding that is more accessible to the public, the existence of sharia fintech also encourages the development of productive sectors that are currently not served by banking services. Obstacles to the development of sharia fintech in encouraging the growth of MSMEs in Indonesia can be solved at least by three strategies. First, strengthening the ecosystem in the form of synergies between sharia fintech, fintech service users (borrowers) and sharia banking (lenders) as civil society, the government which is the regulator and universities as academics. Second, optimizing the potential that exists in sharia fintech, such as increasing managerial abilities and understanding of sharia contracts so that they are able to produce sharia fintech products according to the needs of MSMEs. Third, explore existing market niches with massive and targeted socialization and promotions (Saripudin et al., 2021).

The development of financial technology is not only found in conventional, but currently the development of sharia-based fintech has now begun to develop in society. That by using sharia-based fintech which is also a technological innovation that is in accordance with sharia provisions and is a solution to avoid *usury transactions*. The benefits obtained by the existence of sharia fintech include an effort to make it easier for everyone who will make transactions and investments based on Sharia principles. In addition, it provides convenience in conducting financing without face-to-face contact. In principle, every business activity has a risk, but we can minimize the risk to the lowest point if we do it in the right way and according to sharia (Santoso et al., 2021).

The period of February 2020. Of the 13 sharia fintech companies, there are 6 sharia fintech companies that focus on financing for MSMEs. The pattern of developing MSMEs through sharia fintech can be done by adding to the role of fintech institutions, not only providing financial support but also being a companion in business development, especially regarding the marketing

of MSME products. Sharia fintech can facilitate the space to sell products online by utilizing the *marketplace* and websait owned by sharia fintech (Trimulato, 2020).

From the description above, the researcher feels interested in conducting further deepening and discussion related to the role of sharia fintech institutions to support and be a part that can encourage the growth of the halal industry. There are many schemes that can be applied by Islamic fintech institutions to provide services that the halal industry needs. The purpose of this study is to describe the development of products from sharia fintech, the development of the halal industrial sectors, and the role of sharia fintech in kites that can encourage the halal industry in Indonesia.

## **LITERATURE REVIEW**

Based on law number 33 of 2014, what is meant by the halal industry is all products that can be declared in conformity with the provisions of Islamic sharia. Products that go through the process in halal products, which are then called PPH, are part of a series of activities to provide guarantees for a product, starting with the availability of raw materials, management of materials, product storage in accordance with the provisions, packaging activities of a product, then activities product distribution, sales process to market, and product presentation process. The existence of halal product guaranted activities or called JPH is the presence of legal certainty for a product related to the halal process which is then not only declared but also obtains a certificate for halal assurance. The use of the halal label is a sign that the product is truly halal. The halal certificate owned by a product is proof that a product is halal issued by the official BPJPH agency that follows the fatwa and is issued by the Indonesian Ulema Council (MUI) (Law Number 33, 2014).

As for the halal industry, according to the Big Indonesian Dictionary (KBBI), the industry itself is a process and management of goods by utilizing various equipment and facilities owned, such as using machine tools. Then halal is something that is permissible and does not conflict with Islamic law so that it can be combined with the halal industry, which is a series of activities in making a product in the process, and its management activities in utilizing the facilities, and the tools used includ machines are all allowed in the provisions of Islamic law. Regarding the halal industry sector, it has been regulated in law number 33 of 2014, concerning the existence of a Halal Product Guarantee. Halal industrial activities cannot be separated from businesses that can produce products and services that must be adjusted to the provisions of Islamic rules. This

definition was discovered recently due to the trend and increasing demand for and supply of halal products globally. Previously, the halal industrial sector was closely related to the existence of halal economic activities, it was stated that the existence of halal economic activities was known and popular first when compared to the halal industrial sector. In 2019 Thomson Reuters in collaboration with the DinarStandart agency released data on the State of Global Islamic Economy Report showing that the halal economy consists of several sectors and products and services that structurally must follow the provisions of Islamic law, which then contain values, as well as the fulfillment of lifestyle of consumers as outlined in business practices (Sukoso, et al. 2020).

