

Shari'ah Fintech and Digital Economic Transformation: An Innovative Strategy to Reduce Gen Z Unemployment

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Abstract. The high unemployment rate among Generation Z is a serious challenge for Indonesia's economic development. In the midst of digital transformation, Islamic fintech emerges as an alternative strategy in expanding financing, creating new jobs, and improving the financial literacy of the younger generation. This research uses a descriptive qualitative approach through literature review to examine the role of sharia fintech in reducing Gen Z unemployment. The results show that platforms such as ALAMI and Dana Syariah not only provide financing based on halal contracts, but also provide digital entrepreneurship training and Islamic financial literacy. Islamic fintech has proven to be able to bridge Gen Z's skills gap and economic access through inclusive financing models, Islamic ethical values, and adaptive digital ecosystem support. However, challenges such as low sharia literacy and limited infrastructure still require further attention.

Keywords: Shari'ah fintech, Digital economic transformation, Gen Z unemployment, Islamic financial literacy, Youth entrepreneurship

1. Introduction

The youth unemployment rate in Indonesia remains a crucial issue in national economic development. According to the Central Bureau of Statistics (BPS), by 2025, the national open unemployment rate will reach 6.4%, with more than 18% coming from the 15-24 age group (BPS, 2025). The generation known as Generation Z – those born between 1997 and 2012 – is a productive age group that is familiar with technology, yet many are still unable to find decent work due to skills gaps and access to economic resources.

From a global perspective, organizations such as the World Bank and ILO highlight the importance of digital transformation in addressing youth unemployment. However, digitalization also brings its own challenges, such as the disruption of traditional jobs and the need for new skills (World Bank, 2023). In Indonesia, although Gen Z is a digital generation, many of them lack financial literacy and entrepreneurial capacity (Irfanda et al., 2025).

Shari'ah fintech comes as a solution that combines technological innovation with Islamic financial principles. This digital financial service is based on values such as fairness, prohibition of usury and gharar, and social sustainability (Hasan, et al 2024). Shariah fintech in Indonesia is growing rapidly, with transaction value reaching IDR 15 trillion by 2024 and expected to continue to increase (OJK, 2024.). Several platforms such as ALAMI and Dana Syariah have proven to be able to reach Gen Z through halal financing, training, and sharia digital literacy (AFSI, 2024).

This research aims to examine the strategic role of sharia fintech as part of digital economic transformation in reducing Gen Z unemployment. The main focus is to

analyze the effectiveness of the business model and implementation challenges of sharia fintech in the context of financial inclusion and empowerment of young entrepreneurs (Akhyar et al., 2024; Budiman et al., 2024).

2. Methods

This research uses a descriptive qualitative approach with a library research method to analyze the contribution and innovative strategies of sharia fintech in reducing Generation Z unemployment in Indonesia. Library research was chosen because it allows in-depth and systematic exploration of concepts, data, and empirical findings from various scientific and official sources.

3. Results and Discussion

3.1. Development and Contribution of Shari'ah Fintech in Gen Z 1. Unemployment Reduction

The growth of sharia fintech in Indonesia over the past five years has shown a very positive trend. Data from the Financial Services Authority (OJK, 2025) recorded an increase in the number of registered fintech syariah platforms from 28 in 2022 to 42 platforms in 2025, with transaction volume reaching Rp15 trillion as of June 2025. This indicates public interest, especially the younger generation aged 18-30 years, in financial services that are not only modern and accessible, but also based on ethical and inclusive shari'ah principles (AFSI, 2024).

The role of sharia fintech as an inclusive financing solution is increasingly evident through the application of halal contracts such as murabahah, mudharabah, and musyarakah that allow budding business actors, especially Gen Z, to access business capital without burdensome interest charges. Platforms such as ALAMI and Dana Syariah tailor credit schemes to the characteristics of MSMEs and the potential of the user's business, rather than just conventional credit history (ALAMI.) (Ramadhan, 2023). With this approach, sharia fintech is not only a provider of capital, but also a facilitator of the growth of youth entrepreneurship, especially in the digital and creative economy sectors.

Trend data on shari'ah fintech users and Gen Z unemployment rates during 2023-2025 show a positive correlation.

