Authority and Dynamics of Compliance to Resolve Sharia Digital Finance Disputes in Indonesia

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Abstract
This article focuses on analyzing the urgency of authorities in adapting technology to modern financial services. Conventional financial institutions (existing institutions) are entering a new era, where all financial transaction activities are connected to technology. The development of digital financial services such as electronic money (digital payments) and digital funds (crowdfunding) creates very fierce competition in today's modern financial services industry. The main problem that arises in the adaptation of information technology in financial services is legal certainty and protection for parties involved in digital financial transactions. This research analyzes the development trend of digital financial services in Indonesia. In addition, this study shows the efforts made by regulators in anticipating legal problems. Views on Islamic digital financial dispute resolution approaches and procedures are also the focus of discussion in this article. The method used in this study is literature research. This research uses an exploratory normative legal approach. Data collection techniques are carried out by observing, reviewing, and analyzing textual information which is then adapted as the main data in the discussion of this research topic. Data was collected from a literature review in the form of library materials or secondary data related to digital finance. This research produced several findings, namely: 1) the urgency of the authority in controlling the implementation of Islamic digital finance by presenting special regulations to minimize disputes between the parties. 2) Sharia digital financial platforms are ensured to have maximum Sharia compliance tools through Sharia compliance audits under the control of the authority.

Keywords: authority, compliance, Islamic digital finance, dispute


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Introduction

In the era of Society 5.0, the development of modern businesses continues to infiltrate various aspects of society, including the financial sector. All human activities are intertwined with technology, and this includes financial services (Chen, 2022; Frimpong et al., 2022; Yakubi et al., 2022). Digital financial innovation has raised significant legal concerns in society (Banking Financial Statements OJK; 2022). In the Society 5.0 era, humans balance economic progress with addressing social issues through a highly integrated system that combines virtual and physical spaces (Huang et al., 2022; Sá et al., 2021; Tavares et al., 2022).

To enhance productivity and address distribution challenges, various forms of business activities are competing to seize the opportunities presented by digital business, including the Islamic financial industry. The recent development of technology-based Islamic financial businesses is driving conventional Islamic banking to innovate using advanced technology (Atif et al., 2021; Ismail et al., 2020; Lakdini & Djafri, 2019; Suzuki & Miah, 2022).

With the ease of access to digital Islamic financial services, there are undeniable issues that exist (Karisma, 2020; Susanto & Chawa, 2021). One of these issues is the high rate of ‘non-performing loans’ or loans overdue by 30 to 90 days and ‘performing loans but late’ or late by up to 30 days. Both categories of credit conditions are recorded by the Financial Services Authority as 1.7 trillion Rupiah and 23.92 trillion Rupiah, respectively, as reported by CCN-Indonesia in mid-2021. These figures stem from 18.84 million individual accounts and 2.350 corporate accounts. The total outstanding loans disbursed by fintech companies amount to 26.09 trillion Rupiah. This situation is driven by the ease with which the public can access the financing options offered. Below is a depiction of the development of digital financial service usage based on a release from the Bank of Indonesia.

Figure 1 The Development of Digital Financial Transactions in Indonesia

Source: bareksa.com
The changing interaction patterns also lead to limited communication between digital financial service providers and their customers (Majid & Nugraha, 2022; Ryandono et al., 2020; Wijayanti et al., 2020). An important factor with significant influence is the formation of contracts. Standardized contracts are used due to the limited interaction, primarily conducted through electronic documents (Ayu Sanjaya & Akhyar, 2022; Hidajat, 2020; Novitarani & Setyowati, 2018). These limitations create the potential for issues that may lead to criminal activities, such as unilateral changes to contract terms, data breaches, and other forms of cybercrime. This data illustrates the high likelihood and potential emergence of disputes in the digital Islamic financial transaction pathways. Therefore, this research pays special attention to several issues, including the scope of the digital-based Islamic financial industry, the potential for disputes in digital Islamic finance, the efforts made by regulators to minimize the emergence of disputes in the development of digital Islamic finance, and various alternative dispute resolution mechanisms in digital Islamic finance.

