

THE PROGRESSIVENESS OF ISLAMIC FINANCIAL REGULATIONS IN ENCOURAGING THE GROWTH OF THE HALAL ECOSYSTEM IN THE DIGITAL ERA

Bani Idris Hidayanto

An Nur Institute of Quranic Sciences Yogyakarta
Email: bani.idris26@gmail.com

Edo Segara Gustanto

Islamic University of Indonesia Yogyakarta
Email: edo_lpg@yahoo.com

Intan Nur Rahmawanti

Islamic University of Indonesia Yogyakarta
Email: drintannr.sh.mh@gmail.com

Abstract

Technological advancements are driving digitalization across various sectors, including Islamic financial services. Islamic financial institutions need to innovate digitally to enhance accessibility. Competition in digital financial innovation is increasing among both Islamic and non-Islamic banking to attract public interest. Adequate regulatory support is crucial to strengthen legal protection for customers. The digitalization of Islamic finance is supported by various regulations, such as POJK No. 13/POJK.02/2018 and DSN-MUI Fatwa No. 117 of 2008. This research employs a literature review method with a qualitative descriptive approach, aiming to expand understanding of the benefits of Islamic economic law and its regulatory developments. The research findings indicate that while the regulation of Islamic finance in Indonesia is quite good, it remains passive and less responsive to the development of digital products. Regulations are still scattered and not specific. The advancement of these regulations can support the halal ecosystem, sustainable economic growth, financial inclusion, and Sharia-compliant financial solutions in the digital era.

Keywords: *Progressivity, Regulation, Islamic Finance, Halal Ecosystem*

Abstrak

Perkembangan teknologi mendorong digitalisasi di berbagai sektor, termasuk jasa keuangan syariah. Lembaga keuangan syariah perlu berinovasi secara digital untuk memudahkan aksesibilitas. Kompetisi dalam inovasi keuangan digital meningkat baik di perbankan syariah maupun non-syariah untuk menarik minat masyarakat. Dukungan regulasi yang memadai sangat penting untuk memperkuat perlindungan hukum bagi nasabah. Program digitalisasi keuangan syariah didukung oleh berbagai peraturan, seperti POJK No. 13/POJK.02/2018 dan Fatwa DSN-MUI No. 117 Tahun 2008. Penelitian ini menggunakan metode kepustakaan dengan pendekatan deskripsi kualitatif, bertujuan untuk memperluas pemahaman tentang manfaat hukum ekonomi syariah dan perkembangan regulasinya. Hasil penelitian menunjukkan bahwa regulasi keuangan syariah di Indonesia cukup baik namun masih pasif, kurang responsif

terhadap perkembangan produk digital. Regulasi masih tersebar dan belum spesifik. Kemajuan regulasi ini dapat mendukung ekosistem halal, pertumbuhan ekonomi berkelanjutan, inklusi keuangan, dan solusi keuangan syariah di era digital.

Kata Kunci: *Progresivitas, Regulasi, Keuangan Islam, Ekosistem Halal*

Introduction

The digital era continues to grow and evolve in line with technological advancements, as does the Shariah economic transactions in Shariah financial institutions following technological developments in the form of increasingly diverse transactional techniques. There are many forms of Shariah-compliant business transactions that utilize digital technology, including e-commerce, financial technology, and digital banking. These services are products of evolving and innovative technology that can be applied to both banking and non-banking sectors (Miswan Ansori, 2019).

The growth of the halal ecosystem has been rapid alongside technological advancements that have disrupted societal norms. The Shariah financial industry has become part of the financial services sector that faces risks from the current digital developments. The majority of Indonesia's population is Muslim and adheres to Shariah law, which serves as a guide for life and transactions. With Shariah law being dynamic and adapting to modern developments, it can provide solutions to concrete issues in building a society that complies with the law.

Several policies have been issued to support the growth of the halal ecosystem and digital transactions. The government has enacted several regulations, including: Law No. 11 of 2008 concerning Electronic Information and Transactions, OJK Regulation No. 77 of 2016 concerning peer-to-peer lending services based on information technology, and OJK Regulation No. 13 of 2018 concerning Digital Financial Innovation, also known as IKD (Nurhani & Jamilah, 2022).

Here are some concrete examples of Shariah financial regulations in Indonesia:

1. Law Number 21 of 2008 concerning Shariah Banking: This law regulates the operations of Shariah banks, including the Shariah principles that must be adhered to, the types of products and services that can be offered, and supervision by the Shariah Supervisory Board.

