
Indonesian Islamic Banking and Finance: Responding to Digital Disruption Through *Maqāsid* Integration and Product Innovation

Siti Umi Nurbaidah

UIN Syarif Hidayatullah Jakarta, Indonesia

Email: siti_uminurbaidah24@mhs.uinjkt.ac.id

KEYWORDS:

Islamic Banking; Digital Disruption; *Maqāsid* al-Syarī'ah; Product Innovation; Regulation; Fatwa MUI

ABSTRACT

Indonesian Islamic banking and finance face major challenges amid digital disruption driven by fintech, blockchain, open banking, and crypto assets. These rapid developments create opportunities for financial inclusion and product innovation but also introduce risks of *sharia* non-compliance, weak regulation, and declining public trust. This study explores Islamic banking strategies in responding to these challenges through the integration of *maqāsid al-syarī'ah* and product innovation, while recommending the renewal of OJK regulations and DSN-MUI *fatwas*. Using a qualitative approach with SWOT analysis on academic literature, regulatory reports, and *sharia fatwas*, this research identifies that the main strength of Islamic banking lies in its *sharia* legitimacy and support from the Muslim community. However, weaknesses persist in low *sharia* digital literacy and regulatory lag. Opportunities arise from blockchain technology, digital payments, and hybrid instruments like digital *sukuk*, whereas threats emerge from conventional fintech competition and *sharia* reputation risks. Integrating *maqāsid al-syarī'ah* strengthens digital product innovation through principles of property protection (*hifz al-māl*), intellectual protection (*hifz al-'aql*), and life protection (*hifz al-nafs*). The findings highlight the need for *maqāsid*-based, technology-adaptive regulations and responsive *sharia fatwas* to ensure compliance and innovation. Consequently, Indonesian Islamic banking can sustain growth, enhance competitiveness, and strategically navigate the evolving digital landscape.

INTRODUCTION

Global Islamic banking and finance in the last five years (2020–2025) have undergone a fundamental transformation due to the rapid acceleration of digitalization (Aktürk et al., 2025; Nuri, 2025). Digital disruption has changed the face of the financial industry, marked by the emergence of *fintech* (financial technology), blockchain, big data, artificial intelligence (AI), open banking, and even decentralized finance (*DeFi*) (Ryabov et al., 2021; Turi, 2023). This technology not only supports efficiency but also shifts business paradigms, intermediation models, and people's patterns of financial service consumption (Nichkasova & Shmarlouskaya, 2020; Pantielieieva et al., 2019). According to the *Global Islamic Fintech Report 2022*, the global Islamic *fintech* market value is projected to reach USD 179 billion by 2026, growing significantly from USD 79 billion in 2021 (Hadda & Rym, 2024). This growth is driven by increased internet penetration, Muslims' preference for *sharia*-based services, and more adaptive regulations in Muslim-majority countries such as Saudi Arabia, Malaysia, and Indonesia (Alam & Pradhan, 2021; Arianty et al., 2025).

Indonesia holds a strategic position in this global landscape. With more than 230 million Muslims (87% of the population), the country is a potential laboratory for digital Islamic financial product innovation (Arianty et al., 2025; Said & Muhammadun, 2024). *Bank Indonesia* in 2020 launched the *Sharia Economics and Finance Blueprint*, emphasizing the acceleration of digital

transformation, while the OJK in 2021 issued the *Sharia Financial Services Sector Masterplan 2020–2025*, which highlights digital integration as one of its main pillars (Reyes, 2023; Shofawati, 2023). However, these opportunities come with risks. Digital innovation, if not accompanied by strong *sharia* principles, can lead to irregularities (Afdawaiza et al., 2024; Harefa, 2025; Kenneh, 2024). The risk of *sharia* non-compliance is a major issue, alongside weak consumer protection, regulatory delays, and low *sharia* digital literacy (Muryanto, 2023; Suaidi, 2025).

This phenomenon aligns with the normative principle affirmed in Q.S. al-Baqarah : 282 on the importance of recording transactions clearly and transparently: “O you who have believed! If you do not agree in cash for the stipulated time, then write (the contract)...” This verse demonstrates that Islam emphasizes transparency, recordkeeping, and accountability, which in the modern context can be realized through smart contract technology and blockchain. The hadith of the Prophet Muhammad (PBUH) also underscores the value of honesty in transactions: “An honest and trustworthy merchant will be with the prophets, *shiddiqīn*, and martyrs.” (HR. al-Tirmidhi, no. 1209). This hadith serves as an ethical guideline for innovators of Islamic digital financial products, ensuring they do not fall into speculative or manipulative practices.