There are four main industries that can be developed optimally and optimally by Indonesia as a country that has the largest Muslim population in the world. The four industries consist of; the existence of the sharia tourism industry sector, then for the halal industry in the food and beverage sector, then the halal fashion and clothing sector, as well as in the provision of halal financial services. By mapping and then continuing with identification, it will be seen from the potential of each sector of the halal industry, to be considered for increasing the development of the halal industry in many sectors. There are also important things to do with the creation of a halal ecosystem that can encourage the four halal sectors to also be combined by optimizing the performance of the management who creates the halal product value chain so that they can produce quality that meets the standards of products and services that prioritize the quality of halal products. In mapping activities, each sector of the halal industry has potential that can be increased to provide more value or added value while maintaining the value of Indonesian culture. There are five steps that can be taken strategically to improve the quality of competition with others, fulfill certification, carry out intense coordination, conduct publications and increase cooperation with many parties. Therefore, there is a role from many parties, such as the need for coordination with the government as policy makers, cooperation between industry players in many sectors in supporting the development of the halal industry in Indonesia. Then there is the participation of all levels of society who are actively promoting and introducing halal products, including digitally, to reach a wider audience, including at the global level, so that they can reach a wider market (Saputri, 2020).

The Islamic finance industry is a system whose processes and activities are built based on Islamic law. A financial system that is in line with sharia principles. The establishment of a sharia financial system is due to the process of avoiding transactions that are prohibited in Islam such

as the avoidance of lending and borrowing transactions that charge interest which is a usury transaction. As well as Islamic finance, efforts to avoid the allocation of funds, including investment from businesses that are forbidden in Islam. Conventional does not prohibit this, it becomes the need for Islamic finance. The presence of financial institutions such as fintech is a form of business whose activities are based on the use of software technology and are more modern in providing financial services. Products from fintech institutions are start-up companies that aim to provide financial services and offer solutions for many purposes, such as for transfer purposes, to obtain loans, for fundraising activities, and even asset management service products. The sharia fintech itself is a service from financial services that offers solutions to financial needs offered by fintech institutions whose services are adapted to Islamic law (Fintech, 2017).

Fintech is a combination of two words, namely financial and technology. Fintech has become popular in recent times. When people find the phrase fintech, they will imagine financial services that will provide convenience and speed of access for financial transaction purposes, such as payment purposes, speed of obtaining loan funds, easier and faster transfer and transfer processes, and other financial transaction needs. The emergence of fintech gives users hope to be able to save more time, then save energy, thoughts and costs. Fintech is a financial service that is offered using technology, including for daily needs such as paying electricity bills, paying installments, and distributing insurance premiums easily online, without coming directly to the service provider. These are some of the products that can be done through fintech services to meet needs, as well as money transfer services or balance checks through online banking services (Fahlefi, 2018).

Based on the 2018 fatwa of the National Sharia Council of the Indonesian Ulema Council regarding sharia fintech operators, it is stated that the type of financing based on information technology that is in line with sharia principles is a form of providing financial services and services based on sharia principles whose activities connect and bring together two parties, namely the party who will providing financing to the party who will receive the financing in fulfilling the contract is carried out using an electrobic technology system with internet network facilities. The electronic system used is a series of electronic devices and processes for the provision of financial services. Then the formation of information technology as an effort to collect, prepare, store, and process stages, announcements, and analysis processes as well as disseminating information for the benefit of financial services. The party providing the financing

is the party whose purpose is to distribute the financing to meet the needs of the party who is short of funds. Furthermore, the party receiving the financing is the party who uses the financing fund (DSN-MUI, 2018).

The concept of fintech lending must be in line with the *maqāṣid shariah* perspective, which is to avoid evil, take advantage and rejected. There are six aspects of fintech lending that can be assessed in line with the *maqāṣid syariah* perspective, namely: First, the contract model must be explained at the beginning before the transaction is carried out, it must be clarified at the beginning the rights and obligations of funders and fund managers who still refer to ethical procedures debt based on sharia. Second, operators must use AI and capital users must escape AI. Third, if the lending model is a business partnership, the risk of failure must be explained in more detail. If the failure is caused by a force majeure factor, then the loss will be shared by both parties, and if it is caused by a management negligence factor, then this is the responsibility of the user. Fourth, problems that occur must be resolved in a dignified manner without demeaning all parties. Fifth, the fund provider or operator must be able to maintain the confidentiality of the data of the fund user. Sixth, all forms of funds provided must be used according to their designation and must not carry out activities that violate the Shari'a. Seventh, all forms of funds provided must be used according to their designation and must not carry out activities that violate the Shari'a (Rifai, 2020).