**Method**

The research method employed in this study is normative legal research with an exploratory approach (Benuf & Azhar, 2020; Mukti Fajar dan Yulianto Achmad, 2022; Yati Nurhayati et al., 2021). This research focuses on literature and secondary data, examined through a series of investigations of legal documents and literature related to digital finance (Soerjono Soekanto & Sri Mamudja, 2001).

The primary data sources in this research are sourced from literature (Mestika Zed; 2004), which includes data related to the patterns of digital financial development in Indonesia, government efforts to minimize crimes in digital finance operations in Indonesia, standardized contracts in digital finance, and legal remedies that can be pursued by parties to resolve disputes arising in digital financial transactions. These data are collected from literary sources, including applicable legislation and other relevant readings (Adlini et al., 2022; Dr. Wahyudin Darmalaksana, 2020).

Data collection techniques involve examining, reviewing, and analyzing textual information, which is then adapted as the primary data for discussing the research topic. Available literary data include the Electronic Information and Transaction Law, Law No. 19 of 2016, and amending Law No. 11 of 2008 regarding Electronic Information and Transactions. Additionally, Law No. 21 of 2011 concerning the Financial Services Authority serves as a reference regarding the regulator’s role in financial transactions in Indonesia. Other related data concerning supervisory policies and preventive measures by regulatory authorities include the Financial Services Authority Regulation No. 13/POJK-2/2018 regarding Digital Financial Innovation in the financial services sector. Moreover, this research also incorporates data from observation processes, involving the observation of various stages in the use of all forms of digital or electronic financial transactions, which are the primary focus of this study.

**Results**

The development of digital financial services has expanded to various forms, such as electronic money and digital funds. Digital money has seen the most rapid growth (Dirwan & Latief, 2020; Musthofoa et al., 2020), especially as an alternative form of payment. Currently, digital money can be viewed as shown in Table 1 below:
Table 2: Bank-Based Electronic Money

<table>
<thead>
<tr>
<th>Bank-based E-Money Card</th>
<th>Description</th>
<th>Source</th>
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<tbody>
<tr>
<td>Indomoney</td>
<td>vibiznews.com</td>
<td></td>
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<tr>
<td>BCA Cash</td>
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<tr>
<td>Mandiri e-money</td>
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<tr>
<td>BRIZZI</td>
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<td>FLAZZ</td>
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</table>

Bank-based electronic money cards have become an integral part of the development of electronic money. The function of this model of electronic money is one of the payment features issued by banks. Currently, it can be seen as e-money; one of the cards issued by Bank Mandiri. Bank Rakyat Indonesia (BRI) also has a similar model by issuing BRIZZI, while FLAZZ is owned by Bank Central Asia (BCA). Electronic money of this kind serves as an important transaction tool, especially in the current digital era, with its primary function being for payments. This feature has even overshadowed the popularity of credit and debit cards. Indonesia is one of the Southeast Asian countries that has a high user base in this category, alongside the Philippines. In this model of electronic money cards, the stored funds are in a chip (temporary in nature) that can be loaded through the issuing bank’s ATM or via mobile banking using NFC.

QRIS (Quick Response Code Indonesian Standard)
Quick Response Indonesian Standard, commonly known as QRIS in Indonesia, has become a popular digital payment feature, especially among the younger generation. QRIS is an electronic payment feature overseen by the Bank of Indonesia (BI), and its licensing process falls under the jurisdiction of BI. QRIS can be used across different banks, meaning that funds stored in Bank "A" can be used with QRIS issued by a different bank, such as Bank "B". Furthermore, QRIS can now be used for cross-border transactions. QRIS provides convenience to the entire population, making transactions easier, faster, and more secure. (Kumiawati et al., 2021; Puspitawati & Salehudin, 2022; Sari & Adinugraha, 2022)