Digital transformation, therefore, requires the integration of *maqāṣid al-sharī‘ah* as a normative framework to ensure the sustainability of *sharia* product innovation while maintaining public trust (Mat & Abd Halim, 2025; Mohd Zain et al., 2024). In the context of digital disruption, *maqāṣid al-sharī‘ah* should be the main foundation. *Al-Syātibī* in *al-Muwāfaqāt* affirms that *maqāṣid* aim to bring benefit and prevent harm. Ibn ‘Āsyūr (2006) further emphasized that *maqāṣid* are dynamic and must be applied within the context of social, economic, and technological change. The integration of *maqāṣid* in Islamic digital finance covers five key areas: *ḥifẓ al-māl* (protection of property) to ensure the security of consumers’ digital assets; *ḥifẓ al-‘aql* (protection of reason) to promote *sharia* digital literacy and prevent speculative investment; *ḥifẓ al-naḥs* (protection of life) to guarantee fair, inclusive, and non-detrimental access to finance; *ḥifẓ al-dīn* (protection of religion) to ensure conformity of innovation with *DSN-MUI* fatwas; and *ḥifẓ al-nasl* (protection of descendants) to support sustainable development through digital instruments such as *zakat*, *waqf*, and green *sukuk*. These dimensions confirm that *maqāṣid* serve not only as normative principles but also as a regulatory and developmental framework for *sharia* digital products.

In the past five years, several significant innovations have emerged, including blockchain-based digital *sukuk*, Islamic crowdfunding, electronic *zakat* (*E-Zakat*) and digital *waqf*, hybrid *sukuk* and the *Patriot Bond*, and Islamic *DeFi* (*Decentralized Finance*) (Abu-Husin et al., 2025). The blockchain-based digital *sukuk* initiatives in Malaysia and Indonesia enhance transparency and broaden retail investor access (Moppratama et al., 2024; Nadhifah & Choirunnisa, 2025). Islamic crowdfunding platforms such as *Ethis* in Indonesia and Malaysia apply *musyarakah* and *mudharabah* contracts for MSME and property financing. Meanwhile, institutions such as *Baznas* and *Dompot Dhuafa* have launched digital platforms integrated with *QRIS* to collect *zakat*, alms, and *waqf*. In addition, some countries like the UAE have begun developing hybrid *sukuk* instruments for public financing supported by digital distribution and monitoring. Indonesia has also introduced the *Patriot Bond* through *Danantara*, designed as a low-coupon voluntary bond aimed at national business actors supporting long-term strategic projects such as energy transition and waste management. Unlike *Patriot Sukuk*, which adheres to *sharia* principles and avoids usury, *Patriot*

Bond remains conventional though it preserves the spirit of participation and sustainability. This hybrid *sukuk* approach opens opportunities to integrate *sharia* principles with conventional bond mechanisms, allowing for inclusive and sustainable diversification of public financing sources. Furthermore, Islamic *DeFi* experiments are progressing in Malaysia, Bahrain, and the UAE to develop *sharia*-compliant smart contracts. These developments reflect the new direction of the Islamic finance industry, which still requires a solid legal framework and *maqāṣid* integration to ensure compliance (Akhlāq & Asif, 2024; Habib, 2023).

The implementation of *sharia* contracts in addressing modern financial needs can be seen through *Ethis*, a *sharia*-based *fintech* providing innovative real-sector financing solutions (Choiruddin et al., 2025; Mohd Zain et al., 2024). Operating in Indonesia and Malaysia, *Ethis* acts not only as a funding platform but also as an ecosystem that upholds Islamic principles through *musyarakah* and *mudharabah* contracts. In the *musyarakah* scheme, *Ethis* facilitates collaboration between multiple investors (*shāhibul māl*) and business actors (*mutashārīk*) requiring capital, especially in the MSME and property sectors. Both parties contribute joint capital to a project, sharing profits and losses proportionally based on the initial agreement. This approach minimizes investor risk by positioning them not merely as lenders but as business partners. For MSME actors and property developers, the model provides non-interest-based (*riba*-free) funding rooted in partnership and shared responsibility. The *mudharabah* scheme, on the other hand, applies to projects in which one party (the investor) provides full financing, while the other (the manager) manages the project. Profits are divided according to a pre-agreed ratio, while losses are borne entirely by the investor unless caused by managerial negligence. This scheme is suitable for fully funded projects, such as social housing or MSME raw material procurement.

