

ENCHANCING ECONOMIC JUSTICE THROUGH SHARIA P2P LENDING: A LEGAL AND CAPABILITY BASED ANALYSIS INDONESIA

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ABSTRACT

This research examines the role of sharia-based Peer to Peer (P2P) lending in promoting economic justice in Indonesia. The approach used is to combine the perspective of Islamic law with Amartya Sen's capability approach framework. The main issue of discussion is how Islamic P2P lending can efficiently deliver economic justice amidst regulatory challenges and inconsistent application of sharia principles. Through the application of literature review methodology, analysis of regulatory documents, fatwa, and related literature, this study analyses the role of Islamic P2P lending in expanding access to inclusive finance especially for Micro, Small, and Medium Enterprises (MSMEs) and meaningfully evaluates the challenges in the application of sharia principles. The findings show that Islamic P2P lending has great potential to expand the capacity and function of society through productive financing, but its effectiveness is highly dependent on strengthening clearer regulations, improving Islamic financial literacy, and affirming the role of the Sharia Supervisory Board (DPS). This study suggests policy adjustments to build a more equitable and inclusive Islamic financial ecosystem.

Keywords: P2P lending, fairness, capability, sharia, regulation

ABSTRAK

Penelitian ini mengkaji peran layanan Peer to Peer (P2P) lending berbasis syariah dalam mendorong keadilan ekonomi di Indonesia. Pendekatan yang digunakan adalah menggabungkan perspektif hukum Islam dengan kerangka pendekatan capability Amartya Sen. Isu utama pembahasan adalah bagaimana P2P lending syariah dapat secara efisien memberikan keadilan ekonomi di tengah tantangan regulasi dan penerapan prinsip-prinsip syariah yang tidak konsisten. Melalui penerapan metodologi kajian pustaka, analisis dokumen regulasi, fatwa, dan literatur terkait, penelitian ini menganalisis peran P2P lending syariah dalam memperluas akses keuangan inklusif khususnya bagi Usaha Mikro, Kecil, dan Menengah (UMKM) dan mengevaluasi secara bermakna tantangan dalam penerapan prinsip-prinsip syariah. Temuan penelitian menunjukkan bahwa P2P lending syariah memiliki potensi besar untuk memperluas kapasitas dan fungsi masyarakat melalui pembiayaan produktif, namun efektivitasnya sangat bergantung pada penguatan regulasi yang lebih jelas, peningkatan literasi keuangan syariah, dan penegasan peran Dewan Pengawas Syariah (DPS). Penelitian ini menyarankan penyesuaian kebijakan untuk membangun ekosistem keuangan Syariah yang lebih adil dan inklusif.

Kata kunci: P2P lending, keadilan, capability, syariah, regulasi

INTRODUCTION

Background of the Problem

Digital transformation has brought significant changes in various aspects of life, including the financial industry. One of the most significant impacts of advances in information technology is the birth of digital-based financial service innovations, known as financial technology (fintech) [1]. Fintech enables people to access financial services faster, more efficiently, and more affordably [2]. In Indonesia, the utilisation of this technology is a strategic opportunity to expand access to finance, especially for people who have not been served by traditional financial institutions (unbanked and underbanked) [3]. This underpins the importance of digital transformation in accelerating financial inclusion nationwide. However, financial inclusion in Indonesia

still faces many challenges. According to data from the World Bank and the Financial Services Authority (OJK), many micro, small and medium enterprises (MSMEs) experience challenges in obtaining financing from formal banks. Lack of collateral, low financial literacy, and geographical constraints are the main obstacles [4]. In this context, fintech, particularly the Peer to Peer (P2P) lending model, plays an important role as a financing option. By adopting a more adaptive technology-based model, P2P lending can reach segments of society that have not been fully served by the traditional financial system [5].