Table 1. Trend of Shariah Fintech Users and Gen Z Unemployment (2023-2025)

Year	Shariah Fintech Users (million)	Age 18-30 (%)	Financing Recipients (thousand)	Unemployment Decline (%)
2023	1,8	55	120	3,5
2024	2,5	60	180	4,8
2025	3,3	62	250	6,2

Table 1 shows an increase in shari'ah fintech users from 1.8 million in 2023 to 3.3 million in 2025, along with a decrease in the youth unemployment rate from 6.2% to 3.5%. The increase in fintech syariah financing recipients to 250 thousand by 2025 marks fintech's significant contribution to reducing youth unemployment through independent business opportunities ((OJK,)(AFSI)(BPS))

In addition to the financing aspect, shari'ah fintech also plays an important role in shari'ah-based financial literacy and training programs. Programs such as "ALAMI

Academy” offer digital entrepreneurship training that integrates the values of blessings, justice and accountability in business. This shapes entrepreneurs who are not only technically competent but also ethical and socially minded, which is indispensable for Gen Z empowerment (AFSI, 2024)

3.2. Shari’ah Fintech as a Value-Based Economic Empowerment Instrument

The advantage of shari’ah fintech lies in its value-based approach that integrates financial technology with maqashid shari’ah – safeguarding religion, soul, mind, offspring, and wealth (Hasan, M., 2024). This approach provides a key differentiator compared to conventional fintech that is oriented solely towards economic profit.

In the context of reducing Gen Z unemployment, the shariah fintech model not only transfers capital, but also shapes work ethics, social solidarity, and moral responsibility. With contracts such as mudharabah and musyarakah that prioritize partnership and fairness, shariah fintech reduces the risk of exploitation and the burden of debt, which is particularly relevant for Gen Z with minimal assets and credit history (AFSI, n.d.).

Surveys show that 45% of Gen Z businesses are more comfortable using shari’ah fintech because of the transparency and fairness of contracts, as well as easy access to digital services such as mobile applications and interactive financial dashboards (Asosiasi Fintech Syari’ah Indonesia (AFSI), n.d.). However, the effectiveness of shari’ah fintech is still limited in areas with low levels of literacy and digital infrastructure, so cross-sector collaboration is needed to expand the reach of education and access to services.

3.3. The Role of Financial Literacy and Educational Institutions

One of the crucial factors in optimizing the positive impact on reducing Generation Z unemployment is the improvement of Islamic financial literacy. This literacy includes an understanding of the basic principles of Islamic economics, types of halal contracts, business risk management, and profit-sharing-based financing mechanisms.

Another important finding is the need for adequate sharia financial literacy to maximize the benefits of sharia fintech. Many young people still lack understanding of shariah contracts, business risks, and profit-sharing mechanisms. Educational institutions, especially universities and Islamic boarding schools, play a strategic role in filling this gap through cooperation with shariah fintech platforms in training programs, business incubation, and digital internships (Hasan, M., 2024).

3.4. Operational and Regulatory Challenges

Despite the promising development of shariah fintech, there are still significant challenges in the operational and regulatory aspects. Issues such as clarity of contracts, risk mitigation, and transparency in the use of funds are still major obstacles, especially in platforms that do not have a strong Shariah Supervisory Board (DPS). National regulations, despite efforts through the sandbox and accreditation guidelines from OJK and DSN-MUI, still need to be strengthened to keep pace with the dynamics of financial technology innovation (OJK, 2025).

A flexible regulatory approach that is still based on shari’ah principles is a must so that shari’ah fintech innovation can flourish without sacrificing compliance with religious values. The government also needs to expand fiscal incentives and special financing for shariah fintech startups that focus on empowering Gen Z and disadvantaged areas.

3.5. Opportunities for Islamic Technology Innovation

The transformation of the digital economy provides a great opportunity to integrate advanced technological innovations with Islamic values in the financial system. Islamic fintechs have started to adopt a number of cutting-edge technologies such as artificial intelligence (AI), machine learning, big data analytics, and blockchain to improve operational efficiency, accuracy of risk analysis, and transparency of the transaction process (Hasan, et al, 2024)

For example, the use of AI scoring systems on platforms such as ALAMI enables a fairer analysis of the financing eligibility of Gen Z MSMEs as it considers the business footprint, digital reputation, and social value of the project, not just the conventional credit sector.

Blockchain technology also has great potential to be applied to ensure transparency of contracts, distribution of zakat funds, and productive waqf, as well as monitoring of business partner funds in musyarakah contracts. Furthermore, this innovation also paves the way for the development of a halal investment crowd-funding platform that is fully digital and transparent, which allows Gen Z to become investors and recipients of micro-enterprise funds with the principles of mutual assistance (Ta'awun) and justice. In the long run, the development of a comprehensive and technology-based Islamic digital finance ecosystem can create a new economic model that is sustainable and in line with Islamic spiritual, social and economic values.

4. Conclusion

This research shows that shari'ah fintech plays a significant role in driving inclusive and value-based digital economic transformation, particularly in reducing Generation Z unemployment in Indonesia. Through shari'ah-compliant financial services, shari'ah fintechs are able to reach out to younger segments that previously had difficulty accessing formal financing. Platforms such as ALAMI and Dana Syariah are clear examples of how the shariah business model can go hand-in-hand with digital technology, while supporting youth entrepreneurship through financing, training and mentoring. However, the success of shariah fintech in addressing youth unemployment is inseparable from challenges such as low shariah financial literacy, limited digital infrastructure in the regions, and the need for progressive and adaptive regulations.

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