The integration of these contracts within the *Ethis* digital platform demonstrates how Islamic finance adapts to digital disruption. *Ethis* successfully bridges the gap between capital availability and real-sector financing needs while upholding fairness and transparency. This success proves that *sharia* product innovation is grounded not only in technological advancement but also in ethical and social values central to *Maqāṣid al-Sharī'ah*. Literature shows that most previous research has been primarily descriptive regarding technology. Zulkhibri (2022), for instance, highlights blockchain's role in developing digital *sukuk* as part of Islamic capital market modernization, emphasizing transparency and efficiency but lacking elaboration on *maqāṣid al-sharī'ah* for ensuring *sharia* legitimacy and investor protection. Likewise, Wardhani et al. (2023) focus on developing *sharia fintech* in Indonesia, examining regulatory opportunities and challenges without deeply integrating *maqāṣid* as an ethical framework. Similarly, explore *mudharabah* and *musyarakah* crowdfunding mechanisms as inclusive financing alternatives but overlook the integration of *maqāṣid* for evaluating socio-economic sustainability (Ahmed & Ullah, 2021). The *IsDB Report* (2022) identifies the trend of digital *zakat* through online platforms, emphasizing efficiency in distribution without discussing *maqāṣid* aspects such as property protection (*ḥifẓ al-māl*) and distributive justice.

From these studies, it appears that most prior research focuses on technology, regulation, or market potential, while the integration of *maqāṣid al-syarī'ah* as a framework for evaluating *sharia* digital product innovation remains limited. In fact, *maqāṣid al-syarī'ah* play a strategic role in bridging digital innovation with normative legitimacy, ensuring that every development in Islamic financial products not only enhances efficiency but also strengthens sustainability, justice, and community protection. This research fills that gap by presenting an integrative analysis that links

maqāṣid al-syarī'ah with the innovation of digital Islamic banking and finance products in Indonesia during 2020–2025. Its novelty lies in developing a *maqāṣid*-based conceptual framework to assess strengths, weaknesses, opportunities, and threats in the digitalization of Islamic finance. It also provides practical recommendations for updating *OJK* regulations and *DSN-MUI* fatwas to remain adaptive to technological changes while maintaining public trust and industrial sustainability.

Despite strong *sharia* legitimacy and the support of Indonesia's Muslim community, Islamic banking still faces several structural challenges in the digital era. A key issue is the low level of *sharia* digital financial literacy. The *OJK* (2022) survey found that Islamic financial literacy in Indonesia is only 9.14%, far below the national rate of 49.68%, limiting the adoption of innovations such as blockchain-based retail *sukuk* and digital *zakat*. Regulatory frameworks for Islamic *fintech*, crowdfunding, and *sharia DeFi* remain incomplete, leaving many innovations without legal certainty. Furthermore, maintaining *sharia* compliance is challenging, as products such as crypto tokens, stablecoins, and *DeFi* platforms raise legal and ethical concerns under Islamic law. The *DSN-MUI* has issued fatwas for some instruments, such as *sharia* P2P lending, but many emerging technologies still lack a strong jurisprudential foundation. In addition, Islamic banking competes with established conventional *fintechs* that dominate the market through faster innovation and more advanced digital infrastructure.

This research, therefore, seeks to address several critical questions: how Islamic banking in Indonesia responds to digital disruption, how *maqāṣid al-sharī'ah* can be integrated into *sharia* digital product innovation, what types of *sharia*-compliant and sustainable digital products are relevant for 2020–2025, and what strategies *OJK* and *DSN-MUI* should adopt in regulating these innovations. The study explores the dynamics of digital disruption in Islamic finance, analyzes *maqāṣid*-based integration in product development, conducts a SWOT analysis of digital Islamic banking, and offers recommendations for *sharia* regulatory and *fatwa* frameworks. Theoretically, it contributes to integrating *maqāṣid al-sharī'ah* into digital banking discourse. Practically, it provides strategic insights for *OJK*, *DSN-MUI*, *BI*, and Islamic financial institutions. From a policy perspective, it outlines a *maqāṣid*-based regulatory blueprint, while socio-economically, it aims to enhance digital *sharia* literacy and foster inclusive financial growth.

