



Islamic Fintech and Indonesian MSMEs during the Pandemic

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Abstract

The COVID-19 pandemic has had a tremendous impact on Micro, Small, and Medium Enterprises (MSMEs). MSMEs are required to be able to adapt to existing business developments by using technological adaptation. This study aims to investigate Islamic Financial Technology (Islamic Fintech) as the alternative financing for the MSMEs. The use of Islamic Islamic Fintech is considered crucial, looking at the Muslim population in Indonesia. Islamic Fintech is the provision of financial services based on Islamic principles that bring together or connect financiers with financing recipients to carry out financing contracts through an electronic system using the internet network. Islamic Fintech could make financial services cheaper, faster, and easier. The method used in this research is the descriptive analysis method with a qualitative approach. In this paper, we find that Islamic Fintech can play a role in facilitating business actors in obtaining funding based on Islamic principles.

Keywords: Covid-19 Pandemic, MSMEs, Islamic Financial Technology, Islamic Financial Technology Services

1. Introduction

It has been almost two years since the Covid-19 pandemic has not ended. The virus, first detected in Wuhan, China in November 2019, has spread rapidly throughout Indonesia since early March 2020. The Covid-19 pandemic has had a domino effect on health, economic, social, and education. The pandemic is a disaster for the community because it has a significant impact on all aspects of life. The impact has been felt for the economic sector, especially for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia.

MSMEs experienced a decline in sales turnover due to various policies from the government that limited people's movement. Starting from the PSBB (Large Scale Social Restrictions), Transitional PSBB (Large Scale Social Restrictions), PPKM (Implementation of Restrictions on Community Activities) Emergency, up to PPKM (Implementation of Restrictions on Community Activities) Level Four. These policies urge people to stay at home. Then, as a result, MSMEs are empty of customers and stop operating (Trimulato, 2020).

Seeing this, a strategy is needed so that MSMEs can survive in running their business. According to Hardilawati (2020), here are some ways that can be done: (1) make sales through e-commerce; (2) utilize digital marketing to reach many customers; (3) improve the quality of products and services; and (4) conducting customer relationship marketing to create customer trust and loyalty.

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Based on the Rapid Assessment Survey on the Impact of the Covid-19 Pandemic on the Performance of Indonesian MSMEs conducted by the LIPI Economic Research Center, the result is 94 percent of MSMEs experienced a decline in sales during the pandemic. According to the Coordinating Minister for the Economy of Indonesia, Airlangga Hartarto, the pandemic has reduced the income or turnover of MSMEs by up to 30 percent. These problems ultimately make MSMEs lack funds or capital to continue their business. On the other hand, MSMEs also have difficulty obtaining financial assistance.

To revive MSMEs, an injection of funds is needed so that MSMEs can move and increase their turnover again. However, during a pandemic, it is difficult to apply for funds at the bank, and this is because banks will first review the business soundness of MSMEs. If MSMEs turn out to be experiencing a downward trend in turnover from time to time, likely, the bank will not provide loans because it is risky.

In addition, banks are currently also affected by the Covid-19 pandemic. Moreover, banks have not optimized the distribution of financing for productive activities for MSMEs. Therefore, one alternative is to use Islamic Financial Technology (Fintech) services. Islamic Fintech can make it easier for business actors to obtain funding based on Islamic principles. This is where the role of Islamic Financial Technology in providing solutions for business actors or MSMEs due to the Covid-19 pandemic. On the other hand, Indonesia is a country with the largest Muslim population in the world, and the prospect of Islamic Financial Technology looks bright. With a Muslim population of 236.53 million, Indonesia has great potential to develop the Islamic finance and economic sector that can contribute to achieving financial targets, including the development of Islamic finance.

In addition, Islamic Fintech carries out its activities by relying on digital transactions. This is very suitable or in line with pandemic conditions. Islamic Fintech can collect public funds and channel them to the business sector or MSMEs by utilizing technological advances. Currently, Islamic Fintech companies have also emerged that offer a variety of products such as peer-to-peer (P2P), crowdfunding, mobile payment, money transfer, and trading platform.