Bank-based electronic money has become widely used by the Indonesian population as a payment feature, and it is commonly known as "e-toll" because of its initial use. The government introduced this card as the sole transaction method for toll road users across the entire Indonesian territory (Simanjuntak et al., 2022; Suharyo et al., 2018). All types of vehicles that pass through toll booths are required to use this electronic money card, which is why almost all banks issue it. Furthermore, the current trend in card issuance, such as membership cards for specific organizations or clubs, and even student ID cards, now incorporate this electronic money card as an added value for cardholders. Legal issues related to the use of these electronic money cards cannot be ignored, as they pertain to user protection. The most common complaints revolve around the process of topping up funds, whether through ATMs, manual transfers at modern mini markets, or via fund transfer features available on electronic wallet platforms like Shopee Pay and others.

Table 2 Non-Bank Based Electronic Money

<table>
<thead>
<tr>
<th>E-wallets</th>
<th>Finansial.bisnis.com</th>
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<tbody>
<tr>
<td>Go-Pay</td>
<td>This electronic wallet is the most popular form of electronic money in Indonesia. As an electronic payment feature, GoPay is owned by the financial technology company &quot;GOTO&quot; under the umbrella of PT. Gojek Tokopedia Tbk. This feature is an electronic service for storing payment instrument data and funds for payment purposes. Users do not need to open an account with a specific bank; instead, their funds are stored on specialized servers. (Ichwan, 2020; Ningsih et al., 2022; Putri Tunggadewi &amp; Pudjoprastyono, 2022)</td>
</tr>
<tr>
<td>Dana</td>
<td>Like Go-Pay, Dana also serves the same function as a (Naomi &amp; Priyanto, 2020; Ichwan, 2020; Ningsih et al., 2022; Putri Tunggadewi &amp; Pudjoprastyono, 2022)</td>
</tr>
</tbody>
</table>
payment feature. Currently, Dana is a payment data storage instrument owned by PT. Espay Debit Indonesia Koe. The Dana feature serves as a payment and fund transfer feature, providing a 100% guarantee of secure funds and a stable balance with the tagline #transasksibeasdrama, which has successfully attracted users from Generation Z.

This server-based electronic wallet platform has become a new lifestyle for people in Indonesia. Payment transactions within the community commonly use this feature as a payment method. Policies related to this have also been issued to fill regulatory gaps and support the transformation and digital literacy of payments in the country. For example, issues related to taxes in the use of this feature (Hambali & Setyowati, 2020) have been resolved with the issuance of Government Regulation No. 69/PMK.03/2022 regarding income tax and value-added tax on financial technology transactions, which is set at 11%. During the use of this platform, there are still other legal issues that need attention due to the lack of regulations regarding its usage. These issues include data security (Hussain et al., 2020; Undale et al., 2021) and the funds for users of this electronic wallet transaction service as a digital payment medium.

Digital wallets, including Dana, are a significant aspect of the current digital financial landscape. These services also use specialized platforms that integrate financial services, similar to conventional financial institutions but powered by information technology. They often incorporate features like crowdfunding for raising capital for both business and social activities (Avisha et al., 2019; Mulyono et al., 2022; Suryanto, 2021). Table 3 displays various forms of digital wallet platforms used for fundraising purposes.

Table 3 Business Digital Fund Platforms

<table>
<thead>
<tr>
<th>Funding Instrument</th>
<th>Description</th>
<th>Source</th>
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<tbody>
<tr>
<td>Business Project</td>
<td>Ekuid is a crowdfunding platform that provides public access to digital investments, where funds are collected to finance businesses, small and medium-sized enterprises (UMKM), or startups. Ekuid is owned by PT. Likuid Jaya Pratama has obtained a business license from the Financial Services Authority (OJK) based on OJK Decision No. KEP-11/D.04/2022. Based on OJK Regulation No. 57/D.04/2020 concerning Securities Offering Through Information Technology, SCF or securities crowdfunding is one form of fundraising that involves joint schemes carried out</td>
<td>Ekuid</td>
</tr>
</tbody>
</table>

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by business owners to start or expand their businesses. In return, investors can purchase and gain ownership through shares, debt instruments (bonds), or collective ownership certificates (Sukuk). The ownership of shares in the business is obtained in proportion to the contribution made.