2. OJK Regulation No. 31/POJK.05/2014 concerning the Organization of Shariah Financing Companies: This regulation governs the operations of Shariah financing companies, including the types of financing that can be conducted and the Shariah principles that must be followed.
3. OJK Regulation No. 11/POJK.03/2016 concerning the Obligation to Provide Minimum Capital and Fulfillment of Minimum Core Capital for Shariah Commercial Banks: This regulation addresses the obligation to provide minimum capital for Shariah commercial banks and the fulfillment of minimum core capital.
4. OJK Regulation No. 35/POJK.05/2018 concerning the Organization of Shariah Financing Companies and Shariah Business Units: This regulation covers the operational procedures and requirements for Shariah financing companies and Shariah business units, including types of financing and supervision mechanisms.
5. Fatwas of the National Shariah Council of the Indonesian Ulema Council (DSN-MUI): DSN-MUI fatwas provide guidelines for Shariah financial products and services. Important fatwas include DSN-MUI Fatwa No. 1/DSN-MUI/IV/2000 concerning Current Accounts, DSN-MUI Fatwa No. 2/DSN-MUI/IV/2000 concerning Savings, and DSN-MUI Fatwa No. 7/DSN-MUI/IV/2000 concerning Mudharabah (Qiradh) Financing.
6. Bank Indonesia Regulation (PBI) No. 11/10/PBI/2009 concerning Electronic Money: This regulation governs the use of electronic money in Shariah financial transactions.
7. OJK Regulation No. 28/POJK.03/2019 concerning Financial Statements of Shariah Commercial Banks and Shariah Business Units: This regulation addresses the preparation, presentation, and disclosure of financial statements for Shariah commercial banks and Shariah business units.

However, there is currently no specific regulation governing Shariah economic activities in the realm of digital halal ecosystem development. In recent years, the development of the halal ecosystem has been recognized as a source of new economic growth. Through the National Committee on Shariah Economy and Finance (KNKS), efforts have been made to promote the development of digital payment systems and halal markets to stimulate the growth of the halal industry.

Furthermore, the Indonesian Council of Ulama (MUI), as a religious social institution that issues fatwas related to transactions (muamalah), aims to provide legal clarity and understanding based on Shariah principles in the muamalah or Shariah economy sector in addressing the evolving issues within society. Fatwas serve as a representation of Shariah provisions binding to Muslims and as doctrines to provide insights into economic concepts that align with Shariah principles (Sarip et al., 2019). MUI responded to Shariah financial activities in the digital development by issuing Fatwa DSN-MUI No. 117 of 2018 concerning Electronic-Based Financing Services Based on Sharia Principles.

Progressive law is a paradigm that concludes that law exists for the benefit of humans. The meaning of progressive law in this context is the legal perspective regarding statutory provisions or regulations. Therefore, the key question is how the development of fatwas from POJK and DSN-MUI, in accordance with desired regulations, can bring about changes and advancements in the halal ecosystem present in Shariah finance in the digital era.

To meet the increasing needs of society, there is a need for digitization in Shariah financial transactions using digital applications or platforms. To support the growth of the halal ecosystem, appropriate regulations are needed for legal validity and system compliance with Shariah principles so that Shariah compliance can be enforced (Alfarizi & Hanum, 2022). It is clear that the development of digital technology greatly influences the growth of Shariah economy, thus driving the progressiveness of Shariah financial regulations to support the growth of the halal ecosystem. There are several related literature reviews that can serve as references for this writing. The author will divide them into various categories in terms of research results. Some writings discussing the same theme include: First, Fahrur Ulum in 2017. Second, Hadu Nurhani Mufrih and Jamaliah Hadiroh in 2022. These studies focus on discussing regulations overall, including statutory regulations, POJK, and fatwas from DSN-MUI as part of the journey of the Shariah finance business industry in national economic growth. While the author will also discuss this aspect, there is a difference in the discussion regarding the development of technology in Shariah financial services. The author will delve into the development of technology in Shariah financial services by discussing the presence of digital financial

innovation and exploring opportunities for digital financial innovation programs to drive the growth of the halal ecosystem.

Thus, technological advancements will impact the growth of Shariah economy in the Shariah financial services sector, giving rise to a modern operational system, enabling financial services to produce products that are easily accessible to the public through digital technology. The analysis of the progressiveness of regulations in Shariah financial services in the digital era in driving the growth of the halal ecosystem, as well as the opportunities and challenges of Shariah finance in driving the growth of the halal ecosystem, will be the problem formulation in this research. Therefore, this discussion will lead to the formulation of a title: *"Progressiveness of Shariah Financial Regulations in Driving the Growth of the Halal Ecosystem in the Digital Era"*.

