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Sharia Based Digital Business Models Related to Challenges and Opportunities in Realizing Sharia Compliance in Indonesia

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Abstract. The challenges in implementing sharia compliance in digital business models in Indonesia have a significant impact on the development of the sharia fintech industry and sharia-based digital services as a whole. Problems include limited regulations specific to sharia fintech, lack of human resources with expertise in technology and sharia, constraints on adequate technological infrastructure, and issues of transparency and gharar (uncertainty). In addition, challenges arise in public acceptance and education related to sharia digital products, especially in collaboration with third parties that need to be carried out carefully to remain in accordance with sharia principles. This research aims to find practical solutions to support the growth of digital businesses that remain aligned with sharia values in Indonesia. The main method used is desk research, which relies on literature sources, such as reference books, journal articles, and relevant periodicals, to obtain data to understand the challenges in implementing sharia compliance in digital business models in Indonesia. The results of this study identify several key aspects of implementing sharia compliance in digital business models in Indonesia, which face complex challenges due to technological transformation and changing consumer expectations. These challenges can be overcome through collaboration between industry players, regulators and sharia institutions to build a sharia-friendly digital ecosystem and ensure accessibility, trust and sustainability of sharia-based businesses in the digital era.

Keywords: Digital business models; Digital business opportunitie; Shariah compliance

1. Introduction

Indonesia, as a country with the largest Muslim population in the world, has great potential to develop sharia-based business models, especially in the digital sector. The development of information and communication technology has opened up new opportunities in delivering financial services that are not only innovative, but also compliant with sharia principles. Islamic fintech, as part of this digital business model, offers solutions that can improve financial inclusion and provide wider access to the community.

However, despite the huge potential, significant challenges still hinder the growth of this industry. Inadequate regulations, lack of understanding of sharia principles among digital business players, and lack of collaboration between the industry and sharia financial institutions are some of the main issues. In addition, factors such as transparency, risk management, and public acceptance also play an important role in the successful implementation of sharia-based business models. On the other hand, evolving market conditions provide opportunities that should not be ignored. People are increasingly realizing the importance of sharia-compliant financial products, which can create strong demand. This research aims to identify the challenges and opportunities in realizing shariah compliance in digital business models in Indonesia. By understanding these dynamics, it is hoped that effective strategies can be found to facilitate the growth of the Islamic fintech industry and support the establishment of a shariah-friendly digital ecosystem.

In the growing digital era, sharia-based business models are gaining attention in Indonesia. The country with the largest Muslim population in the world has significant potential to develop the sharia fintech industry and sharia-based digital services. However, the journey towards implementing this business model has not been easy. Various challenges arise, including the lack of regulations specifically governing sharia aspects in digital business, as well as a shortage of human resources skilled in the combination of technology and sharia principles (Basyirah, L., Hapsara, O., & Hamidah, S. , 2023).

Despite these challenges, there are also opportunities that can be leveraged to optimize the growth of this sector. Public awareness of the importance of shariah-compliant financial services is increasing, creating strong demand for digital products that meet these criteria. This research aims to explore the challenges and opportunities in realizing shariah compliance in digital business models in Indonesia. By identifying the various aspects that affect this implementation, it is hoped that practical and sustainable solutions can be found. Through this analysis, it is hoped to provide useful insights for industry players, policymakers, and the wider community in building a digital ecosystem that complies with sharia principles, while strengthening Indonesia's position as a leader in the global sharia fintech industry.

2. Methods

This research uses qualitative research methods, namely analytical descriptive (Sugiyono, 2018). The main method used is desk research, which relies on literature sources, such as reference books, journal articles, and relevant periodicals, to obtain data to understand the challenges in implementing sharia compliance in digital business models in Indonesia.

3. Results and Discussion

3.1. Literature review

The results of this study show some important aspects of implementing sharia compliance in digital business models, which face complex challenges due to technological transformation and changing consumer expectations. These challenges can be overcome through collaboration between industry players, regulators, and sharia institutions to build a sharia-friendly digital ecosystem. This collaboration aims to ensure accessibility, trust and sustainability of sharia-based businesses in the digital era (Teguh Prakoso, 2023).

The research results in this document show that sharia financial technology (FinTech) in Indonesia has great potential to improve financial inclusion and provide sharia-compliant financing solutions. Overall, this study concludes that despite the challenges, the potential of Islamic FinTech to support economic growth and financial inclusion in Indonesia is huge, provided there is cooperation between various stakeholders and supportive regulation (Mujahidin, 2019).