Social Project

This platform is a charitable platform. Its focus is on managing collaborative fundraising projects for specific programs. For these activities, the organizers use various funding instruments for development and assisting the community, such as donations, zakat, fundraising, mutual aid, with approval obtained from various relevant authorities. Its legal form is that of a foundation, and the permissions are obtained from the Ministry of Social Affairs, the Ministry of Religious Affairs, and others.

This platform is purely a social fundraising platform, and as such, donors do not receive any rewards.

Digital funding platforms, as seen in Table 4, represent one of the developments in the field of digital finance. These platforms are financial services integrated with information technology, serving as crowdfunding features for both capital and social funding purposes (Handojo et al., 2015; Moch. Idris Daliminthe et al., 2016;
Mutmainnah et al., 2020; Sadiyah & Candra, 2020). To regulate these fundraising platforms for businesses and social projects, simultaneous oversight and regulations from the government, especially relevant authorities, are necessary to prevent potential legal issues in the future. The most likely problems to arise, especially in the context of business crowdfunding, pertain to the security of investors' funds due to its investment nature. On the other hand, in the context of social crowdfunding, the main concern is the misuse of the feature for illegal fundraising activities.

Discussion

The merger of technology and business has become a recent trend, particularly during and after the COVID-19 pandemic, where almost every existing business sector has undergone fundamental changes. The adaptation of technology has brought new opportunities for people to venture into new business sectors that were previously limited and had restricted access. One such sector is Islamic financial services, which was previously dominated by conventional Islamic financial institutions. Now, digital Islamic financial services have emerged, accessible to people from all walks of life, no matter where they are, without the need to physically visit an office. This change in the business model of Islamic finance has also led to significant changes in services provided by conventional Islamic financial institutions.

Digital finance is the result of a revolution in technology-based financial services. It involves the integration of technological advancements into various financial business sectors, and this is commonly known as financial technology (Harrell, P. E. et al., 2019). Financial technology is a combination of financial services and technological sophistication, ultimately transforming conventional business models into modern ones. What used to involve face-to-face payments with physical cash can now be conducted remotely, with transactions completed in a matter of seconds (Kusuma & Asmoro, 2021).

Electronic Money and Sharia Digital Funds

In 2021, Islamic digital finance in Indonesia recorded a figure of US$2.9 billion or IDR 41.7 trillion (Kusuma & Asmoro, 2021). Digital Islamic finance in Indonesia ranks fifth in the world. This data shows that the public's acceptance of financial technology adaptation is quite substantial and is expected to continue growing in the future. With the onset of the Fourth Industrial Revolution, global lifestyle changes are moving rapidly toward an era where every aspect of life is integrated with information technology (Elheddad et al., 2021; Ganlin et al., 2021). One of these aspects is financial services, which has given rise to digital Islamic financial services.

Currently, digital Islamic finance refers to a model of Sharia-compliant financial services that are based on information technology. All transactions are developed by integrating various types of products and services into a single platform (Laldin & Djafri, 2019; Suzuki & Miah, 2022). As a Sharia-compliant financial entity, all forms of transactions are governed by Sharia principles. This includes the use and management of funds, ensuring that they adhere to the fundamental principles of Islamic finance, particularly the prohibition of *riba* (usury or interest).