Islamic Fintech is considered capable of solving problems faced by MSME actors related to access to capital. Islamic Fintech can also bring great opportunities and potential to develop Indonesian MSMEs during the pandemic. Through Fintech services, it is hoped that it can help MSMEs get convenience and efficiency in finance (Fajar and Larasati, 2021).

Based on the description above, the authors are interested in conducting further research on the Optimization of Islamic Financial Technology in Awakening Indonesian MSMEs in the Pandemic Period. This study aims to explain the alternative funding for MSMEs using Islamic Financial Technology services.

2. Literature Review

Covid-19 Pandemic

Covid-19 is a respiratory disease caused by the coronavirus 2 (Sars-CoV-2). This outbreak first appeared at the end of 2019 in Wuhan, China. Since then, this outbreak began to spread throughout the country and caused a pandemic due to Covid-19. The Covid-19 virus is quite vicious because the transmission is quite vicious (Ikawaty, 2020). Transmission can occur through droplets and contact with viruses. Anticipating and reducing the number of coronavirus sufferers in Indonesia has been carried out in all regions. Among other things, by providing a policy of limiting activities outside the home, school activities being dismissed, working from home (work from home), even worship activities are also suspended. Especially in June 2021, the world is again facing the outbreak of the Covid-19 virus. The government issued a PPKM policy (Implementation of Restrictions on Community Activities) to overcome this.

The policy of limiting activities to tackle the spread of Covid-19 also has an impact on economic and business activities. This activity restriction makes business activities have to reduce operating hours. In addition, distribution activities also experienced obstacles that caused business operations to decline. The number of activities at home alone makes the level of purchasing power decrease, which affects decreasing operating income. MSMEs responded to this decline in income by reducing labor costs. This reduction in labor costs can take the form of salary cuts and even termination of employment. As a result, termination of employment for employees is unavoidable.

The impact of the Covid-19 pandemic has made the government make various efforts to save health and the national economy, focusing on spending on health, social safety nets, and economic recovery, including for the business world and affected communities. Given the importance of the existence of the Covid-19 vaccination, countries in the world, including Indonesia, make vaccine administration a priority in overcoming the Covid-19 pandemic. In Indonesia, the government has taken a policy that is outlined in the form of the Covid-19 Vaccine Procurement and Vaccination Program. The administration of the vaccine generally aims to reduce the transmission or transmission of Covid-19, reduce morbidity and mortality due to Covid-19, achieve group immunity in the community (herd immunity), and protect the community from Covid-19 so that they remain productive socially and economically. The government is now intensifying vaccination. At the end of September 2021, vaccination reached 40 percent (Kementerian Kesehatan RI, 2021). This vaccine target is still far from optimal; therefore the government continues to intensify the vaccination program to achieve health recovery and other domino effects caused.

MSMEs (Micro, Small, and Medium Enterprises)

According to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), micro-enterprises are productive businesses owned by individuals or business entities that meet the criteria as micro-enterprises as stipulated in the Act. Meanwhile, small businesses are productive economic businesses that stand alone and are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part of either directly or indirectly from medium or large businesses that meet the criteria for small businesses as referred to in the Act. On the other hand, medium-sized businesses are productive economic businesses that stand alone and are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become part either directly or indirectly with small or large businesses with total net assets or annual sales proceeds as regulated in the Act.

Table 1. Criteria for Indonesian MSMEs based on Assets and Turnover. Source: Law Number 20 of 2008

Type of Business	Assets	Turnover
Micro Business	Maximum IDR 50 million	Maximum IDR 300 million
Small Business	> IDR 50 million – IDR 500 million	> IDR 300 million – IDR 2.5 billion
Medium Enterprise	> IDR 500 million – IDR 10 billion	> IDR 2.5 billion – IDR 50 billion

Based on Law Number 20 of 2008, which is shown in the table, it can be seen that there are quite significant differences both in terms of assets and turnover between micro, small and medium enterprises. However, what is certain is that overall, MSMEs in Indonesia contribute to the development of the national economy. This is in accordance with Law Number 20 of 2008 article 3 and article 5, which reads, "Micro,

small and medium enterprises aim to grow and develop their business in the context of building a national economy based on just economic democracy".

