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ANALYSIS OF ONLINE LENDING IN THE PERSPECTIVE OF SHARI'AH ECONOMY: BETWEEN INNOVATION AND ETHICS

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ABSTRACT

Online lending is one of the innovations in the financial world that offers easy access to funds. However, this convenience is not free from various problems, such as high interest rates and potential abuse. This study aims to analyze online lending policies from the perspective of Islamic economics, by considering aspects of innovation and ethics in financial management. In the context of Islamic economics, online loans must fulfill the principles regulated in Islamic law, including the prohibition of usury, *gharar* (uncertainty), and *maysir* (gambling). This research will discuss how current policies are in line with these principles. In addition, the social and economic impacts of online lending on society will also be analyzed. The results of the study are expected to provide recommendations regarding online lending policies that are in line with the principles of Islamic economics as well as provide insights into how innovations in fintech can be developed in an ethical and sustainable manner.

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INTRODUCTION

The rapid development of information and communication technology in the digital era has changed many aspects of life, including the financial sector. One innovation that has emerged as a result of this development is online lending, which offers people easy access and fast processing. However, there are risks associated with high interest rates and the potential to get trapped in debt. This needs to be considered, especially from a shariah economic perspective. Online lending is often regarded as a practice that may contradict shariah principles, which emphasize fairness, transparency and sustainability in financial transactions. (Paden, Oktavianus, et al. 2024)

In the context of shariah economics, online lending is not only seen in terms of financial benefits, but also from an ethical and moral point of view. (Andeska, et al. 2024) The basic principle of shariah economics is the prohibition of usury, uncertainty, and exploitation. Therefore, critical questions arise regarding the extent to which online lending models are able to fulfill shariah requirements, and how digital financial industry players can adopt practices that are more in line with ethical and moral values in society.

On the other hand, innovations in online lending also offer great potential to improve financial inclusion, especially for people who have been underserved by traditional financial institutions. With easier and faster access, it is hoped that online loans can help people meet their financial needs. However, this must be done while taking into account the principles of Shariah so as not to cause losses or legal problems. (Wafa, 2020)

This research was conducted to answer the fundamental question of the extent to which online lending services can fulfill the principles of Islamic economics. Specifically, this research seeks to answer whether technological innovation in the form of online loans can be aligned with sharia ethics that emphasize fairness and transparency. The results of this research are expected to contribute to the development of a fintech ecosystem that is more in line with Islamic values.

Another challenge faced by online lending services is the potential for ethical violations in practice. For example, some studies have shown the practice of intimidating consumers who fail to pay on time, which is contrary to the principle of gentleness in Islamic transactions (Ismail, 2011). This is of particular concern in this context, as Islamic economics is not only about the prohibition of usury, but also the morality and moral aspects of business relationships.

In addition, the high reliance on technology in online lending services also brings new risks. One of them is the potential misuse of personal data, which can violate consumer rights. In Islamic economics, consumer protection is one of the important aspects, as stated by Kahf (2004), that transactions in Islam should be based on the principles of trust and honesty. Therefore, it is important to evaluate how these services can be improved to be more compliant with Shariah principles.

² The purpose of this study is to analyze online lending services from the perspective of Islamic economics, focusing on the conformity of these innovations with Islamic ethical principles. In addition, this research aims to identify the challenges faced by fintechs in the implementation of sharia principles and provide practical recommendations to overcome these challenges. In this process, we used a qualitative approach with descriptive analysis method to understand the problem in depth.

In order to understand the broader context, this research also reviews previous relevant literature. For example, research by Usmani (1998) underlines that Islamic finance involves not only legal aspects, but also morality, which makes the ethical perspective crucial in the evaluation of online lending services. This theoretical review will serve as the basis for analyzing the data obtained.

The problem formulation in this research includes several aspects, namely how online lending services currently operate, whether these services are in accordance with the principles of sharia economics, and how to improve these practices to be more in line with Islamic values. Thus, this research has strategic value, both for industry players and regulators, in building a more inclusive and sharia-compliant fintech ecosystem.

In Islamic economics,³ basic principles such as fairness, honesty and transparency are not just ideals, but should also be practical guidelines in doing business. This is relevant to what Siddiqi (2006) calls "the moral economy," where every business decision should consider its impact on society at large. With this approach, this study is expected to provide new insights that contribute to the Islamic economics literature. Article Error

Ultimately, this research aims not only to analyze the phenomenon of online lending, but also to provide applicable recommendations. We believe that with consistent application of sharia principles, fintech can be an effective tool in supporting financial inclusion without compromising ethical values. Therefore, the results of this study are expected to be useful not only for academics, but also practitioners and regulators. Wrong Form

METHOD

⁸ This research uses a qualitative approach with a descriptive analysis method to explore and analyze the phenomenon of online loan services from an Islamic economic perspective. This method was chosen because it is able to provide an in-depth understanding of the relevant Islamic economic principles as well as the challenges and opportunities faced in integrating technology-based financial innovations with Islamic ethics.

This research focuses on secondary data sourced from various literatures including books, scientific journal articles, industry research reports, and regulatory documents related to online lending and Islamic economics. These literatures were Wrong Form

collected through searches of academic databases such as Google Scholar, Springer, and ProQuest, as well as other reliable sources. The data sources used were selected based on their relevance and credibility in explaining concepts, theories and practices related to online lending and Islamic economics.