Today, there are several forms of services, some of which were traditionally served by conventional financial institutions, while others are entirely new models of service that have not been previously practiced (Octaviani Salsabella & Handri, 2022). Some of the digital financial services developed in Indonesia include the following:
Electronic Money

These financial instruments essentially involve the process of fund transfer between bank accounts due to transactions carried out by parties within an agreement. This process is referred to as payment settlement (Yaroshevska et al., 2022). The settlement of a transaction, in English, is known as "settlement," which means payment, finalization, and clearance. In short, settlement in a transaction refers to the function of finalizing a transaction with payment (Wahyuddin et al., 2022). In the process of settling a transaction that involves the delivery of securities or money from one party to another after a sale agreement has been reached, the payment is considered final and cannot be reversed (Hiyanti et al., 2020). Payment-based transactions generally use terms like settlement/payment/clearing to conclude the entire transaction process. The principle is that when payment is made through processes like credit cards or debit cards, the transaction is considered final, and evidence of the transaction is immediately generated. Therefore, the transaction cannot be canceled and is considered complete.

In the current context of digital finance, in addition to credit cards and debit cards (Tio & Budiman, 2021), there are several other payment methods based on electronic or digital money, all designed to facilitate transactions. Notable examples include Go-pay, a digital wallet owned by PT. Gojek Indonesia, enabling payments for Gojek services and connected merchants; and Ovo, another digital wallet accommodating different funds depending on user categories, with transaction processes involving Qris Ovo features or automatic deductions when making payments at affiliated businesses. Many more digital payment methods are available, some rooted in conventional financial institution services.

Islamic payment solutions have taken various forms today, and one of them is "Linkajasyariah," which is a server-based platform claimed to be a Sharia-compliant payment platform. This platform was established by PT. Fintek Karya Nusantara (Finarya) has received approval and registration from Bank Indonesia since February 21, 2019, making PT. Finarya is the official issuer of Islamic electronic money applications, a first in Indonesia.

Table 4 LinkAja Syariah Platform Features

<table>
<thead>
<tr>
<th>No</th>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fitur Reguler</td>
<td>In this section, users of the platform can access a general description of all services and service procedures, starting from the company's profile and legality, which includes the availability of the DSN Fatwa as a reference for Sharia principles. Additionally, there are explanations regarding the scope of services and procedures for handling issues that may arise during the application’s usage. Information about promotions, bonuses, and cashback offers will also be available in this feature.</td>
</tr>
</tbody>
</table>
The general feature is a service feature that can be freely used by the public and shares similarities with the non-Sharia version of Linkaja. The services provided include bill payments for utilities like electricity, water, gas, telephone, mobile data bills, BPJS insurance premiums, cable TV, virtual accounts, education, and property bills. All of these services are bill-related, and the platform operator earns fees for payment processing services. In addition to being a bill payment application, this platform can also be used for purchasing various transportation services, such as train and flight tickets, buses, taxis, ride-sharing services, parking, and boat tickets. Within this feature, there are also entertainment services like hotel vouchers, online game vouchers, and streaming services. The platform can also serve as a payment method for general transactions, including financial transactions, social funds, mandatory fees, and more, including QRIS-based payments.

The Sharia feature is one of the distinguishing characteristics of this platform, specifically designed for Zakat (Islamic almsgiving), Sharia-compliant insurance, and Sharia-compliant loans. This feature also offers Sharia promotions, such as special gifts and discounts.

Processed from linkaja.com/syariah Website information

The features provided in this Islamic payment settlement platform essentially serve the same function as common payment settlement platforms used by the public, such as OVO, GOPAY, and others. The Islamic identity in these features is primarily characterized by services like Zakat payments, Islamic insurance, and Islamic promotional offers. The platform operates using a deposit process, where users deposit a certain amount of funds into their account to use the platform as a means of payment. As a Sharia-compliant platform, it follows the principles of wadiah and ijarah in its operations.

From a legal perspective, the operator of the Linkaja Syariah platform, PT. Finarya, has obtained the necessary license from Bank Indonesia as an electronic money issuer. However, one of the dominant legal issues in this platform pertains to the management of funds deposited in the bank accounts provided by the platform operator. These issues include limited access to deposited funds and a lack of clarity on how unforeseen situations, such as the loss of funds in users' Linkaja Syariah accounts, will
be resolved. This can lead to challenges in maintaining harmonious relationships between the parties involved.