RESEARCH METHOD

This research employed a qualitative approach with a descriptive-analytical design. The qualitative method was chosen to explore in depth the dynamics of *sharia* digital product innovation and its integration with *maqāṣid al-sharī'ah*, rather than quantitatively measuring phenomena. The study emphasized the interpretation of meaning, synthesis of literature, and conceptual analysis oriented toward developing a new theoretical framework.

The main data were obtained from secondary literature, including normative texts such as the Qur'an, authentic hadiths, and classical works of *maqāṣid al-syarī'ah* (*al-Ghazālī*, *al-Syātibī*, and *Ibn 'Asyūr*); academic articles from reputable journals discussing digital finance, *sharia fintech*, blockchain, crowdfunding, *e-zakat*, *sharia DeFi*, and hybrid *sukuk* during the 2020–2025 period; and regulatory documents, including *OJK* and *Bank Indonesia* publications, *DSN-MUI* fatwas, and reports from the Islamic Development Bank (*IsDB*).

Data collection was conducted through systematic documentation by selecting literature that

met specific inclusion criteria—publications from 2020–2025 relevant to *sharia* digital product innovation and containing regulatory or *maqāṣid* aspects—while excluding sources unrelated to the *sharia* context or purely technical studies.

Data analysis proceeded in three main stages. First, a systematic literature analysis was carried out to identify the central themes in previous research, such as blockchain-*sukuk* (Zulkhibri, 2022), *sharia fintech* (Wardhani et al., 2023), crowdfunding (Ahmed & Ullah, 2021), and *e-zakat* (IsDB, 2022). Second, a SWOT analysis was used to map the strengths, weaknesses, opportunities, and threats of Islamic banking digitalization—strengths based on *sharia* legitimacy, opportunities stemming from blockchain innovation, weaknesses associated with low digital literacy, and threats arising from competition with conventional *fintech*. Third, the findings were integrated with *maqāṣid al-syarī'ah* by interpreting the SWOT results according to key principles such as property protection (*ḥifẓ al-māl*), intellectual protection (*ḥifẓ al-'aql*), and life protection (*ḥifẓ al-nafs*).

The research process followed seven sequential stages: identifying digital disruption issues in Islamic banking; studying relevant literature based on the Qur'an, hadith, and academic sources; collecting secondary data from regulations, reports, and *fatwas*; analyzing literature and regulatory frameworks; constructing a SWOT analysis model; integrating findings with *maqāṣid al-syarī'ah*; and formulating conclusions and recommendations related to regulations, *fatwas*, and product innovation.

This methodological flow demonstrated the continuity between normative sources (Qur'an and hadith), academic literature, and regulatory references, culminating in a new conceptual framework representing the main contribution of the study. The validity of the research was ensured through source triangulation by combining normative texts, scholarly publications, and regulatory data.

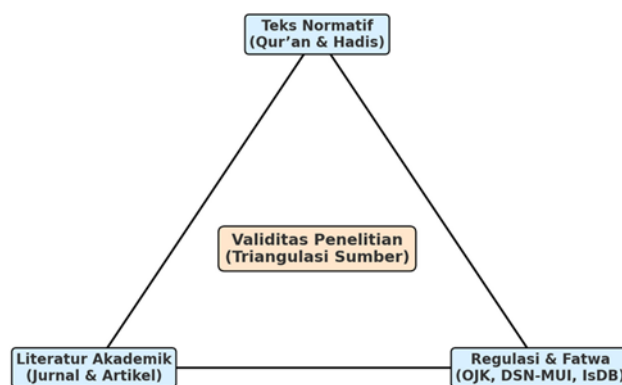


Figure 1. Source Triangulation

In addition, peer debriefing was carried out by comparing the results of the analysis with the findings of the latest studies in the Scopus journal to ensure consistency of interpretation.

The position of this research lies at the intersection between digital innovation and *maqāṣid al-syarī'ah*. In contrast to previous research that was descriptive in technology, this study emphasizes normative integration as a strategic evaluation framework. Thus, this research not only provides a theoretical contribution in the form of a conceptual framework of *maqāṣid* in assessing digital innovation, but also a practical contribution in the form of adaptive regulatory recommendations and *fatwas*.