Micro, Small, and Medium Enterprises can also be defined as productive economic forms of business carried out by individuals or individual business entities that meet the criteria as Micro, Small, and Medium Enterprises (Anggraeni *et al.*, 2013). MSMEs are managed or led by the business owners themselves. Meanwhile, the organizational structure of MSMEs is still very simple, and many hold concurrent positions. The possibility of failure in MSMEs is also relatively high. Businesses are also difficult to develop because of the difficulty of obtaining loans or capital on soft terms. Therefore, efforts are needed to raise MSMEs from the government, financial institutions, and the community.

Islamic Financial Technology

According to Schueffel (2016), Financial Technology is a new financial industry that applies technology to improve financial activities. Financial Technology is a continuous process where finance and technology develop together and give birth to many innovations, such as internet banking, mobile payment, crowdfunding, peer to peer, Robo-advisory, and so on (Schueffel, 2016). Financial Technology can be interpreted as innovation in the financial services industry that utilizes the use of technology. Financial Technology products generally can be in the form of a system that is built to run a specific financial transaction mechanism. Fintech itself can influence people's transaction habits to be more practical and effective. Fintech also helps people access financial products more easily and improve financial literacy. The combination of effectiveness and technology has a positive impact on society.

Meanwhile, Islamic Financial Technology is a combination of innovations in finance and technology that can facilitate transaction and investment processes based on Islamic laws. Actually, both Financial Technology and Islamic Financial Technology have the same meaning. The main difference is that Islamic Fintech is guided by Islamic law regarding transactions in the economy that must be obeyed by its users (Hasan, 2018). Next, there are three Islamic principles that Islamic Fintech must have, including the prohibition of *maysir* or gambling, *gharar* or uncertainty, and *usury* or the amount of interest that exceeds the provisions. The main thing is, the contract contained in Financial Technology as long as it does not conflict with Islamic principles, it is allowed (Al-Ashlu Fil Muamalah Al-Ibahah).

Islamic Fintech can be defined as a technology-based business with innovative financial services or products using an Islamic scheme. Islamic Fintech offers financial services that are more responsible ethical and provide variety to influence all forms of global finance. Islamic Fintech is here to offer alternative choices for more modern Islamic businesses in terms of technology and broad access to the market. Fintech is adopted in the Islamic finance industry as a new solution to solve problems related to Islamic finance.

The application or practice of Financial Technology must follow Islamic principles by avoiding elements that are prohibited from conducting transactions such as interest (*riba*), gambling (*maysir*), uncertainty (*gharar*), loss (*darar*), fraud (*tadlis*), and others. Likewise, transaction practices in Fintech applications must follow the contract rules used in transactions by paying attention to the pillars and conditions in the contract. The application of Financial Technology aims to achieve the objectives of Islamic (*Maqashid Al-Syariah*), namely realizing benefit (*Maslahah*) and avoiding distress and even difficulties (*Mafsadah and Mashaqqah*).

The application of Islamic Financial Technology is required to pay attention to Islamic ethics such as transparency, justice, and equality and avoid fraud, fraud, misdirection, and other actions that harm users. These values will protect customers and the wider community and encourage the smooth allocation of

resources and fairness of transactions that Islamic law wants to achieve. An appropriate Islamic governance framework must also be applied to ensure the operation of Financial Technology is fully Islamic-compliant. In other words, the issue of Islamic compliance in operations and practice must be considered by regulators or relevant authorities to ensure that Islamic Financial Technology is feasible to operate. Then, for the protection and validity of the contract, authorities, and regulators should develop Islamic standards that explicitly outline the fundamental Islamic requirements for the operation and practice of Islamic Financial Technology. These standards aim to encourage transparency, consistency, and mutuality in applying Financial Technology by Islamic financial institutions.

Islamic Financial Technology Services

There are several types of services offered by Islamic Fintech. First, Peer-To-Peer (P2P) Lending. It is a platform that brings together borrowers and lenders via the internet (Miswan Ansori, 2019). Peer-to-Peer (P2P) Lending offers credit mechanisms and risk management. The platform helps lenders and borrowers to meet their needs and make efficient use of money. Peer-To-Peer (P2P) Lending is suitable for medium and small companies such as SMEs. This is because these loans have lower costs and higher efficiency than loans from banks. So, it can be concluded that Peer-To-Peer Lending is a financial business model that brings together lenders and borrowers through a platform and the internet, which is more profitable than traditional financial platforms.