RESEARCH METHOD

The research method employed in this work is library research, with a description of the nature or symptoms that were ongoing at the time the research was conducted, and studying the causes of certain symptoms.

While qualitative is the process of producing descriptive data in the form of written and spoken words from people and observable behavior by examining Islamic financial regulations (laws and regulations, DSN-MUI fatwas, OJK regulations) related to digital-based Islamic financial transactions which examines Shariah financial regulations (statutory regulations, Fatwas from DSN-MUI, OJK regulations) related to digital-based Shariah financial transactions. The data sources used are primary data, including laws, OJK regulations, Fatwas from DSN-MUI, while secondary data consist of supportive literature such as books, journals, articles, and online news (Zuhri Abdussamad, 2021).

To analyze this research, a descriptive approach is utilized as a method to generate a comprehensive overview of the research results (Armia & Muhammad Siddiq, 2022). This approach provides explanations and validation regarding the progressiveness of regulations in Shariah financial services in the digital era, aiming to drive the growth of the halal ecosystem, as well as the opportunities and challenges of Shariah finance in driving the growth of the halal ecosystem.

RESULT AND DISCUSSION

1. Progressiveness of Digital-Based Sharia Financial Regulations

The urgency of digital technology development helps accelerate the growth of transactions and products offered by Islamic financial services. On the other hand, there are opportunities, challenges, and risks that must be anticipated, such as financial losses, customer data security, and fraud from other parties claiming to be Islamic financial services, which are commonly found in digital transactions today. Digital transactions make it easier for prospective customers to engage with Islamic financial services, but they must also be accompanied by adequate regulations and comprehensive supervision that aligns with the Islamic financial services industry to instill trust in customers in carrying out their operations in providing financial services in accordance with Sharia principles and digital-based (Fahrur Ulum, 2017).

The digitalization of Sharia-based transactions is being promoted by both Islamic financial institutions, including banking and non-banking, to facilitate customers in accessing Sharia financial services easily. Digital financial policies are becoming a new model in the financial industry that combines Sharia financial services and the halal ecosystem by launching digital platforms as competitive advantages that leverage digital technology in e-commerce transactions. The growth of the halal ecosystem creates products that are close and easily accessible to the public by providing new experiences and impressions in every transaction (Hani Werdi, 2018).

The government's efforts to enhance Sharia banking are evident through the issuance of numerous policies in laws and regulations, which are divided among Bank Indonesia Regulations (PBI), Financial Services Authority Regulations (OJK), Fatwas from the Indonesian Council of Ulama (DSN-MUI), and various rules issued by relevant authorities. Therefore, to ascertain that the existing regulations have made significant progress, it is crucial to identify them (Mariske Meike Tampi, 2018).

From several regulations governing Sharia finance in the form of laws, government regulations, ministerial regulations, Bank Indonesia regulations, POJK, and Fatwas from DSN-MUI, we can make several assumptions that the government is seriously providing legal support for the development of technology in the Sharia financial sector in Indonesia. Regulations have become very progressive in responding to

the needs and demands of society based on Sharia principles, which aim to uphold Sharia compliance and public trust in Sharia financial services.

The extensive regulations governing Sharia finance from legislative regulations and circular letters from various institutions respond quickly to every product that is crucial for the development of Sharia financial services. The consequence of these extensive regulations is the positive development of Sharia financial services, both from the perspective of institutions, human resources, and operations. This development is demonstrated not only in Sharia banking but also in Sharia financial institutions such as the Sharia capital market, Baitul Mall Wa Tamwil (BMT), Sharia Rural Banks (BPR), as well as non-banking financial industries such as Sharia insurance, Sharia mutual funds, Sharia pawnshops, Sharia financing institutions, and so forth (Fahrur Ulum, 2017).

In Indonesia, there are several regulatory agencies that oversee financial services and digital-based transactions, namely: Bank Indonesia (BI), the Financial Services Authority (OJK), and the Ministry of Communication and Information Technology (KEMKOMINFO), the Indonesian Ulema Council (MUI). These institutions each have their respective roles to support and promote the issuance of fair regulations (KNEKS, 2018).