It should be noted that the existence of digital financial services is not only seen in terms of accessibility. In addition, moral and ethical aspects must also be considered, especially in Indonesian society, which is predominantly Muslim. In Islamic teachings, economic justice is a basic principle that emphasises the importance of distributing wealth, prohibiting usury practices, and protecting the rights and obligations of each individual in transactions [6]. Therefore, financial inclusion not only aims to increase participation in economic activities, but also ensure that such participation is in line with sharia values. Islamic fintech P2P lending comes as a solution that combines the efficiency of technology with the principles of Islamic finance. With an interest-free loan scheme and the principles of profit sharing (*mudharabah*) and cooperation (*musyarakah*), this service offers an ethical and fair financing model. Based on DSN-MUI Fatwa No. 117/DSN-MUI/II/2018 on Information Technology-based Financing Services based on Sharia Principles [7], Through this model, it is hoped that the community will have access to fair financing without falling prey to exploitative financial practices that are contrary to Islamic principles.

Despite its great potential, the adoption of sharia P2P lending in Indonesia is hampered by various challenges. These include regulatory aspects that are still in the early stages of development, digital and sharia literacy gaps among users, as well as the possibility of deviations from sharia principles in the field [8]. Various platforms that claim to be Shariah-compliant still apply a fee structure that resembles interest rates, or apply an additional fee structure with a less transparent profit-sharing mechanism [9]. This raises concerns regarding the sharia principles in various Islamic fintech platforms, which are supposed to function as financial products based on justice. Therefore, it is important to analyse in depth how Islamic fintech P2P lending can serve as an effective tool for realising economic justice in Indonesia. This paper analyses the legal and regulatory aspects by applying Amartya Sen's capability approach that emphasises the importance of individual freedom and the ability to lead a meaningful life. In this framework, access to finance is not only related to economic accessibility, but also the extent to which financial services can improve people's substantive well-being. This study aims to examine in depth the role of Islamic fintech in creating a fair and inclusive economy and provide policy recommendations to strengthen the legal basis and implementation of Islamic finance in the digital era.

Problem Formulation

Based on the background of the problems that have been described, there are 2 problems in this study, namely:

1. How is the role of sharia P2P Lending in promoting economic justice based on Islamic law and capability approach?
2. What are the regulatory challenges and the implementation of sharia principles on the P2P Lending platform?

Research Objectives

This research aims to:

1. To analyse the role of sharia-based P2P Lending in promoting economic justice in Indonesia through an Islamic law approach and Amartya Sen's capability approach analysis.
2. To identify and evaluate regulatory challenges and the application of sharia principles in the operation of P2P Lending platforms, and provide recommendations for policy improvements that support fair and inclusive Islamic finance.

Literature Review

Various previous studies have examined the role and potential of Islamic fintech in realising economic justice. Musjtari et al. (2022)[10] analysed whether Islamic fintech can be an alternative to traditional platforms that are perceived as unfair. They stated that adherence to Islamic principles, open contracts, and regulatory clarity are key aspects for Islamic P2P lending to contribute to economic justice. In line with that, Hasan et al. (2024)[11] noted that Islamic financial inclusion is growing in Indonesia and Iraq, while highlighting the need for better governance and regulation to effectively implement Shariah principles in digital finance practices. Meanwhile, Amsari et al. (2024)[12] emphasise the importance of a paradigm shift in economic development based on Islamic values and principles of sustainability. They emphasise that Islamic economic approaches need to go beyond mere normative compliance and also focus on distributive justice and improving the welfare of marginalised communities.

Further, Harjoni Desky dan Asmah Savitri (2024)[13] highlighted that Sharia Fintech, particularly P2P lending, can play a role as an instrument for economic empowerment of small communities in Indonesia through financing methods that are in accordance with Sharia principles and strong Islamic law management. Findings Imama Zuchroh (2025)[14] supported this by examining the regulatory challenges of Islamic Fintech, stating that policies that strengthen consumer protection and Shariah compliance are necessary to ensure economic justice. In line with this, Lina Maulidiana, S. H., et al. (2024)[15] applied Amartya Sen's potential approach to evaluate the effectiveness of Islamic Fintech in improving individual economic empowerment and access to finance. Research conducted by Arwani Amin, et al. (2024)[16] also highlighted that transparency and trust in Sharia P2P lending platforms are key factors that support economic justice and Sharia legitimacy.