Fintech has an existence in various forms, one of which is the existence of a breakthrough in technological progress in economic transactions called Fintech (Financial Technology). The shift in the business world has entered into all aspects that also affect progress in the world of economic transactions. This is a form of progress in the field of financial services that no longer uses paper currency which is usually used as a form of transaction for a business relationship. Fintech changes the concept of the existence of currency as the only transaction tool that has been known so far. In general and in a broad sense, FinTech refers to the use of technology to provide financial solutions. That so far there is no legislation that specifically regulates this industry, it only refers to the Civil Code and is one of the obstacles to fintech. In general, regarding conventional fintech and sharia fintech lies in education and communication as well as literacy of Islamic principles in everyday life which are still not optimal for the Indonesian people. Fintech has an existence in various forms, one of which is the existence of a technological breakthrough in economic transactions called Fintech (Financial Technology). The shift in the business world

has entered into all aspects that also affect progress in the world of economic transactions. (Officer, 2018).

The revitalization of inclusive finance in the era of financial technology or financial technology globally shows that fintech is rapidly developing in various financial sectors and financial institutions, ranging from payment startups, lending, financial planning (personal finance), retail investment, financing (crowdfunding), remittances, financial research, and others. The presence of a number of fintech companies has contributed to the development of Islamic banking in easy and cheap, effective and efficient services. Not only limited to helping finance business capital, the role of fintech has also penetrated into various aspects such as digital payment services and financial arrangements (Realize & Judge, 2019).

Based on the discussion of the SWOT analysis that has been carried out in the previous section, it can be concluded that: Products owned by Fintech Syariah Telkom (Halal-Safe-Easy-Fast-Trusted), namely: (1) Payment Syariah which consists of halal transactions, custodian banks sharia; (2) Sharia E-Wallet consisting of Sharia Credit Card, Debit Card; (3) Sharia investment and financing consist of sharia property, sharia KBM, sharia SME/SME business and (4) Donation (ZISWAF) consists of payment, ZISWAF distribution, monitoring/tracking, integration into tax return. Telkom's customer base has the potential to become a Sharia Fintech market, this is supported by Telkom's large capabilities (technology, network channels and human resources) in reaching the Muslim community to provide Sharia Fintech services and solutions to synergize the potential of ZISWAF in Indonesia through a synergy program with related parties (Setyaningsih, 2018).

Disruption of technology that enters all aspects of life brings us to new situations full of surprises. The technology's unique features enable near-infinite acceleration which can be interpreted as both an opportunity and a challenge. In this digital transformation, fintech has become one of the latest innovations in the fast-growing economic and financial sector, mainly driven by the sharing economy phenomenon, favorable regulations, and advances in information technology. With its uniqueness, Islamic economics and finance must be continuously explored and developed. Ethical principles such as togetherness, justice, equality, and honesty must be promoted as universal human character and values. As a relatively new scientific discipline, Islamic economics and finance can actively maximize the role and function of technology in life for the common good (wellbeing). In the realm of research, if previously this technology issue

had not been enough of a concern for researchers, then the trends and tendencies slowly began to shift. There is encouraging attention from observers of research in the field of Islamic economics and finance on the theme of technology adoption (Washith, 2019).

## RESEARCH METHODS

The type of research used in this study is qualitative which discusses the halal industry and the existence of sharia fintech. The approach used in this research is library research, with a description of the development of sharia fintech, the development of the halal industry, and the form of the role of sharia fintech in supporting sharia fintech.

The source of data used in this study is secondary, namely data that has been presented by a particular institution and then processed the data. The existing data is then presented systematically. The data used in this study comes from data from the Financial Services Authority (OJK) as well as sharia fintech development data, then data sources from the National Sharia Economic and Finance Committee (KNEKS) and data from the LPPOM MUI institution. Then from several other sources that are in accordance with the research theme.

The data collection technique used in this research is literature from several sources that are considered relevant to the research theme. Resources about sharia fintech services, and about the halal industry. From several sources both from books, journals, reports and others.

The analytical technique used in this study is a qualitative descriptive analysis technique, namely analyzing, describing, and describing the conditions of the research object. In this case, it describes the development of sharia fintech institutions, the growth of the halal industry, and the role that sharia fintech can build to provide support for the development of the halal industry in Indonesia.