This server-based electronic wallet platform has become a new lifestyle for the people of Indonesia, and digital payment transactions have become common among the public as a method of payment. Related policies have been issued to address regulatory gaps and support the transformation and digital payment literacy in the country. One longstanding issue, taxation, has been resolved with the issuance of Government Regulation No. 69/PMK.03/2022 concerning income tax and value-added tax from financial technology transactions, set at 11% (Hambali & Setyowati, 2020). However, as the use of this platform continues to evolve, there are still legal issues that require attention due to the lack of regulations in certain areas, such as data security (Hussain et al., 2020; Undale et al., 2021), and the handling of funds for users of electronic wallet services as a digital payment medium.

**Sharia Digital Fund**

This particular digital finance feature has become very popular in modern society, allowing individuals to obtain funds for various purposes, including capital needs and other financial requirements. The fundamental principle of this feature is to connect those in need of funds with investors who have surplus capital, contributing to economic activity within the community. Crowdfunding is one of the recently popular financial instruments and serves as a funding technique for projects or business ventures that engage a broad community. Its history traces back to 2003, initiated by American musicians to raise funds for music production purposes. Nowadays, crowdfunding has evolved to encompass a wider range of functions, including donation-based crowdfunding. In Indonesia, several forms of such platforms can be found, such as 'kitabisa.com' and 'sharinghappines,' which are initiated by the Rumah Zakat Foundation, enabling the organization of social projects by both individuals and communities. Other platforms include Aksi Cepat Tanggap, Indorelawan, WeCare.id, Causes.com, DonateYourAccount, Twibbon, Change.org, and IndoKasih. In principle, all of these platforms operate on a nonprofit basis (Satria Darma, 2022), aiming to facilitate donations by providing well-designed applications with various user-friendly (Adi Pradana, 2016; Mutmainnah et al., 2020).

In addition to donation-based crowdfunding, there is also reward-based crowdfunding where initiators propose projects, typically offering rewards such as physical items, services, or rights, which backers receive in return for funding the project. This type of crowdfunding is often used for projects in creative industries, like video games, where backers who fund the project are offered appealing in-game features.

Crowdfunding Debt-Based operates on principles similar to conventional loans. In this model, individuals or businesses in need of funding submit proposals to investors to finance their ongoing or upcoming ventures, with the proposers providing a return, typically in the form of interest, to the lenders. Debt-based crowdfunding encompasses various forms of crowd-based lending, including mini-bonds, peer-to-peer lending, and invoice financing. This feature serves to connect entrepreneurs or individuals requiring capital with investors, providing short-term cash flow solutions. Currently, some platforms offer this reward-based crowdfunding model, including those that operate according to Sharia principles. An example is Ethis, owned by PT. Ethis Fintek.
Indonesia, which targets small and medium-sized enterprises (*Usaha Mikro Kecil dan Menengah/UMKM*) and property financing. Ethis, as a P2P platform, provides investors with the opportunity to directly fund selected Project Partners based on agreements between each backer and the Project Partner, with Ethis acting as the agent (*al-wakeel*) in accordance with the prevailing terms and conditions.

In addition to the three crowdfunding models mentioned above, there is also another crowdfunding model known as equity crowdfunding. Equity crowdfunding offers collective ownership through a technology-based application, where investors receive returns in the form of dividends. This feature operates on principles similar to traditional securities, but it doesn't require specific market mechanisms and procedures. Instead, it relies solely on technology-based applications. Equity crowdfunding platforms are relatively new in Indonesia, with only a few in operation. However, two platforms are operating based on Sharia principles. Shafiq is one such platform for Sharia-compliant Securities Crowdfunding, providing an easy, secure, trusted, and profitable investment opportunity for investors and helping businesses secure funding in accordance with Islamic principles. In general, Sharia-compliant crowdfunding is guided by the Fatwa DSN-MUI No. 117/DSN-MUI/II/2018 regarding Financing Services Based on Information Technology (Kharis Umardani, 2021; Novitarani & Setyowati, 2018; Rarawahyuni & Rismaya, 2022).