The data analysis technique used is content analysis, where data obtained from various sources will be systematically reviewed to identify the compatibility between online lending practices and sharia principles. The main focus of this analysis is to identify any potential violations of sharia principles such as the prohibition of usury, gharar (uncertainty), and maysir (speculation), as well as the extent to which these services fulfill ethical aspects such as fairness and transparency.

The analysis process was conducted with the following steps: First, relevant data was classified into key themes such as technological innovation, sharia principles, and Islamic financial ethics. Second, the classified data was critically analyzed to understand its theoretical and practical implications for online lending services. Thirdly, the results of the analysis are interpreted to provide insights into how financial innovation can be harmonized with Islamic economic values. In addition, this research also refers to applicable regulations in Indonesia, such as the Fatwa of DSN-MUI on sharia financing and the Financial Services Authority (OJK) regulations related to fintech lending. These regulations are used as a reference to evaluate the compliance of online lending services with sharia principles.

This research has limitations, as it relies on secondary data and does not include an empirical analysis of online lending practices. However, these limitations do not diminish the validity of the research as the main focus is on normative and conceptual analysis based on the available literature. With this method, the research is expected to contribute to understanding how online lending services can be optimized to support financial inclusion based on sharia values. In addition, the results of this study are expected to serve as a reference for academics, industry players, and regulators in developing a fintech ecosystem that is more in line with Islamic economic principles.

RESULTS AND DISCUSSION

Existing online lending policies are generally still dominated by the interest model, which is potentially contrary to sharia principles. In Islamic economics, there is a need for fairer alternative financing models, such as musyarakah (partnership) or mudarabah (profit sharing), which do not burden the borrower. The current lending model tends to benefit only the service provider. This creates inequity in the relationship between lenders and borrowers, where borrowers become trapped in

long-term debt. Therefore, it is important for the industry to formulate a model that is more in line with sharia ethics and principles.

Online lending is also often not transparent in the delivery of information regarding fees and interest to be charged. This lack of transparency can be a source of bigger problems in the future, especially for people who are less knowledgeable about these matters. In the context of Islamic economics, transparency is one of the most important principles in financial transactions. We found that borrowers tend to favor services that offer easy access without regard to legality and ethics. This shows the importance of education on Islamic economics and consumer protection in the use of online lending services. With sufficient knowledge, borrowers are expected to make wiser decisions.

Innovation in the fintech sector is urgently needed to create loan services that are not only fast and accessible, but also fair and sharia-compliant. For example, the development of a technology-based system that allows financial institutions to set proportional and fair interest rates. The existence of MUI's fatwa on sharia fintech provides a strong legal foundation for the development of sharia-compliant online lending services. With clear regulations, it is expected that industry players will be more committed to prioritizing sharia principles in their business operations.

Increased supervision from relevant authorities is also very important to prevent practices that harm the public. In this case, cooperation between the government, financial institutions, and the community is key to creating a healthy and sustainable ecosystem. On the other hand, challenges also arise from the aspect of competition among online loan service providers. There is a risk that in order to win the market, some services will ignore sharia principles in order to maximize profits. Therefore, strict controls must be implemented to ensure all parties comply with existing regulations.

In a global context, the development of online lending in the Islamic finance industry needs to pay attention to best practices from other countries that have implemented similar systems. Learning from other countries' experiences can serve as a reference to develop a better model for online lending practices. The public is also expected to play an active role in monitoring and providing feedback on the online lending services they use. With public participation, the process of adapting to sharia principles in this sector can take place more quickly and efficiently. Lastly, innovation in the fintech sector must remain oriented towards human values and sustainability. Therefore, when designing financial services products, it is important to consider broader social impacts, including community welfare.

An analysis of online lending practices in the context of Islamic economics shows that innovation must be coupled with strong ethical principles. There is a need to develop a model that not only benefits the service provider, but also benefits the borrower. Clear and strict regulations are needed to avoid abuse and fraud that

usually occur in this industry. Education and socialization on Islamic lending should be part of the risk mitigation efforts faced by the community.

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The development of technology that enables transparency and accountability should also be a priority in online lending policy. Fintech platforms need to open up the possibility of complaints and solutions to problems faced by borrowers, thus encouraging a better relationship between lenders and borrowers. Good practices in online lending should serve as a reference for other service providers. Not only in terms of products, but also in creating a good user experience. In the future, we hope to create a synergy between technological innovation and sharia economic ethics that can provide fair, sustainable, and empowering financial alternatives.

CONCLUSION

This research shows that more attention needs to be paid to online lending policies from an Islamic economic perspective. Lending practices that do not comply with sharia principles can cause greater social and economic problems, making it important to develop a more ethical and value-based model. From the analysis conducted, it appears that there is much room for improvement in online lending services, both in terms of regulation, innovation, and education for the community. It is a shared task between the government, industry, and society to create a healthy and ethical ecosystem in this sector. Finally, we hope that the results of this study can serve as a reference for the development of better policies that are more in line with Islamic economic principles, so that innovation and ethics can go hand in hand for the welfare of society.

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