Second, Crowdfunding or funding donation. It is a type of Financial Technology where a concept or product is like a design, programs, content, and creative works are published publicly, and for people who are interested or even want to support the concept or product, they can provide financial support (Miswan Ansori, 2019). Crowdfunding itself can be used to reduce the financial needs of a business and predict market demand.

Third, Mobile Payment or movable payment. It is payments made with at least one mobile device (Mawarrini, 2017). Mobile payment can also be defined as a payment, namely the transfer of funds in exchange for goods or services. The mobile device is used as the initial medium of payment until payment confirmation. **Fourth**, Money Transfer. It is a type of financial service provided by Financial Technology at the request of the user to send a certain amount of money. In short, money transfer is a money transfer service. **Fifth**, Trading Platform. It is a platform that can provide opportunities for people to invest directly through computers. In addition, there are also Financial Technology services for other sub-segments such as wealth management, insurance, and so on (Hasan, 2018).

3. Data and Research Method

The data used in this study is secondary data sourced from OJK, BPS, journals, and websites. The collected data is then analyzed through a literature review as supporting data for scientific research. The data analysis results can help identify the role of Islamic Fintech to awaken Indonesian MSMEs during the Covid-19 pandemic. This study uses a descriptive analysis method with a qualitative approach to the use of Islamic Fintech in MSMEs. Descriptive research is a research method that aims to describe or describe natural or engineered phenomena.

4. Result and Discussion

The current Covid-19 pandemic has not only resulted in a health crisis but also an economic crisis. The Covid-19 pandemic has impacted social activities due to the implementation of restrictive policies in

various fields of activity, including economic activities. The Covid-19 pandemic has halted economic activities so that many companies and MSMEs are at a loss and even closed their businesses, thus having a major impact on termination of employment (Thaha, 2020).

The existence of MSMEs in Indonesia has proven to be able to become a driving force for the economy in times of crisis. MSMEs can be interpreted as saviors in post-crisis economic development because MSMEs can reduce the unemployment rate and provide job opportunities and play a role in the distribution of development results (Baholli *et al.*, 2015). MSMEs have an important role in the country's economy (Setyawati, 2009). On-site Bappenas (2017), MSMEs have an essential contribution or role, namely: (1) expansion of job opportunities and employment; (2) the formation of Gross Domestic Product (GDP); and (3) the provision of safety nets, especially for low-income communities to carry out productive economic activities. MSMEs contribute to gross domestic product (GDP) from year to year. The contribution of MSMEs to GDP at constant prices was IDR 7,034.1 trillion in 2019, up 22.9 percent from the previous year, which was IDR 5,721.1 trillion. In addition, in 2019, the absorption of MSME workers was 117 million workers or 97 percent of the labor absorption of the business world.

The existence of MSMEs has decreased during the Covid-19 pandemic. The Covid-19 pandemic has limited public activities so it has an impact on limited business activities. Data from the Ministry of Cooperatives and Small and Medium Enterprises (SMEs) states that in 2019, Indonesia has 65.5 million MSMEs and is able to absorb workers. Quote from Chairman of the Indonesian Chamber of Commerce and Industry's SME and Cooperative Standing Committee, Sharmila, the Covid-19 pandemic, which began in early 2020 made 40 percent of MSMEs out of business (Idxchannel.com, 2021). The macro impact is felt on the workforce. A total of 29.4 million workers are affected by the Covid-19 pandemic (Ngadi *et al.*, 2020). The impact felt by the workforce in the form of termination of employment, reduced salaries, and others.

MSMEs that lack resilience and flexibility in dealing with the Covid-19 pandemic are due to several things, such as the low level of digitalization, difficulties in accessing technology, and a lack of understanding of strategies to survive in business. (Lestari Nasution *et al.*, 2021). MSMEs are required to be able to adapt to existing business developments because businesses that are able to survive are businesses that are responsive to the times. Technological adaptation in the business world is a solution to survive during the pandemic (Saripudin *et al.*, 2021).