3.2. Discussion

This journal identifies the main challenges in implementing sharia compliance in digital business models in Indonesia, which have a significant impact on the development of the sharia fintech industry and sharia-based digital services (Cahyono et al, 2024). Some of these challenges include:

1. Limited Regulation
   The lack of specific and comprehensive regulations for Islamic fintech in Indonesia is an obstacle. Existing regulations do not cover the specific needs of this industry, especially in the digital context (Muin, 2021).
2. Lack of Human Resources Competent in Technology and Shariah
   There is still a lack of human resources who have a deep understanding of both technology and sharia principles. This hampers the ability of companies to develop products and services that comply with sharia values.
3. Limited Technology Infrastructure
   The lack of adequate technological infrastructure hinders the development of sharia-based digital businesses. The existing infrastructure does not fully support the technical and operational needs required in providing sharia services digitally.
4. Transparency and Gharar (Uncertainty) Issues
   One of the major challenges in sharia compliance is avoiding the element of gharar or uncertainty, which often arises in digital transactions. Transparency is important to maintain consumer trust and ensure transactions are in accordance with sharia principles.
5. Public Acceptance and Education
   Indonesian people still do not fully understand sharia-based digital products. Lack of education on the benefits and advantages of sharia products is a challenge in increasing public adoption of sharia fintech services.
6. Collaboration with Third Parties
   In developing digital services, collaboration with third parties is often necessary. However, this collaboration must be done carefully to remain in accordance with sharia principles, especially related to the aspects of transparency and avoidance of usury or practices prohibited in Islam.

The research on Sharia-Based Digital Business Models in Indonesia aims to understand the challenges and opportunities in implementing them in accordance with sharia principles (Id chairy, 2022). The following are the main objectives of this research:

1. Analyzing the Characteristics of Sharia-Based Digital Business Models
   This research aims to identify the characteristics and key components of sharia-based digital business models, including elements such as transparency, fairness, freedom from usury, gharar (uncertainty), and maysir (gambling). This understanding is important to distinguish shariah-based digital business models from conventional digital business models.
2. Mapping the Challenges in Realizing Shariah Compliance
   This research aims to identify the challenges faced by sharia digital businesses in Indonesia, such as evolving regulations, limited market understanding, uneven public awareness, and technical and operational issues in ensuring compliance with sharia principles.
3. Identifying Opportunities in Shariah-Based Digital Markets
   With the rapid growth of the digital market in Indonesia, this research aims to explore the opportunities that exist for Shariah-based business models, for example through e-commerce, Islamic fintech, and crowdfunding based on waqf or halal investment. It also highlights the market potential of Indonesia's large Muslim population.
4. Assessing Regulatory and Policy Implications in Shariah Digital Businesses
   Another objective is to understand the role of policies and regulations from the government, the National Sharia Council (DSN-MUI), and other relevant institutions in shaping an ecosystem that supports the growth of sharia-based digital businesses. This analysis can help identify policies or regulations needed to strengthen sharia compliance in digital business.
5. Formulating Innovative Strategies to Support Shariah Compliance
   This research also aims to explore innovative strategies that can assist digital companies in meeting sharia requirements while still competing in the dynamic digital market. These strategies could include the use of technologies such as blockchain for transaction transparency, smart contract systems to avoid gharar, or ethics-based marketing models.
6. Evaluating Market Response to Shariah Digital Businesses
   The objective of this research is to understand how Muslim consumers in Indonesia respond to sharia-based digital businesses, including the factors that drive their trust and loyalty to sharia digital platforms, as well as the extent of their understanding of sharia principles in the context of digital business.
7. Promoting Shariah Awareness and Literacy in Digitalization
   One of the long-term goals is to increase sharia literacy and public awareness of the importance of sharia-compliant digital businesses. This is important to strengthen market demand for shariah-compliant products and services.

Ultimately, this research aims to develop sharia-compliant digital business models that are not only compliant with Islamic principles but also able to compete effectively in a competitive digital marketplace, contribute to Indonesia's digital economy, and increase Islamic financial inclusion in Indonesia.

4. Conclusions

Overall, this research concludes that sharia-based digital business models in Indonesia have bright prospects and many opportunities for development. However, challenges related to regulation, sharia literacy, and technological infrastructure need to be addressed in order for these business models to grow sustainably, competitively, and in line with sharia principles. Overall, this research shows that with strong regulatory support, collaboration between stakeholders, and appropriate technology implementation, sharia-based digital business models have a great opportunity to grow in Indonesia.

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