RESULTS AND DISCUSSION

Global Dynamics of *Sharia* Digital Finance Innovation

In the last five years, digital transformation in Islamic finance has undergone extraordinary development. If previously the Islamic finance industry focused more on optimizing traditional products such as *murābahah*, *iğārah*, and *musyārahah* in conventional forms, now the direction of change is towards the digitalization of products, infrastructure, and ecosystems. This innovation is happening in line with the increasing penetration of the internet, blockchain technology, artificial intelligence (AI), and the integration of big data in the global financial system.

Statistics from the Islamic Financial Services Board (IFSB, 2023) show that global Islamic financial assets grew from US\$ 2.88 trillion in 2019 to more than US\$ 4.5 trillion in 2023, with the largest portion coming from Islamic banking (70%), Islamic capital markets including *sukuk* (19%), and non-bank financial institutions (11%). This growth is not only driven by market demand factors, but also due to digital disruption that demands efficiency, transparency, and speed of services.

In Indonesia, the Financial Services Authority (OJK, 2023) reported that the *sharia* fintech industry reached IDR 10.7 trillion in outstanding financing in 2022, an increase of more than 40% compared to the previous year. Meanwhile, digital *zakat* collected by the National Amil *Zakat* Agency (BAZNAS) through online channels increased significantly from IDR 79 billion in 2018 to more than IDR 465 billion in 2022. This fact shows that digital transformation is no longer just an option, but a strategic need for the Islamic finance industry.

At the global level, the United Arab Emirates (UAE) became one of the pioneers by launching the Dubai FinTech Hive platform that supports the development of blockchain-based Islamic financial products. Malaysia, through Bank Negara Malaysia (BNM) and the Securities Commission Malaysia (SC), is pushing for the Islamic Fintech Accelerator Programme initiative which focuses on *sharia* crowdfunding, e-*zakat*, and asset tokenisation. Saudi Arabia through Vision 2030 also targets the digitization of *sukuk* as part of fiscal and capital market reforms.

With this rapid development, the analysis needs to be directed not only at how the innovation of *sharia* digital products grows, but also at what extent the innovation is in line with *maqāsid* al-syarī'ah: safeguarding religion (*hifz al-dīn*), safeguarding the soul (*hifz al-nafs*), safeguarding the intellect (*hifz al-'aql*), safeguarding one's offspring (*hifz al-nasl*), and safeguarding one's property (hated) (*hifz al-māl*).

Blockchain-Based Digital *Sukuk* Analysis

Blockchain-based digital *sukuk* is one of the most significant innovations in the last five years. Blockchain allows the issuance, trading, and settlement of *sukuk* transactions to be done in real-time, transparently, and at a lower cost than traditional mechanisms.

Zulkhibri's study (2022) noted that the issuance of blockchain-based *sukuk* was first carried out by the World Bank through the bond-i (blockchain operated new debt instrument) project in 2018, which was then adapted by several jurisdictions with a *sharia* touch. Malaysia, for example, through the SC, developed the concept of digital *sukuk* that was tested in the retail market. The UAE has even launched a trial of *sukuk* issuance with smart contract technology to ensure automatic *sharia* compliance.

In terms of numbers, the Refinitiv Islamic Finance Development Indicator (2023) report shows that total global *sukuk* issuance reached US\$ 182 billion in 2022, with Malaysia (38%), Saudi Arabia (28%), and Indonesia (15%) as the three leading countries. Although most of them are still conventionally based (non-digital), the trend towards digitalization is getting stronger due to the push for efficiency and the demand of young investors who are more familiar with technology.

However, the big challenge lies in the regulatory and trust aspects. OJK and DSN-MUI, for example, still emphasize the importance of fatwa and *sharia* standards to ensure that the tokenization of assets does not violate the principle of real ownership (*tamlīk*). Some scholars are also still debating the aspects of *gharar* (uncertainty) and the potential for *maysir* (speculation) that can arise if *sukuk* is traded freely like a crypto asset. *Maqāṣid al-syarī'ah* encourages digital *sukuk* not only to modernize investment instruments, but also to strengthen social and fiscal functions. For example, Malaysia developed the blockchain-based Green *Sukuk* concept to support renewable energy projects, which is in line with the goal of protecting the environment (*hifẓ al-bi'ah*) as a development of contemporary *maqāṣid*.

Islamic Crowdfunding Based on *Kads Mudhārabah* and *Musyārakah*

Sharia crowdfunding has emerged as an alternative financing solution for MSMEs and social projects. By using *mudhārabah* (profit-sharing) or *musyārakah* (capital partnership) contracts, digital crowdfunding platforms offer more inclusive access to funding.