## RESULTS AND DISCUSSION

### Development of Halal Industry

**Tabel 1.** Development of the Number of LPPOM Halal Certification Products in 2021

No	Component	2015	September 2021	Growth (%)
1	Number of Products	46,260	1,217,328	2,531.49
2	Number of Business Actors/Companies	1.052	16,856	1,502.28
3	Number of Halal Certificates	1,404	40,732	2,801.14

Source: LPPOM MUI. MUI Halal Certified Products (data processed)

From the data above, it shows that the condition of certified products based on LPPOM MUI data in the period 2015 to September 2021, the three segments experienced very large growth. In the component, the number of issuances of halal certificates reached 2,801.14 percent, then the number of halal products increased to 2,531.49 percent, and for business actors, namely companies that have products, it reached 1,502.28 percent. This is a form of concern for responding to the development of consumer tendencies in choosing halal products. However, this still needs to be encouraged considering that there are still many business actors who have not obtained halal certificates from their products, including micro business actors who also need to be encouraged to obtain halal certificates. Also large companies can be encouraged to encourage the development of the halal industry.

**Table 2.** The Portion of the World's Halal Product Sector Spending Activities in 2018

No	Halal Industry Sector	Value (USD, Billion)	Portion
1	Tourism Sector	11	4.91
2	Fashion and Clothing Sector	21	9.38
3	Entertainment and Media Sector	10	4.47
4	Medicines and pharmaceuticals Sector	5	2.23
5	Cosmetics and Makeup Sector	4	1.78
6	Food and Drink Sector	173	77.23
7	Total	224	100

Source: Thomson Reuters in Bank Indonesia's 2020 Halal Ecosystem book (Data processed)

Based on the above, it shows that there are spending data at the global level on consumption and selection of halal products that are currently developing, data from the Halal Ecosystem book published by Bank Indonesia in 2022. Several spending sectors in 2020 consist of the halal food and beverage sector, the halal tourism sector, the fashion and clothing sector, the medicine and cosmetics sector, the entertainment and recreation sector. By demonstrating the great value of shopping for halal products at a global level, which can be continuously improved. The largest spending consumption was in the halal food and drink industry sector, taking a portion of 77.23 percent, then spending on halal clothing by 21 percent, then spending on the halal tourism sector by 11 percent, and entertainment 10 percent, other sectors, below 10 percent. By looking at the development of the halal sector globally, all sectors can be further developed to be able to compete and be developed for other countries. The level of spending on halal products can be used to explore the potential more deeply and increase the role of many parties to improve the entire sector, or give birth to other sectors. Including involving in terms of promotions and

payments, as well as easier access to finance by utilizing sharia fintech which must be in synergy. Increasing the role of the financial sector in supporting the growth of the real sector in many business sectors, including in supporting halal SMEs.

The existence of the halal economy which is currently developing into issues and trends that are currently developing, as a form of context for the development of the sharia economy globally. The existence of a halal economy is part of a holistic concept that is mutually integrated with the provisions of Islamic values. It's just that there is a big enough problem that there is no synergy between the halal industry players and the existence of Islamic financial institutions in Indonesia. An alternative strategy as well as the formation of the required partnership between Islamic financial services and halal industry players in Indonesia can be formed through the existence of a regulation and policy making, which supports the integration of the two. By forming a strategy of halal lifestyle and strengthening of human resources in the financial sector and halal industry players in general. There needs to be a priority strategy that must be built for the formation of partnerships between Islamic financial services and the improvement of the halal industry through the policies contained in the regulations which are the main and first binding that needs to be implemented (Amali and Nurhidayah, 2020).

Among the efforts to increase the formation of the sharia system in Indonesia to develop rapidly, namely by revamping the halal ecosystem by presenting strong regulations, as a form of contribution that is built on an institutional concept as an integral and strengthening form of the halal industry supply chain. Then this supply chain can take on a fairly dominant role in terms of competition by region, especially with the aim of alleviating poverty in a region, reducing economic inequality, and aiming at the creation and absorption of more employment opportunities. With the formation of strong institutions, it can minimize the existence of greater challenges in the domestic halal industry sector, build better quality and increase regional competitiveness in supporting development. In depth, it will be able to increase the supporting factors for the formation of a halal chain for halal industry players in Indonesia (Nasution, 2020b).