Technological progress is marked by the phenomenon of disruptive innovation with the growth of Financial Technology in the financial services industry. The Indonesian government is currently developing the potential of Fintech to support MSMEs, and financial Technology is an inseparable part of the industry. National fintech also plays a role in encouraging the growth of MSMEs in Indonesia. Islamic Fintech also helps MSMEs in distributing Islamic-based funding. Islamic Fintech has the potential to develop for MSMEs in Indonesia because the Fintech market niche is MSMEs, which are the largest contributor to Indonesia's GDP, reaching 54 percent (Saripudin *et al.*, 2021).

As one of the most populous Muslim countries globally, the prospect of Islamic Financial Technology in Indonesia looks very bright. Based on data from the Directorate General of Population and Civil Registration (Dukcapil) of the Ministry of Home Affairs, the total population of Indonesia will be 272.23 million in June 2021. Of this number, 236.53 million people, or 86.88 percent, are Muslim. This means that the majority of Indonesia's population is Muslim. With such a population, Indonesia has enormous potential to develop the Islamic finance and economic sector that can achieve financial inclusion targets, including the development of Islamic finance. Even though it is still relatively new in Indonesia, Islamic Fintech has grown rapidly. Financial Technology platforms in Indonesia proliferated from 2015 to

the end of 2017. During this period, the number of Fintech platforms increased to a total value of USD 18.646 billion at the end of 2017 (Hasan, 2018). Until now, the Indonesian Islamic Fintech Association (AFSI) in 2021 noted that it had 66 members.

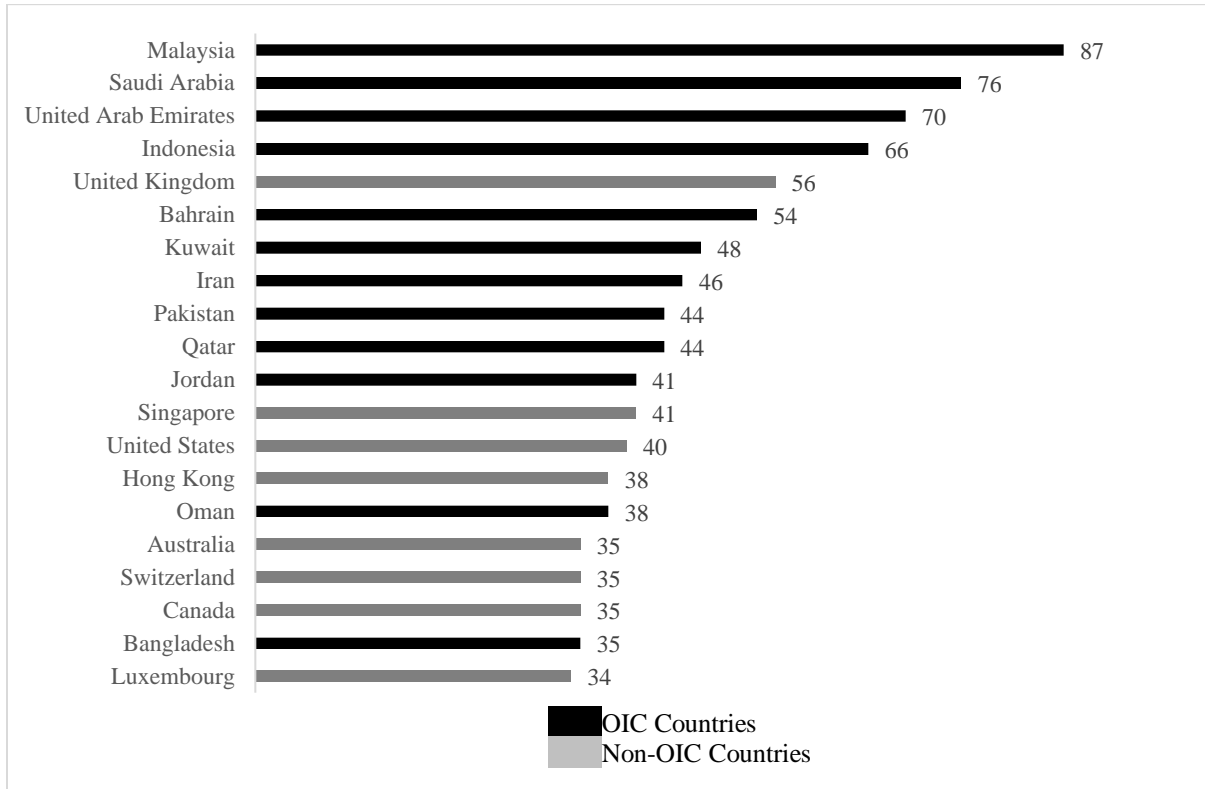


Figure 1. Top 20 Countries by GIFT Index Scores. Source: (DinarStandard and Elipses, 2021)