According to OJK data (2023), there are more than 12 registered *sharia* fintech platforms in Indonesia, with outstanding financing reaching IDR 7.5 trillion in 2022. Most of it is channeled to productive sectors such as trade, agribusiness, and education. This shows that *sharia* crowdfunding plays a significant role in supporting inclusive finance.

At the international level, Malaysia has allowed *sharia* crowdfunding since 2015 through the SC, by developing platforms such as *Ethis Malaysia* that channel funds to property and social projects. In the UAE, platforms like *Beehive* have integrated *sharia* principles in peer-to-peer financing mechanisms.

A study by Wardhani et al. (2023) found that *sharia* crowdfunding has the potential to increase financial inclusion in Indonesia, but still faces problems with public literacy and default rates. This is in line with the findings of Ahmed & Ullah (2021) which emphasizes the importance of strict regulations so that *sharia* crowdfunding does not turn into a disguised usury practice with a fixed return mechanism.

From the perspective of *maqāṣid*, *sharia* crowdfunding supports the goals of preserving property (*hifẓ al-māl*) and preserving one's soul (*hifẓ al-nafs*) by providing access to financing for small communities that were previously untouched by banks. However, the investor protection aspect must also be strengthened to prevent excessive losses.

E-Zakat and Digital Waqf

The development of *zakat* and digital *waqf* is an important milestone in Islamic social finance innovation. The National Amil *Zakat* Agency (BAZNAS) reported that national *zakat* collection in 2022 reached IDR 26 trillion, with the contribution of digital channels of more than IDR 465 billion, an increase of almost 600% compared to the previous five years. Similar initiatives are also happening in Malaysia through *MyZakat*, in Saudi Arabia with the *E-Zakat* Portal, and in the UAE

with the Dubai Endowment Blockchain. In fact, the Islamic Development Bank (IsDB, 2022) reports that digitization of *zakat* and *waqf* increases distribution efficiency up to 40% faster than conventional methods.

Digital *waqf*, for example, allows the wakif to make micro donations through the application with a minimum of IDR 10,000. This practice broadens the base of community participation while strengthening social justice. Hybrid models such as Cash *Waqf* Linked *Sukuk* (CWLS) issued by Indonesia since 2020 are concrete examples of innovations that combine Islamic capital market instruments with Islamic philanthropy. From the perspective of *maqāṣid*, *zakat* and digital *waqf* strengthen the aspects of *ḥifẓ al-māl* (safeguarding wealth) and *ḥifẓ al-nafs* (safeguarding the soul), while supporting the more equitable distribution of social welfare.

Hybrid *Sukuk* and Patriot Bond

Hybrid *sukuk* and patriot bonds emerged in response to the need for public financing in the digital era. Indonesia in 2020 issued Cash *Waqf* Linked *Sukuk* (CWLS) which integrates *waqf* instruments with state *sukuk*. This product serves not only as an investment instrument, but also as a means of philanthropy and state fiscal support.

The concept of patriot bonds itself is adapted from conventional instruments aimed at financing strategic infrastructure projects. With the support of digitalization, *sharia* patriot bonds can be marketed through mobile applications, allowing for wider public participation. Data from the Ministry of Finance of the Republic of Indonesia (2022) shows that the issuance of retail *sukuk* (Savings *Sukuk*, Retail *Sukuk*, and CWLS) has increased significantly from IDR 8.4 trillion in 2018 to more than IDR 20 trillion in 2022. Digitalization of distribution through the e-SBN platform is the main driving factor for increasing retail investor participation.

Maqāṣid al-syarī'ah in the context of hybrid *sukuk* and patriot bond emphasizes aspects of protecting the public interest and national solidarity. This instrument not only benefits the country from a fiscal point of view, but also expands community participation in development.

Islamic Decentralized Finance (DeFi)

Islamic DeFi is the latest phenomenon in Islamic digital finance, by integrating the concept of blockchain-based smart contracts in *sharia*-compliant transactions. This model allows peer-to-peer transactions without bank intermediaries, with contracts automatically embedded in digital code. Although it is still in the early stages, several initiatives have emerged. For example, the *Marhaba* DeFi platform in the UAE that offers *sharia* DeFi services with *musyārahah* and *murābaḥah* contracts. In Malaysia, academic research has begun to explore the potential of Islamic DeFi to expand access to global financing.