The issuance of certification activities by the Indonesian Ulema Council (MUI) also has an important role in ensuring halal products, because it is considered a process of checking a product that has met the requirements so that it is considered halal, including guaranteeing cleanliness, guaranteeing sanitation, and containing safety. halal by the council will get an official logo for halal products and the brand has automatically been registered. So that people will have more

confidence, in using halal products, it has been tested and has a certificate. In 2019, for halal certificates from being voluntary to being mandatory. With the existence of a certificate owned by the halal product will be easy to compete and easy to be accepted by the wider community. Because these products have gone through a process and have been investigated from the ingredients to the process that has complied with the provisions of Islamic law, does not contain anything that is forbidden. Muslim community those who use and consume these products will be more confident and happy to be able to use products that are properly guaranteed to be halal. (BAPPENAS, 2018)

### Sharia Fintech Development

**Table 3.** Development of Sharia Peer to Peer Lending (P2P) Fintech Institutions in 2021

No	Indicator	December 2020	September 2021	Growth (%)
1	Fintech Companies (P2P)	149	107	-28,19
2	Sharia P2P Fintech Company	10	8	-20
3	Total Fintech Assets (P2P)	3,711.16	4,474.86	20.58
4	Total Assets of Sharia P2P Fintech	74.68	74.37	-0.42

Source: Fintech Lending Statistics September 2021, Financial Services Authority (*data processed*)

Based on the data above, it shows the development of fintech institutions in Indonesia in the period from December 2020 to September 2021, with the type of fintech peer to peer landing. In general, the types of fintech consist of multipayment fintech, peer to peer landing (P2P0, crowdfunding) fintech, and other types of fintech. The data above shows that the total number of p2p fintech actors or companies based on data from the Financial Services Authority decreased by -28.19 percent, for p2p fintech assets, an increase of 20.58 percent with total assets of more than 4 trillion. For sharia p2p fintech for p2p sharia fintech players or companies, it has decreased by -20 percent, and total assets of sharia p2p fintech has decreased by -0.42 percent There needs to be an effort to improve the performance of sharia p2p fintech to be able to grow and compete.

Through the integration of all institutions to position their respective roles towards the same goal, it will encourage the sharia financial ecosystem and form a community, strengthening the halal industry that is currently developing. Then there are recommendations for all parties, whether in the form of financial institutions, social institutions, professional institutions, and the role of the government to support the goals of the same vision of developing the halal industry in Indonesia. It is therefore necessary for a roadmap to guide the verification and design of

strategies for the activities of these institutions. The establishment of a halal ecosystem is developed in a systematic way that can be measured, is able to achieve the target, then the existence of the halal industry can be a source that can be seeded and has a nationally competitive value (Utomo et al., 2020).

In technologically advanced era, the use of fintech has become an unavoidable necessity, including for the sharia economy, it has become an answer as well as a challenge to be able to adapt every product and make policies that are aligned with the use of fintech but its operational activities do not violate sharia principles. The rapid development of information technology can be used to realize a goal and become a very effective facility to reach a wider market, including the Islamic banking market. Increasing the role of Islamic banks is no longer just a relationship between creditors and debtors, but a wider relationship, creating partnerships between fund owners (*shihibul maal*), and fund managers (*mudharib*) who can provide welfare for both. (Subagiyo, 2019) The form of benefits that can be obtained by activities that utilize the services of sharia fintech is to become access for the recipients of financing no longer need to meet in person but by fulfilling financial needs more easily and quickly can be fulfilled by Muslims who carry out their financial activities based on remain in line with sharia principles (Wahyuni, 2019).

### ***The Role of Sharia Fintech to Support Halal Industry in Indonesia***

The industrial revolution towards 4.0 presents a pattern of technology that is so fast in many sectors that will support human activities, in fulfilling many aspects of life. For the purpose of fulfilling economic and financial activities, the development is known as the presence of the fintech system. However, behind the ease of access to financial fulfillment, the presence of fintech has two sides, which can provide benefits and contain negative risks. Fintech provides convenience in fulfilling financial needs, easily and quickly, but also has a negative value because it will increase a consumptive, wasteful, hedonistic lifestyle, lending practices that charge interest is easier to do online. If you want to be positioned according to its objectives, fintech will provide financial convenience and increase the level of financial literacy for the community. As for what must be fulfilled by fintech according to fiqhiyah rules, namely the avoidance of transactions that contain fraud, secondly; fulfillment of morals and ethics that prioritize honesty, and continue to implement sharia principles. Third; increase knowledge and socialization for muamalah fiqh which regulates the economic and financial system related to fintech (Hakim & Irawan, 2019) .