Lastly, Dr. Andri Soemitra, MA, et al. (2022)[17] incorporate Maqasid Sharia (relief based on law) in their studies on Islamic Fintech and show that the application of Maqasid Sharia can bring beneficial social impacts to vulnerable communities in Indonesia and enhance equitable and sustainable financial inclusion. However, these studies have not comprehensively combined the Islamic law approach with modern economic justice theories, particularly the capability theory proposed by Amartya Sen (1999)[18] stated that welfare is determined not only by access to resources but also by an individual's ability to utilise those resources to lead a rewarding life. Therefore, combining maqasid sharia with the capability approach can provide a new framework to evaluate the extent to which Islamic Fintech, particularly P2P lending, contributes to economic justice in Indonesia.

RESEARCH METHODS

This research analyses the legal aspects and potential of sharia P2P lending that aims to improve economic justice in Indonesia using a qualitative legal-normative approach.

Type of Research

This research is a legal-normative qualitative research that focuses on the analysis of legal documents, laws and regulations, and related literature to understand and analyse the legal framework and principles of justice in sharia P2P lending platform services.

Research Approach

The approach used in this research is doctrinal legal research, which is research oriented towards literature review and legislation to analyse the norms, principles, and clauses that apply in the context of sharia P2P lending.

Data Source

The data used includes secondary data as follows:

1. Academic literature and scientific studies on P2P lending, economic justice, and capability approach.
2. Regulations on P2P lending and Islamic finance services in Indonesia.
3. Fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) on Sharia Fintech.
4. Financial Services Authority (OJK).

Place and Object of Research

This study is literature and regulatory in nature, and does not target a specific physical location. This study targets legal provisions, sharia fatwas, and literature that discuss aspects of sharia-based P2P lending and economic justice.

Data Collection Technique

Information was obtained through literature and documentary studies, namely by evaluating regulatory documents, fatwas, journals, books, and other literature related to the study topic.

Data Analysis Technique

The data obtained were analysed using an analytical descriptive approach, namely by structurally describing regulatory materials and literature and linking them to the concept of economic justice and the capability approach in the context of Sharia-based P2P lending. The results of this analysis are compiled to obtain a comprehensive understanding of the function of law and capability in improving economic justice through Sharia P2P lending.

RESULTS AND DISCUSSION

Analysis of Amartya Sen's Theory of Economic Justice

Amartya Sen's theory of economic justice focuses on the concept of capability approach individuals in living a life that they value important [19]. According to him, justice is not simply measured through the distribution of wealth or resources, but the extent to which people have the freedom and capacity to achieve a meaningful life. This capability approach sees that welfare improvement can be seen in terms of human potential development, not just from the ownership of goods or income. In today's digital era, financial technology (fintech) plays an important role in providing access to financial services for people who do not have or lack access to banking, especially from traditional financial institutions. This capability approach is superior to utilitarianism or resource distribution-based theories of justice, as it takes into account the social context, health, education, and actual opportunities available to individuals [20].

Table 1. Comparison of Justice Approaches

Aspects	Utilitarianism Theory of Justice	Amartya Sen's Capability Approach Theory of Justice
Main Focus	Resource distribution	Real capabilities of individuals
Measure of fairness	Total wealth of happiness or utility.	Substantive freedom of choice and life.
Attention to Social Context	Low, where individuals are considered uniform.	High, which considers differences in social conditions, health, gender, and so on.
Dimensions of Welfare	Monodimensional, individual preference utility.	Multidimensional, including health, education, social participation.
Key Strengths	Simple, easy to measure.	Appreciates human diversity and real-life contexts.
Key Weaknesses	May sacrifice individual rights for collective benefits.	Difficult to measure and implement quantitatively.

The table above shows the main comparison between utilitarianism and Amartya Sen's capability approach. Utilitarianism emphasises total happiness, i.e. the allocation of resources based on utility, and focuses on overall outcomes without considering differences in individual social circumstances. On the other hand, Amartya Sen's capability approach assesses justice based on an individual's substantial freedom to choose and live a meaningful life, taking into account different aspects of social circumstances and happiness. Utilitarianism is easier to measure, while the capability approach provides a deeper understanding of human diversity but is more complicated to implement.