The main challenge of Islamic DeFi is the *sharia* compliance aspect. Neither DSN-MUI nor AAOIFI's fatwa has yet provided a specific regulatory framework for DeFi. The risk that arises is the occurrence of excessive speculation that can approach the practice of *masir*. However, the potential of Islamic DeFi in supporting *maqāṣid* is huge, especially in expanding global financial inclusion, safeguarding the wealth of the people, and strengthening the financial independence of Muslim communities in various countries.

Synthesis of Analysis: Relevance to *Maqāṣid al-Syarī'ah*

If viewed as a whole, *sharia* digital product innovation has a positive impact on encouraging financial inclusion, distribution efficiency, and expanding investment access. Digital *sukuk* supports sustainable development, crowdfunding helps MSMEs, *e-zakat* strengthens Islamic philanthropy, hybrid *sukuk* increases public participation, while Islamic DeFi offers a revolutionary new model. However, the study found that most innovations still emphasize technological aspects and economic efficiency, while the integration of *maqāṣid al-syarī'ah* as an evaluation framework is still minimal. The novelty of this research lies in the effort to fill this gap, by emphasizing that the success of Islamic financial innovation is not only measured by market value, but also by the extent to which it supports the protection of religion, soul, intellect, descendants, and people's property.

CONCLUSION

This study found that Indonesian Islamic banking and finance stood at a strategic crossroads amid rapid digital disruption between 2020 and 2025, as innovations such as digital *sukuk*, Islamic crowdfunding, and digital *waqf* created both promising opportunities and serious challenges. While these technologies enhanced inclusion, transparency, and efficiency, issues surrounding *sharia* compliance, weak regulatory frameworks, and limited public trust remained significant. The SWOT analysis indicated that the industry's strengths stemmed from strong *sharia* legitimacy and social support, but were constrained by low digital literacy and policy delays. Opportunities were identified in blockchain adoption, digital payments, and hybrid instruments, yet competition from conventional *fintechs* and reputational risks posed ongoing threats. Integrating *maqāṣid al-sharī'ah* principles—particularly those ensuring asset protection, literacy, and inclusive welfare—was deemed vital to strengthening ethical integrity and long-term sustainability. The research recommended a *maqāṣid*-based regulatory framework, faster *fatwas* for emerging innovations, and the creation of digital *sharia* audit standards supported by continuous empirical studies. It also proposed a roadmap for Islamic financial transformation from 2025 to 2035, emphasizing regulatory reform, technological integration, and institutional capacity building. Future research should empirically test the effectiveness of *maqāṣid*-based models in digital financial governance and examine their impact on consumer behavior, trust, and financial inclusion in Indonesia's evolving digital landscape.

REFERENCES

- Abu-Husin, M. F., Afifah, K., Rusydiana, A. S., Zafar, M. B., Noor, M. H. M., Mustafa, S. N. M., & Salleh, M. A. (2025). Research Trend In Islamic Financial Technology And Blockchain: A Bibliometric Analysis. *Malaysian Journal of Syariah and Law*, 13(1), 147–163.
- Afdawaiza, A., Mas'ud, R., & Manulandong, S. Q. (2024). Islamic Banks in the digital age: balancing innovation with Sharia principles. *Ikonomika*, 33–50.
- Akhlaq, M., & Asif, M. (2024). The importance of sharia compliance in Islamic finance. *Tanazur*, 5(1), 195–212.
- Aktürk, B., Gürbüz, Y. E., & Turkan, Y. S. (2025). The Expansion of Islamic Fintech: The Digital Transformation of Financial Services in the World and Turkey. In *Implications of ICT for Islamic Finance and Economics* (pp. 157–188). IGI Global Scientific Publishing.
- Alam, S., & Pradhan, H. D. (2021). Pluralism of Religion Based on Sharia as An Anticipation of Intolerance in Muslims Majority Countries of The Southeast Asian. *Religia*, 24(1), 64–78.