The progressiveness of Sharia economic and financial regulations related to Sharia financial transactions based on the utilization of information technology and digitalization in this digital era are as follows:

Regulator	Regulations
Legislation	Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector
Government	Government Regulation Number 82 of 2012 concerning Electronic Systems and Transactions
	Minister of Communication and Information Regulation No. 20 of 2016 concerning Personal Data Protection and Electronic Systems
	Presidential Regulation Number 74 of 2017 concerning the Roadmap for Indonesian E-commerce 2017-2019

<p>Central Bank (Bank Indonesia)</p>	<p>Bank Indonesia Regulation No. 19/12/PBI/2017 concerning the Implementation of Financial Technology</p>
<p>POJK</p>	<p>Member of the Board of Governors of Bank Indonesia Regulation No. 19/14/PADG/2017 concerning the Limited Trial Space for Financial Technology</p> <p>Financial Services Authority Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Lending and Borrowing Services</p> <p>Financial Services Authority Regulation No. 38/POJK.03/2016 concerning the Implementation of Risk Management in the Use of Information Technology by Commercial Banks</p> <p>Financial Services Authority Regulation No. 12/POJK.01/2017 concerning the Implementation of Anti-Money Laundering and Counter-Terrorism Financing Programs in the Financial Services Sector</p> <p>Financial Services Authority Regulation No. 13/POJK.02/2018 concerning Digital Financial Innovation in the Financial Services Sector</p> <p>Financial Services Authority Regulation No. 37/POJK.04/2018 concerning Fundraising Services Through Information Technology-Based Share Offerings (Equity Crowdfunding)</p> <p>Financial Services Authority Regulation No. 10/POJK.05/2019 concerning the Implementation of Sharia Financing Company Business and Sharia Business Units</p>
<p>Fatwa of the Indonesian Council of Ulama (DSN-MUI)</p>	<p>Fatwa of the Indonesian Council of Ulama (DSN-MUI) No. 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services based on Sharia Principles</p> <p>Fatwa of the Indonesian Council of Ulama (DSN-MUI) No. 116/DSN-MUI/IX/2018 concerning Electronic Money</p>

Fatwa of the Indonesian Council of Ulama (DSN-MUI) No. 140/DSN-MUI/VIII/2021 concerning the Offering of Sharia Securities Through Information Technology-Based Fundraising Services based on Sharia Principles
--

From various regulatory data regarding Sharia finance in the form of laws, Government Regulations (PP), Ministerial Regulations (PERMEN), Bank Indonesia Regulations (PBI), Financial Services Authority Regulations (POJK), Fatwas from DSN-MUI, and others, it can be seen that there is a political will to enhance the Sharia financial sector in Indonesia. Sharia financial regulations are quite progressive to meet the needs of society and Sharia compliance requirements, which are crucial for Sharia financial institutions. Optimal implementation of Sharia compliance can build public trust in Sharia financial institutions.

The basic need to continuously monitor the development of Sharia financial institutions is by issuing a Sharia banking roadmap that outlines strategic issues or fundamental problems that still exist in the Sharia banking sector. Policy directions and operational programs supporting the achievement of policy directions involve various stakeholders to build a Sharia financial sector capable of making a real contribution to the national economy based on sustainable economic growth, the development of a fair and stable financial system, and a highly competitive Sharia financial industry. With the various dynamics occurring in Sharia economic and financial regulations, further coordination and discussion with stakeholders are needed to explore and align perceptions of these issues.

The presence of Law No. 4 of 2023 is expected to complement the shortcomings of previous regulations regarding digital transaction innovations with the aim of improving massive laws. Institutions and authorities are expected to cooperate to build a comprehensive and integrated Sharia economic and financial legal ecosystem that can enhance the contribution of Sharia economics to national economic development and position Sharia economics not only as a religious value but also as an entity consistent with universal values.

The development of digital technology in Islamic financial services is urgent to support the acceleration of transactions and products. According to Fahrur Ulum (2017),

the risks that need to be anticipated include customer data security and fraud by parties claiming to be Islamic financial services. Therefore, adequate regulation and comprehensive supervision are essential to build customer trust.

2. The Growth of the Halal Ecosystem in Sharia finance in the Digital Era is Significant and Multifaceted

In Indonesia, the government has implemented various policies to support the growth of the Sharia economy, including the halal industry. One strategy to strengthen the halal value chain is through the implementation of halal assurance systems, which include halal certification for micro, small, and medium enterprises (MSMEs), the expansion of Cash-Waqf Linked Sukuk (CWLS), the implementation of creative Sharia financing, and the implementation of Sharia services by BP JAMSOSTEK. The government also supports the development of the digital economy to enhance productivity, including for halal businesses. This includes initiatives such as the Kartu Prakerja (Pre-Employment Card), the National Movement for Digital Literacy, Digital Talent Scholarship, and Digital Leadership Academy, which support the development of digital talent and the digitalization of micro, small, and medium enterprises (MSMEs), including in the halal sector (Sudirman & H.S. Disemadi, 2022).