**Regulations and Policies in the Implementation of Digital Finance in Indonesia**

The Financial Services Authority, as the regulatory authority, provides high attention and support for the development of digital finance. Here are some regulations that have been implemented to ensure the safety and health of the digital financial transaction environment in Indonesia.

Regarding the implementation of technology-based loans, OJK (*Otoritas Jasa Keuangan*) has issued regulation No. 77/POJK.01/2016 concerning Borrowing and Lending Services Using Information Technology as a basis. This regulation is intended to support the growth of technology-based financial institutions, contributing more to the national economy. In essence, this regulation covers digital-based lending providers, funding sources, financing limits, financing requirements, electronic agreements and documents, risk mitigation, data management and confidentiality, monitoring and education, and it also addresses prohibitions and sanctions. Concerning agreements and documents, OJK’s regulation requires that agreements made in the provision of digital loans must include the following: (1) agreement number; (2) agreement date; (3) identification of the parties involved; (4) terms and conditions of the parties' rights and obligations; (5) loan amount; (6) loan interest rate; (7) installment amount; (8) loan term; (9) collateral details (if applicable); (10) related cost details; (11) provisions on penalties (if applicable); and (12) dispute resolution mechanisms.

In addition to regulating online loans, OJK has also established regulations related to the provision of digital services by commercial banks through regulation No. 12/POJK.03/2018 on digital banking services by commercial banks. This regulation aims to enhance the capabilities of banks in utilizing information technology developments more effectively to support banking service innovations. OJK’s regulation No. 12/POJK.03/2018 on digital banking services by commercial banks primarily focuses on the regulation of technology utilization and the digitalization efforts of banking services, especially for commercial banks. Some key elements of this
regulation include the following: Beginning with General Provisions, Electronic Banking Services, Digital Banking Services, Implementation of Electronic and Digital Banking Services, Customer Protection, Reporting, and Other Provisions. The pivotal point in this regulation is transaction security, with a strong emphasis on risk management, particularly in security control aspects, to ensure the principles of confidentiality, integrity, authentication, non-repudiation, and availability are met.


The interesting thing in the OJK regulation is the importance of agreements validated by the Notary Office through a Notarial Deed. The notarial deed in this regulation takes the form of an electronic document. It is expected that the notarial deed should cover the following aspects: (a) agreement number; (b) date of the agreement; (c) the identities of the parties involved; (d) terms and conditions of the parties; (e) the term or termination of the agreement; (f) the amount of funds to be raised and shares to be offered; (g) the minimum amount of funds if it is specified; (h) the commission and fees; (i) terms regarding penalties if applicable; (j) dispute resolution mechanisms; and (k) mechanisms for handling situations where the Fundraising Service Provider cannot continue its operational activities.

Furthermore, this regulation places a strong emphasis on standard agreements in the realm of equity crowdfunding, particularly in the form of standardized agreements, as delineated in Article 45: (1) The contract governing the provision of Fundraising Services between the Fundraising Service Provider and the Investor must be in the form of a standard agreement. (2) The contract governing the provision of Fundraising Services between the Fundraising Service Provider and the Investor must be in the form of a standard agreement. (3) The agreement mentioned in paragraph (1) may encompass clauses authorizing the Fundraising Service Provider to act on behalf of the Investor as a shareholder of the Issuer, including participating in general shareholder meetings and executing relevant documents. This regulatory framework underscores the adoption of standardized agreements in equity crowdfunding to ensure transparency and uniformity in the sector.

This regulation is also stringent in safeguarding against potential risks and fraudulent activities that may result in losses for either or both parties bound by this agreement. Within this regulation, mitigation issues outlined in articles 46, 47, and 48 address obligations to maintain data confidentiality, ensure the use of accurate information systems, and the mandatory use of an escrow account at a bank to receive funds from the offering of shares through the Fundraising Services.