According to sources from the global news platform Salam Gateway, 2021 shows that Indonesia has the fourth largest Islamic Fintech market share globally based on the growth index achieved. Indonesia is recorded to have a score above the best Non-OIC country regarding Islamic Financial Technology, namely the UK, with 56 points. Other countries that still occupy the top 10 positions include Bahrain, Kuwait, Iran, Pakistan, and Qatar. In terms of the potential of a country to become an Islamic Financial Technology Hub, Indonesia is fairly mature, or still in a position of Low Growth, High Conduciveness, only losing to Malaysia and the United Arab Emirates, which are in the leader category. The Indonesian Islamic Fintech market grew by US\$ 2.9 billion or Rp 41.7 trillion.

Important aspects or actors involved and related in the development of Islamic Financial Technology in Indonesia are:

- Government as regulator
- Islamic Financial Technology Industry
- Existing industry
- Venture capital
- Educational institutions
- Network or internet infrastructure provider
- DPS-DSN MUI
- Stakeholders such as OJK to carry out supervision

- Bank Indonesia in supporting banking aspects to provide Financial Technology services

Islamic Fintech has successfully provided digital financial services for MSMEs (Yahya *et al.*, 2020). Case study on Islamic Fintech Ammana.id. Ammana is Islamic Fintech that already has a permit and is registered with the Financial Services Authority (OJK) to support the progress of business and micro business actors (MSMEs), as a platform that bridges the lender with the borrower of funds. This Islamic Fintech can implement a profit-sharing system with a success rate of 94.81 percent of the settlement of loan obligations (TKB). This shows that the higher the TKB, the better the implementation of information technology-based financing services. Ammana.id has distributed Islamic-compliant funds to 2,285 business and micro actors and has 1,445 financiers and as much as 23 billion has been absorbed in the P2P Lending service model. Satisfaction with Ammana's performance is evidenced by the increase in the number of investors and borrowers and Islamic financial institution partners who take part in the Fintech service.

Islamic Fintech in Indonesia is regulated and refers to the Fatwa of the National Islamic Council of the Indonesian Ulema Council (DSN MUI) Number 117/2018 concerning Information Technology-Based Financing Services Based on Islamic Principles. From the fatwa, Islamic Financial Technology is the provision of financial services based on Islamic principles that bring together or connect financiers with financing recipients in the context of conducting financing contracts through an electronic system using the internet network. The fatwa also contains general provisions of the MUI, including the implementation of Fintech must not conflict with Islamic principles such as usury, gharar, and also haram. Contracts in Islamic Financial Technology must also be in line with mudharabah and musyarakah contracts. DSN MUI also uses the principle of developing the Islamic Financial Technology industry, which is called *yasiru wala tuasiru*. That is, providing convenience for Financial Technology to grow more rapidly in Indonesia.

Meanwhile, Islamic Fintech has not been specifically regulated by the Financial Services Authority (OJK) as the main regulator of financial services in Indonesia. So that until now, the legal umbrella for Islamic Financial Technology is still using the Financial Services Authority Regulation Number: 77/POJK.01/2016 concerning Information Technology-Based Borrowing-Lending Services. Due to the absence of specific regulations that supervise, Islamic Fintech faces operational risks in addition to legal risks. This risk overshadows investors or Islamic Fintech lenders, such as fraud, bad credit or loans that do not return. This risk is very likely to occur because the contract process is only done online or not face to face. High risk can be minimized by implementing the underlying transaction (Tim Media Informasi RISEF, 2019).