The progress of Sharia financial regulations can have a significant impact on the development of the halal ecosystem in the digital era. The halal ecosystem refers to the infrastructure, economy, and environment that support the growth and sustainability of Sharia-based products and services. The digital era offers great potential to expand the halal ecosystem on a global scale (Muhammad Syarif & Tri Hidayati, 2022).

The National Committee on Sharia Finance and Economy (KNEKS) also supports the development of Sharia digital economy in Indonesia. Through KNEKS, the government encourages the emergence of digital Sharia payment systems and halal markets to stimulate the development of various industries. The halal ecosystem is considered a new source of economic growth in Indonesia, and one of the pillars of the Indonesian Sharia Economy Masterplan (MEKSI) 2019-2024 is the development of the halal industry in Indonesia. One strategy to strengthen the halal value chain is by building halal hubs in the region (KNEKS, 2018).

The development of the halal industry is considered a crucial factor in supporting the growth of the Sharia economy in Indonesia. Bank Indonesia views the development of the halal industry as an integral part of its policies to support the Sharia economy. The government has also taken strategic steps to promote the growth of the Sharia economy, including strengthening the halal supply chain and supporting halal businesses. Here are some ways in which the progressiveness of Sharia financial regulations can drive the growth of the halal ecosystem in the digital era:

a. Facilitating Sharia Financial Technology

Fintech has created significant benefits for the financial inclusion industry. It has expanded access to Sharia finance for previously marginalized communities, including those in rural areas and groups without access to normal banking services. Through the use of mobile banking applications, financial services can be accessed quickly and easily, without significant geographic barriers.

This enables individuals and MSMEs to access the banking and financing services needed for economic growth. To respond to the growth of fintech, other Sharia financial institutions must ensure compliance with Sharia principles, as well as customer protection and financial system stability. Additionally, timely and progressive regulations are needed to ensure the security and safety of fintech users. Furthermore, socialization and training in Sharia finance are also important so that the wider community can understand the benefits and risks of this technology (Fitroh R.Syakarna, 2023).

Appropriate and adaptive regulations are needed to accommodate fintech innovations without hindering the development of the industry. Overly strict regulations can hinder growth and innovation in fintech that can benefit society. On the other hand, regulations that are too lax can increase risks for users and financial system stability.

The approach taken by some countries is to use a risk-based regulatory approach. This approach allows for more focused regulation on banking and fintech institutions that have high operational risks. Additionally, the adoption of regtech (regulatory technology) can also contribute to more efficient and effective regulation supervision and enforcement. Therefore, in facing the complexity and dynamics of the banking and

fintech sectors, the government and regulators must work together to create a balanced, progressive, and adaptive regulatory framework (Mar'atul Khumairok, 2023).

To promote the development of Sharia finance in supporting national economic development, the role of Sharia finance cannot be overlooked, and progressive legal support is needed. With appropriate and evolving regulations, fintech players can continue to innovate in line with digital technology advancements. Additionally, innovative Sharia financial technology can also be a game-changer in advancing Sharia economics and finance. The Indonesian government is committed to protecting users of Sharia financial technology through existing regulations. Regulations that support innovation in Sharia finance and the digitalization of Sharia economics and finance can create an environment conducive to the adoption of innovative Sharia financial technology.

Adaptive and appropriate regulations are needed to accommodate fintech innovations without hindering industry growth. According to Mar'atul Khumairok (2023), a risk-based regulatory approach allows for more focused regulation on institutions with high operational risks.

b. The Enhancement of Accessibility

Regulations governing Sharia finance in Indonesia are considered quite progressive in meeting social and compliance requirements. Additionally, Bank Indonesia has conducted studies on Sharia Economics and Finance which indicate that digital Sharia financial access for MSMEs can enhance access to financial inclusion (Bank Indonesia, 2021).

The contribution of Islamic banks to the development of MSMEs can be optimized further. For instance, enhancing financial access, particularly through facilitation requests, training, and business support. Islamic banks should continuously increase the usage of MSME products. MSMEs have significant potential to drive the increase of Gross Domestic Product (GDP), which is still constrained by limited access to capital and resources (Suretno & Bustan, 2020).

Progressive regulations can help overcome barriers in accessing Sharia financial products and services. Here are some ways progressive regulations can enhance access to Sharia finance:

- 1) Developing innovative products and services: Progressive regulations can encourage innovation in Sharia-compliant products and services that are more easily accessible to the general public. This innovation can result in more sophisticated products and services that are user-friendly for Sharia-compliant financial transactions.
- 2) Increasing transparency and accountability: Progressive regulations can enhance transparency and accountability in the Sharia finance sector. This can help build public trust in the Sharia finance industry and improve access to Sharia finance.
- 3) Promoting financial inclusion: Progressive regulations can help achieve this by ensuring that all members of the general public, including those living in remote or underserved areas, have access to Sharia-compliant products and services.