To accommodate the evolving landscape of digital financial innovations and anticipate developments in digital financial instruments in the future, the Financial Services Authority (OJK) has issued Regulation No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector. This regulation consists of 17 chapters and 43 articles, covering General Provisions, Objectives, Scope, and Criteria of
Digital Financial Innovation (DFI), Record-keeping, Regulatory Sandbox, Monitoring, Reporting, Governance, Data Centers, Education, and Consumer Protection, Other Urgent Matters, Coordination and Cooperation, Prohibitions, Sanction Provisions, Transition Provisions, and Closing Provisions. Similar to other OJK regulations, Regulation No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector aims to foster responsible and secure digital financial innovation, prioritize consumer protection, and effectively manage associated risks. In addition to OJK regulations, there are also regulations issued by the Bank of Indonesia, such as Bank of Indonesia Regulation No. 19/10/PBI/2017 on Fintech Companies, Bank of Indonesia Regulation No. 20/6/PBI/2018 on Electronic Money (E-money), and Bank of Indonesia Regulation No. 18/40/PBI/2016 on Payment Transaction Processing.

For digital financial instruments operating on Islamic principles, in addition to complying with conventional Islamic financial laws, they must also adhere to the provisions outlined in the National Sharia Board - Indonesian Ulama Council (DSN-MUI) Fatwa No. 117/DSN-MUI/II/2018 regarding Information Technology-Based Financing Services in accordance with Sharia Principles. This Fatwa encompasses various contracts that can be used in business activities, particularly in information technology-based financing services, which should align with the characteristics of the financing services. These contracts include Sale and Purchase (Jual Beli), Lease (Ijarah), Joint Venture (Misyarakah), Profit and Loss Sharing (Mudharabah), Lending (Qardh), Agency (Wakalah), and Paid Agency (Wakalah bi al-ujrah). Furthermore, the Fatwa emphasizes that information technology-based financing services must not contravene Sharia principles, avoiding practices such as usury, excessive uncertainty (gharar), gambling (maysir), deceptive actions (ta’dlis), harm (dharar), injustice (zhulm), and prohibited activities (haram).

Conclusion

This study concludes that Islamic digital finance has been developing and evolving into various forms of services and transaction models. As a result of the integration of financial services with advanced information technology, Islamic digital financial platforms have transformed the conventional business model into a modern one. Islamic digital finance, currently under development in Indonesia, can be categorized into two groups. First, the payment feature group, often referred to as electronic money, comprises chip-based and server-based electronic money. Chip-based electronic money is exclusively issued by banks, while server-based electronic money is provided by information technology companies operating in the financial sector. Second, the form involves digital funds, which are managed by platform operators. These platforms can be for-profit or nonprofit, commercial or social. The first type of Shariah crowdfunding platform is exemplified by the presence of LinkAja Syariah, providing convenience, speed, and security in transactions. The Shariah features offered support various activities and needs of the community, including payment of zakat, Shariah-compliant insurance, and other Shariah promotions. The second platform, represented by ETHIS in this study, focuses on digital fundraising and has a positive impact on the development of micro, small, and medium-sized enterprises (MSMEs). Legal issues that arise from these findings serve as a basis for regulators to prepare better legal frameworks that align with the developments in digital financial services.
This study also demonstrates the importance of regulatory oversight in controlling Islamic digital financial services, which can be achieved through the implementation of specific regulations aimed at minimizing disputes among parties in Islamic digital financial transactions. Furthermore, it is crucial to ensure that Islamic digital financial platforms adhere to maximum Shariah compliance standards through Shariah compliance audits under regulatory authority. The study does have limitations, particularly in terms of data, and therefore, future research with comprehensive analysis is needed to provide insights and legal knowledge about digital financial services for researchers in the future.

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