- Arianty, E., Marsono, M., Indrawati, I., & Risnandar, R. (2025). Empowering Sharia-based MSMEs and financial institutions to enhance the halal industry ecosystem. *Journal of Islamic Economics Lariba*, 11(1).
- Choiruddin, M. N., Pratikto, H., Murwani, F. D., & Restuningdiah, N. (2025). Financial Literacy, FinTech, and Contemporary Innovation in Islamic Economic Law: An Analysis of MSME Performance Sustainability in Indonesia and Malaysia. *MILRev: Metro Islamic Law Review*, 4(2), 976–1008.
- Habib, F. (2023). Islamic finance and sustainability: The need to reframe notions of Shariah compliance, purpose, and value. In *Islamic Finance, FinTech, and the Road to Sustainability: Reframing the Approach in the Post-Pandemic Era* (pp. 15–40). Springer.
- Hadda, M., & Rym, B. (2024). Islamic Finance Industry and Fintech: A Comparative Analysis. *IJEP*, 7(02), 214–228.
- Harefa, S. (2025). The fundamental principles of Islamic law in the digital era: An ushul fiqh and maqashid Sharia approach. *Journal of Islamic Law on Digital Economy and Business*, 84–99.
- Kenneh, M. (2024). Sharia investment Challenges and Growth for Sustainable and Inclusive Financial Equality in Digital Innovation. *Bulletin of Islamic Economics*, 3(1), 1–11.
- Mat, A. S. C., & Abd Halim, M. N. (2025). Integrating Maqasid al-Shariah in the e-Procurement System: A Governance Framework for Shariah Compliance in Malaysia's Public Sector. *Architecture Image Studies*, 6(3), 347–368.
- Mohd Zain, F. A., Muhamad, S. F., Abdullah, H., Sheikh Ahmad Tajuddin, S. A. F., & Wan Abdullah, W. A. (2024). Integrating environmental, social and governance (ESG) principles with Maqasid al-Shariah: a blueprint for sustainable takaful operations. *International Journal of Islamic and Middle Eastern Finance and Management*, 17(3), 461–484.
- Moppratama, Y. A., Alamsyah, A., & Tricahyono, D. (2024). Blockchain-Based Property Sukuk Models for the Indonesian Market. *2024 International Conference on Artificial Intelligence, Blockchain, Cloud Computing, and Data Analytics (ICoABCD)*, 107–112.
- Muryanto, Y. T. (2023). The urgency of sharia compliance regulations for Islamic Fintechs: a comparative study of Indonesia, Malaysia and the United Kingdom. *Journal of Financial Crime*, 30(5), 1264–1278.
- Nadhifah, T., & Choirunnisa, M. R. (2025). Digital Transformation and Sukuk Development in the Islamic Financial Market: Challenges and Opportunities. *Journal of Digital Islamic Economic Development*, 33–42.
- Nichkasova, Y., & Shmarlouskaya, H. (2020). Financial technologies as a driving force for business model transformation in the banking sector. *International Journal of Business and Globalisation*, 25(4), 419–447.
- Nuri, R. (2025). Transformation of Islamic finance in the digital era: Developments and challenges of halal fintech. *Journal of Halal Review*, 1(1), 36–50.
- Pantielieieva, N., Zaporozhets, S., Nagaichuk, N., & Bartosh, O. (2019). Transformation of financial intermediation in the context of spread of digital trends. *«Вестник НАН РК»*, 3, 144–152.
- Reyes, A. (2023). An analysis of islamic financial performance and contributing factors in indonesia's sharia economic framework. *Integra Business Review*, 1(1).
- Ryabov, O., Golubev, A., & Goncharova, N. (2021). Decentralized Finance (DeFi) as the basis for

the transformation of the financial sector of the future. *Proceedings of the 3rd International Scientific Conference on Innovations in Digital Economy*, 387–394.

- Said, M., & Muhammadun, M. (2024). Digital Innovation in Indonesian Sharia Banks: Strengthening and Developing MSMEs for Global Expansion. In *Technopreneurship in Small Businesses for Sustainability* (pp. 78–96). IGI Global.
- Shofawati, A. (2023). The role of Islamic Fintech in Indonesia to improve financial inclusion for resolving SDGs. In *Artificial Intelligence, Fintech, and Financial Inclusion* (pp. 112–134). CRC Press.
- Suaidi, S. (2025). Bridging Institutional and Regulatory Gaps: Enhancing Sharia Compliance in Islamic Financial Institutions in Indonesia. *El-Uqud: Jurnal Kajian Hukum Ekonomi Syariah*, 3(1), 23–39.
- Turi, A. N. (2023). Financial Technologies and DeFi. *A Revisit to Digital Financial Revolution*.



licensed under a

Creative Commons Attribution-ShareAlike 4.0 International License