Progressive regulations can help overcome barriers in accessing Sharia financial products and services. According to Bank Indonesia (2021), digital Sharia financial access for MSMEs can enhance financial inclusion.

c. Consumer Protection

Progressive regulations can provide a strong framework for consumer protection in Sharia financial transactions. This includes safeguarding personal data, preventing fraud, and protecting consumer rights in general. With effective protection, consumers will feel more confident and inclined to use Sharia financial services.

There are several regulations and efforts to enhance consumer protection in Sharia financial transactions, including:

- 1) Financial Services Authority Regulation (POJK) No. 77/POJK.01/2016 concerning Peer-to-Peer Lending Based on Information Technology

This regulation provides guidelines and a strong framework for protecting consumers in financial transactions, including Sharia-compliant transactions. However, it may not be sufficient to meet the needs of Muslims for using fintech services based on Sharia principles. Currently, Sharia fintech industry is governed by general principles set

by the National Sharia Board of the Indonesian Ulema Council (DSN-MUI) as well as laws and regulations on technology-based financial services. The presence of regulations related to Sharia financial technology is expected to increase the intensity and awareness of the community towards economic welfare and legal certainty (Misbahul Ilham, 2020).

2) Bank Indonesia Regulation No. 19/12/PBI/2017 regarding the Provision of Financial Technology.

There are several points related to consumer protection in this regulation:(Peraturan Bank Indonesia No. 19/12/PBI/2017 Tentang Penyelenggaraan Financial Technologi, 2017)

- a) Fintech business actors registered with Bank Indonesia are required to implement consumer protection principles according to the products and services they offer.
- b) This regulation emphasizes the importance of consumer protection in fintech transactions, including transactions compliant with Sharia principles.
- c) In addition to consumer protection, this regulation also regulates risk management and thorough testing that must be conducted by fintech business actors.
- d) This regulation provides a clear framework for fintech providers to protect consumers in Sharia-compliant financial transactions. It requires financial technology providers to adopt clear guidelines and working conditions for consumer protection in Sharia-compliant financial transactions.

3). Masterplan for Sharia Economy 2019-2024

The Masterplan for Sharia Economy Indonesia 2019-2024 also considers consumer protection as one of the crucial aspects to be addressed in advancing the development of Sharia finance that supports national economic growth (KNEKS, 2018). With adequate regulations in place to protect customer data in Sharia finance transactions, the hope is to prevent any leakage or manipulation of customer data in Sharia financial services.

Progressive regulations can provide a strong framework for consumer protection in Sharia financial transactions. According to Misbahul Ilham (2020), POJK No. 77/POJK.01/2016 provides guidelines for protecting consumers in information technology-based transactions.

d. Transparency and Sharia Compliance

Digital financial services in Islam must adhere to Sharia principles, and transparency and compliance are crucial. Businesses in digital Sharia finance must provide clear, accurate, and transparent information to customers about products, fees, risks, and related terms. Sharia financial institutions must offer products and services that align with Sharia principles, such as halal financing, Sharia-compliant insurance, and halal investments that are free from prohibitions like *riba* (interest), *gharar* (uncertainty), and *maisir* (gambling), as a manifestation of adherence to Islamic teachings (Kumara Adji Kusuma, 2023).

Therefore, progressive regulations should emphasize the importance of transparency and Sharia compliance in financial products and services. Clear and stringent Sharia compliance standards will help build trust among consumers and other stakeholders in the Halal ecosystem.

Digital financial services in Islam must adhere to Sharia principles, including transparency and compliance. According to Kumara Adji Kusuma (2023), Islamic financial institutions must provide clear, accurate, and transparent information to customers.

e. Development of the Sharia Capital Market

The financial aspect of the halal industry ecosystem cannot solely rely on Islamic banking but must be supported by other sectors as well. Collaboration between the halal industry and Sharia capital markets can accelerate the development of the halal ecosystem in the digital era. Digital Sharia capital market instruments such as Securities Crowdfunding (SCF) are also evolving and have the potential to provide financing access for SMEs entering the halal sector.

The Sharia capital market has a value chain that flows from fundraising to distribution. Generally, the value chain of the Sharia capital market includes capital and human resources as inputs, market monitoring, as well as product distribution and marketing. Ultimately, this value chain is expected to benefit the growth of the halal industry in Indonesia.