Islamic Financial Technology has a sufficient ecosystem. This can be seen from the strength of technology and the strength of the ecosystem in the process which is becoming stronger and wider. Collaboration and synergy of Islamic Financial Technology with business actors, government, and academics in an established ecosystem and adequate technical support is believed to be able to encourage the growth of Islamic Financial Technology. Islamic Fintech makes financial services cheaper, faster, and easier. This is where the role of Fintech in providing solutions for MSME business actors is here. The most fundamental challenge in maximizing the role of Fintech in supporting MSMEs in the future is the Indonesian people's access to financial services.

On the other hand, according to data from the Financial Services Authority (OJK), as of September 8, 2021, the following is data on several Islamic-based Financial Technology Lending companies that have obtained permits and are registered with OJK as illustrated in Table 2.

Fintech, besides functioning as a payment system, also has a major influence on the sustainability of Micro, Small and Medium Enterprises (MSMEs). Deputy Chairman of the Board of Commissioners of the Financial Services Authority (OJK), Nurhaida, revealed that there are at least 18 types of financial

technology (fintech) that can support the MSME growth ecosystem (Rahardyan, 2021). According to their working principles, the 18 fintech clusters in the OJK Digital Financial Innovation group are divided into four categories relevant to MSMEs. Fintech is here to help MSMEs that need financial liquidity. Currently, they are difficult to reach by banks because there are still many layers of requirements to get funding.

Table 2. Islamic Fintech Lending Companies Licensed and Registered at OJK.

No.	Company Name	Electronic Name	Type of Business	Operating System
1.	PT Investree Radhika Jaya	Investree	Conventional & Islamic	Android and iOS
2.	PT Ammana Fintek Syariah	Ammana	Islamic	Android and iOS
3.	PT Alami Fintek Sharia	Alami	Islamic	Android and iOS
4.	PT Dana Syariah Indonesia	Dana Syariah	Islamic	Android
5.	PT Duha Madani Syariah	Duha Syariah	Islamic	Android
6.	PT Qazwa Mitra Hasanah	Qazwa	Islamic	-
7.	PT Ethis Fintek Indonesia	Ethis	Islamic	-
8.	PT Kapital Boost Indonesia	Kapitalboost	Islamic	-
9.	PT Piranti Alphabet Perkasa	Papitupi Syariah	Islamic	Android

Source: (Otoritas Jasa Keuangan, 2021)

One of the fintech applications to help SMEs capitalize is the Modalku application. Modalku is an online P2P fintech registered with the OJK that focuses on loans for businesses. Modalku offers invoice financing, with a loan ceiling of up to IDR 2 billion with a tenor of 15 to 90 days, without warranty. Operational coverage areas are Jakarta, Bogor, Depok, Tangerang, Bekasi, Bandung, and Surabaya. The Modalku application does not immediately hand over the funds to the customer. Modalku first selects the customer's business level. It is hoped that the Modalku application can assist MSMEs in the form of CVs, PTs, and individuals to continue developing but remain in the concept of supervision.

5. Conclusion

The Covid-19 pandemic has caused a lot of losses that have led to a decline in the country's economy. The Covid-19 pandemic has also had an impact on the performance of MSMEs. Islamic Financial Technology is present in bringing together or connecting financiers with financing recipients in the context of conducting financing contracts through an electronic system. Islamic Financial Technology replicates conventional financial products and structures by adapting financial principles in Islamic law. Islamic Fintech makes financial services cheaper, faster, easier, and according to Islamic laws. This is where the role of Islamic Financial Technology in providing solutions for business actors or MSMEs in Indonesia. Besides being able to provide funding that is easier to reach by the community, the existence of Islamic Financial Technology also encourages the development of productive sectors that are currently not served by banking services. Islamic Fintech has the potential to grow. The majority of Indonesia's population is Muslim, so it is an opportunity for MSMEs to use in transactions. Islamic Financial Technology principles such as usury, gharar, and haram make consumers confident to transact safely and trustworthy. Fintech helps MSMEs to get convenience and efficiency in the financial area. Islamic Fintech provides many financial solutions, especially for small and medium businesses that want to grow. The development of Islamic Fintech is expected to be more inclusive. With the many service features of the Islamic Financial Technology application will have an impact on the development of MSMEs.

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