For MSME actors, they can also take advantage of the existence of fintech, including answering the problem of capital constraints, which can be answered and become a solution. So fintech institutions offer to solve these problems, by providing capital. In addition, fintech is also an education related to the existence of Islamic finance, so that people will know and know about Islamic financial services that continue to increase. The problem for fintech institutions is presenting fintech management through training activities on business product marketing activities and strategies that need to be carried out to improve business. So that the needs of MSME actors related to capital can be met with a management pattern in the business (Wardhana, 2019).

*The development of Fintech or Financial Technology in Indonesia is growing rapidly. Sharia Fintech innovation is one that adds to the attractiveness and latest trend of this financial technology. Sharia Fintech is an amalgamation of financial management using a technology system that is also based on financial accounting information that does not leave sharia economic principles. The presence of Sharia Fintech itself is a concern of the Indonesian people, this is because this technology has many service features that facilitate the performance of Islamic Financial institutions or companies such as cooperative financial institutions, banking and insurance. Through Sharia Fintech, all types of financial transactions become efficient, faster, and easier, without having to make face-to-face transactions. Furthermore, Sharia Fintech innovation is a form of development of accounting information systems that can be supported by the presence and role of accountants and accounting in it. The existence of accountants in the implementation of Sharia Fintech can support Indonesia's economic activities, especially the Muslim community. On the other hand, Islamic Fintech technology innovation in the development of accounting information systems shows readiness to meet technological developments in Indonesia. The presence of Sharia Fintech has an important role in providing transaction access solutions for people who do not have accounts at financial institutions or banks, also facilitates obtaining loans for people who do not have bank collateral, providing easy access to financial data anywhere and anytime. In addition, there are innovations that are carried out continuously, so Sharia Fintech products are timeless (Lusiana et al., 2021).*

The presence of sharia fintech can support the development of the halal industry. Sharia fintech can support the availability of capital for halal industry players to develop their businesses. Especially halal industry players who do not have access to financing from Islamic

banking. Sharia fintech can support the halal industry by getting involved in marketing the products of halal industry business actors who become consumers. Through its websait to make it more widely known or create a marketplace. Sharia fintech can encourage the halal industry by increasing the number of halal actors through the halal certification process. Every halal industry player who gets funding from sharia fintech is directed to have a halal certificate. Sharia fintech can encourage the halal industry through every investor and business actor being directed to use sharia bank accounts as a multipayment payment instrument. To increase the number of Islamic bank customers. Sharia fintech can support the halal industry through increasing public literacy online, together with introducing sharia fintech products and introducing the halal industry outside.

Sharia fintech can bring together fund owners with halal industry players who need funding for business development. Sharia fintech as one of the relatively new Islamic financial products, can be directed to encourage the halal industry more broadly. Characteristically, Islamic fintech provides easy access, wider reach, and more efficient transactions. Based on this, it is easy to encourage the halal industry in technology-based development. Sharia fintech with sharia peer to peer landing (P2P) schemes and sharia crowdfunding, can provide support to the halal industry sector, in the pattern of providing business capital, the funds are sourced from investors.

## **CONCLUSION**

The development of sharia fintech types of Islamic p2p lending in the period December 2020 to September has decreased, the number of sharia fintech players has decreased by 20 percent, and Islamic p2p fintech assets have decreased by -0.42 percent. The total assets of p2p sharia fintech are 74.37 billion, with a total of 8 companies. The development of the halal industry has increased based on data from LPPOM MUI for the period 2015 to September 2021, the number of halal products increased by 2,531.49 percent, business actors increased by 1,502.28 percent, and the number of issuance of halal certificates increased by 2,801.14 percent. The level of shopping for halal products globally is dominated by the largest portion of spending in the halal food and drink sector at 77.23 percent.

Sharia fintech has a role in strengthening the halal industry to grow better. Sharia fintech has a role in providing venture capital. Sharia fintech can participate in marketing halal industrial products. Sharia fintech can encourage business actors to obtain halal certificates. Sharia fintech

can encourage lenders and parties who get halal industry funds to use sharia bank accounts. Sharia fintech can encourage in the form of business assistance for the halal industry. Sharia fintech can encourage easier financial access, more flexible access, and the use of technology for the halal industry.

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