Other Sharia capital market instruments such as Sharia stocks and Sharia mutual funds can also be used as alternatives for companies needing more capital from the public. Unlike sukuk, the proceeds from these instruments do not directly impact the development of the halal industry. Additionally, these products will be channeled by other Sharia financial institutions such as Islamic banks, Islamic insurance, pension funds, and other Sharia financial institutions (KNEKS, 2018).

On the other hand, POJK No. 37/2018 regarding equity crowdfunding services through technology-based actions (equity crowdfunding) explains that equity crowdfunding activities operate in the capital market sector. However, in the Financial Services Authority regulation on equity crowdfunding (POJK ECF), the organizers are not obligated to adhere to the principle of transparency to investors, as is customary in agreements prevailing in the capital market. There is a legal vacuum in the POJK ECF regarding the principle of transparency in equity crowdfunding activities, resulting in weak consumer or investor protection (Nurhani & Jamilah, 2022).

The Sharia capital market also supports the development of the halal ecosystem. According to KNEKS (2018), Sharia capital market instruments such as Securities Crowdfunding (SCF) can provide financing access for MSMEs entering the halal sector.

f. Sharia Financial Literacy and Education

Financial literacy in Sharia finance is the ability of an individual to understand and apply financial principles necessary for life in accordance with Islamic teachings for better financial management and a better material and spiritual life (Asyhad, 2022).

Islamic financial institutions play an active role in enhancing public understanding of Islamic finance and providing positive awareness to society. By increasing the public's awareness grounded in ethics, morality, and character that Sharia-compliant financial services are beneficial, it will boost people's interest in becoming customers of Islamic financial institutions themselves (Luki & chairia, 2020).

With various educational initiatives in Sharia finance led by the OJK and other Islamic financial institutions, the aim is to enhance public education and actively develop Sharia financial products tailored to changing societal needs (Hani Meilita et al., 2019).

However, the most crucial aspect of these efforts is that evaluations must be conducted to critically analyze the existing programs, ensuring their effective implementation.

With advancements in Sharia finance regulation, the halal ecosystem can thrive in the digital era. This will support sustainable economic growth, enhance financial inclusion, and provide Sharia-compliant financial solutions for an increasingly digitally connected global community.

Financial literacy in Sharia is crucial for better financial management. According to Asyhad (2022), Sharia financial literacy helps individuals understand and apply the financial principles necessary for a better life. This underscores the importance of education in helping people navigate financial decisions in accordance with Sharia principles. However, it's also worth considering how the effectiveness of such literacy programs can be measured and what factors might influence their success. Exploring these aspects can provide a more comprehensive understanding of the role of financial literacy in Sharia finance.

CONCLUSION

The progressiveness of Sharia financial regulations in Indonesia is quite commendable in responding to various societal needs and optimizing the operations of Sharia financial industry in the era of digitalization. This progress becomes more apparent with the issuance of Law Number 4 of 2023, which regulates the planning, regulation, and supervision of Sharia financial institutions.

Sophisticated and adaptive regulatory roles are key to building a strong and sustainable Sharia financial ecosystem. The digital era presents both challenges and opportunities for the Sharia financial industry, and progressive regulations can address these challenges while leveraging opportunities for technological innovation. Regulations supporting innovation in technology-based Sharia financial products and services, promoting better accessibility, ensuring transparency and security, and enhancing Islamic financial literacy will help build a comprehensive, safe, and Sharia-compliant financial ecosystem.

The development of the halal ecosystem in Sharia finance in the digital era involves the integration of Sharia financial principles and digital technology, which has

the potential to shape a dynamic, comprehensive, and innovative ecosystem. The digital era brings new opportunities and challenges that require wise and adaptive regulations to ensure the healthy growth of the halal ecosystem. The use of fintech in the context of Sharia can facilitate broader access to financial products and services that comply with Halal principles. Progressive regulations can support innovation in products, services, and business models that integrate digital technology with Sharia principles.

Collaboration among financial institutions, the government, and other stakeholders is also crucial to drive the growth of the halal ecosystem. Regulations facilitating such partnerships can help build a strong framework and support the growth of the halal ecosystem in the digital era. Ultimately, the growth of the halal ecosystem in Sharia finance in the digital era offers significant potential to create financial solutions aligned with Islamic values and principles while keeping pace with technological advancements. With the right regulations, this ecosystem can benefit digitally connected communities who are increasingly aware of the importance of Sharia principles in their financial lives.

REFERENCES

- Alfarizi, & Hanum. (2022). Optimalisasi Penggunaan Transaksi Digital Syariah Untuk Pemulihan Ekonomi. *Jurnal Lensa Ilmiah*, 1(3), 128–140.
- Armia, & Muhammad Siddiq. (2022). *Penentuan Metode dan pendekatan Penelitian Hukum* (M. Soddiq, Ed.; 1st ed., Vol. 1). Lembaga Kajian Konstitusi Indonesia (LKKI).
- Asyhad. (2022). Urgensi Literasi Keuangan Syariah pada Pendidikan Dasar. *Jurnal Alhamra*, 3(2), 80–94.
- Bank Indonesia. (2021). *Laporan Ekonomi dan Keuangan Syariah, Bangkit dan Optimis: Sinergi dan Inovasi Keuangan Syariah untuk Negeri*.
- Fahrur Ulum. (2017). Progresifitas Regulasi Keuangan Syariah di Indonesia. *Ad-Daulah: Jurnal Hukum Dan Perundangan Islam*, 7(2), 421–422.
- Fitroh R.Syakarna. (2023). Peran Teknologi dalam Transformasi Perbankan dan Keuangan Islam. *Jurnal Musyarakah*, 3(1), 76–89.
- Hani Meilita, Purnama Subadri, & Indri Yulia fitri. (2019). Efektifitas Gerakan Literasi Keuangan Syariah dalam Mengedukasi Masyarakat Memahami Produk Keuangan Syariah. *Jurnal Banque Syar'I*, 5(1), 31–43.

- Hani Werdi. (2018). Perkembangan Industri Perbankan Syariah di Indonesia: Analisis Peluang dan Tantangan. *Jurnal Unimus*, 8(1), 17–30.
- KNEKS. (2018). Masterplane Ekonomi Syariah Indonesia 2019-2024. *Kementerian Perencanaan Pembangunan Nasional*, 1–397.
- Kumara Adji Kusuma. (2023). *Pengantar Bisnis Digital dalam Perspektif Islam* (K. A. Kusuma, Ed.; 1st ed., Vol. 1). UMSIDA PRESS.
- Luki, & chairia. (2020). Peluang pengusaha Mikro dan Kecil (UMK) Menggunakan Layanan Digital Lembaga Keuangan Mikro Syariah. *Jurnal Al-Qordh*, 5(1), 58–69.
- Mar'atul Khumairok. (2023). Regulasi Hukum Perbankan dalam Menghadapi tren Inovasi Fintech dan Keberhasilan Industri Perbankan di Era Society 5.0. *Jurnal JMI*, 2(7), 1726–1727.
- Mariske Meike Tampi. (2018). Menekar Progresifitas Teknologi Finansial dalam Hukum Bisnis di Indonesia. *Era Hukum: Jurnal Ilmua Ilmu Hukum*, 16(2), 248–249.
- Misbahul Ilham. (2020). Memahami Peran Lembaga Pembiayaan Syariah dalam Meningkatkan Aksesibilitas Keuangan UMKM pada Masa Pandemi Covid-19. *Jurnal Widya Yuridika*, 3(2), 258–270.
- Miswan Ansori. (2019). Perkembangan dan Danpak Financial Technology Terhadap Industri Keuangan Syariah di Jawa Tengah. *Wahana Islamika: Jurnal Studi Keislaman*, 5(1), 20–40.
- Muhammad Syarif, & Tri Hidayati. (2022). Upaya dinamisasi sistem dan soliditas regulasi dalam manajemen risiko pembiayaan 4.0 pada perbankan syariah. *Ijtihad: Jurnal Hukum Dan Ekonomi Islam*, 16(1), 70–86.
- Nurhani, & Jamilah. (2022). Progresivitas Fatwa dan Regulasi Ekonomi Syariah terhadap Perkembangan Ekonomi Nasional. *Alhamra: Jurnal Study Islam*, 3(2), 70–85.
- Peraturan Bank Indonesia No. 19/12/PBI/2017 Tentang Penyelenggaraan Financial Teknologi, Pub. L. No. 19, Bank Indonesia 1 (2017).
- Sarip, Diana Fitriana, & Elya Kusuma Dewi. (2019). Mendudukan Fatwa Majelis Ulama Indonesia Sebagai Doktri Perundang-Undangan. *Legislasi Indonesua*, 16(3), 290–298.
- Sudirman, & H.S. Disemadi. (2022). Titik Lemah Industri Keuangan Fintech di Indonesia: Kajian Perbandingan Hukum. *Urnal Pembangunan Hukum Indonesia*, 4(3), 471–493.
- Suretno, & Bustan. (2020). Peran Bank Syariah dalam Meningkatkan Perekonomian Nasional Melalui Pembiayaan Modal kerja UMKM. *Jurnal Ad-Deenar*, 4(1), 1–15.
- Zuhri Abdussamad. (2021). *Metode Penelitian Kualitatif*. Zakir Media Press, Makasar.