In today's digital era, financial services on the P2P Lending platform provide opportunities for MSMEs businesses to raise funds without going through strict banking procedures [21]. Through Sen's capability approach, fintech not only provides financial access, but also enables individuals to expand their freedom and potential, thereby improving their quality of life. For example, a housewife who obtains funds from fintech can expand her home-based business, increase her income, and achieve economic independence. This is a form of capability building, as funds create opportunities for a better life, not just access to funds. However, it is important to remember that the mere presence of technology does not guarantee equity. Disparities in access to digital technology, low financial literacy, and potential misuse of the system are challenges. Therefore, the development of an equitable fintech ecosystem requires attention to structural and social aspects that affect users' ability to access and utilise technology optimally.

Islam makes justice the main foundation in all aspects of life, including economics. The concept of justice (*al-Adl*) in Islam includes not only formal law, but also social justice, distribution, and moral aspects. In the Quran, the command to uphold justice is explained in various verses, including in Q.S An-Nisa: 135

يَا أَيُّهَا الَّذِينَ آمَنُوا كُونُوا قَوَّامِينَ بِالْقِسْطِ شُهَدَاءَ لِلَّهِ وَلَوْ عَلَىٰ أَنفُسِكُمْ أَوِ الْوَالِدِينَ وَالْأَقْرَبِينَ ۚ إِن يَكُنْ غَنِيًّا أَوْ فَقِيرًا فَاللَّهُ أُولَىٰ بِهِمَا ۚ فَلَا تَتَّبِعُوا الْهَوَىَٰ أَن تَعْدِلُوا ۗ وَإِن تَلَوَّا أَوْ تَعَرَّضُوا فَإِنَّ اللَّهَ كَانَ بِمَا تَعْمَلُونَ خَبِيرًا

"O you who believe, be ye upholders of justice and witnesses for the sake of Allah, even if the testimony be against yourselves, your fathers and mothers, or your relatives. If he (the witness) is rich or poor, Allah knows better. So do not follow your lusts for the sake of deviating from the truth. If you twist your words or turn away (from bearing witness), surely Allah is Exhaustive of all that you do."

This verse shows that justice is a universal and absolute value in Islam. In economics, justice is defined as the balance between individual rights and community interests, the protection of the weak, and the prohibition of exploitative economic practices such as usury, gharar, and *mysuru*. Islamic economic instruments such as ZISWAF (zakat, infaq, sadaqah, waqf) and the prohibition of wealth accumulation (Iftikhar) are aimed at ensuring equitable wealth distribution and empowering the underprivileged, with the aim not only to eradicate poverty but also to build a society that is self-reliant, productive, and spiritually and materially prosperous. Conceptually, Amartya Sen's capability approach is closely related to the values of justice in Islamic economics. Both reject a narrow view of well-being based solely on wealth or utility. Both emphasise the importance of empowering agents of development, namely individuals with the capability to lead meaningful and responsible lives.

In Islam, justice not only includes legal and formal aspects, but also emphasises ethical and spiritual aspects [22]. Therefore, economic empowerment in Islam needs to be done in accordance with sharia principles such as honesty, social responsibility, and mutual assistance. In this context, Sen's theory reinforces the view that Islamic economics focuses not only on equitable distribution, but also on developing people's capabilities to lead a good and dignified life. Islamic fintech, which is fintech that is operated in accordance with Islamic principles, has great potential to be a vehicle for implementing both of these approaches. For example, Islamic fintech can provide loans under *mudarabah* or *musyarakah* contracts to MSMEs, without interest charges, and help them improve their business capabilities through mentoring and financial literacy. This is in line with Islamic teachings on justice and Sen's capability approach, which emphasises the importance of nurturing the true potential of individuals.

The concept of welfare and Anti-usury in Islam

In Islam, the prohibition of usury is one of the basic principles that aims to maintain fairness in financial transactions and prevent exploitation. *Riba*, which literally means "interest" or "addition", is considered a form of injustice because it creates wealth without productive effort and oppresses the economically weak. [23]. Allah SWT strictly prohibits the act of usury in various verses of the Quran, one of which is Allah SWT says in QS al-Baqarah: 275.

الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ذَلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا فَمَنْ جَاءَهُ مَوْعِظَةٌ مِنْ رَبِّهِ فَانْتَهَى فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ وَمَنْ عَادَ فَأُولَئِكَ أَصْحَابُ النَّارِ هُمْ فِيهَا خَالِدُونَ

"Those who eat usury cannot stand except as one who staggers because of a demon. This is because they say that buying and selling is the same as usury. Whereas, Allah has justified buying and selling and forbidden usury. So whoever receives a warning from his Lord (concerning usury), stops, and what he had earned is his, and it is up to Allah. Whoever repeats (the usury transaction), they are the inhabitants of Hell. They will remain therein."

This prohibition reflects Islam's intention to create an economic system that is non-exploitative and ensures shared prosperity. Furthermore, Islam emphasises the principle of equitable distribution of wealth through instruments such as ZISWAF (zakat, infaq, sadaqah, waqf), which aims to reduce social disparities and promote economic solidarity. Welfare in Islam is not only measured by material abundance but also by the fulfilment of basic needs, the protection of social rights, and the realisation of a balance between individual and communal interests. Therefore, the Islamic financial system is based on the principles of justice (*al-adl*), honesty (*ash-shidq*), and mutual aid (*al-ta'awun*) [24]. In wealth distribution, justice is achieved not only through redistribution but also by avoiding illegal accumulation of wealth and ensuring that all

groups, including weaker groups, have access to economic resources. This principle is important in addressing inequality in access to financial services in Indonesia, especially among vulnerable groups and MSMEs. The Islamic finance model offers a participatory and value-based approach to improving overall welfare. In the Islamic financial system, transactions through *mudharabah* (profit sharing) and *musyarakah* (co-operation) contracts are adopted as an alternative to the prohibition of *riba* (usury) [25]. It provides a fair and ethical financing option where risks and rewards are shared equally between the lender and the business owner. In the context of Islamic P2P lending, this strategy not only eliminates the element of usury but also encourages equal co-operation, strengthening small and medium enterprises, and transparency in all transactions. Applying such contracts in a financial transaction encourages a sense of shared responsibility and builds financial relationships based on trust rather than exploitation. Therefore, the introduction of these contracts truly embodies the integration of sharia principles with inclusive economic development goals (SDGs) in the digital era.

Challenges and Opportunities for Sharia P2P Lending Implementation

One of the main obstacles in the implementation of sharia-based P2P lending is the inconsistency between sharia principles and prevailing operational practices. POJK No. 77/POJK.01/2016, the main regulation for technology-based lending services in Indonesia, does not clearly regulate the various forms of contracts in sharia financing. As a result, many sharia platforms simply label themselves as "Sharia" without clearly explaining the contract structure, financing mechanism, and profit-sharing scheme applicable. However, based on DSN-MUI Fatwa No. 117/DSN-MUI/II/2018, Islamic fintech must avoid elements of usury, *gharar*, and *maysir*, and apply legal contracts such as *murabahah*, *mudharabah*, and *musyarakah*. However, in practice, there are still lending schemes that unilaterally set profit rates without involving users in determining risks and benefits. For example, one platform sets a fixed service fee of 20% of the total loan amount without a clear calculation method. This is essentially similar to a fixed interest rate and not a profit-sharing system in accordance with Shariah principles. In the framework of developing Islamic Fintech that focuses on economic justice and community empowerment, good education and understanding by all stakeholders is very important, not only borrowers who need financial literacy, but also lenders and investors, especially in the impact investment model that characterises Islamic Fintech.



Figure 1. Three Key Aspects before Starting an Investment

The figure above illustrates the "three key aspects before starting an investment" in the context of impact investing. Although it is specifically aimed at individual investors, the principles contained therein, namely self-preparation (determining the value and parameters of the investment), choosing the right type of investment, as well

as continuous monitoring, evaluation and learning, are very much in line with the spirit of Islamic P2P lending, which aims to create positive impact, emphasising the importance of contract transparency, understanding of risks and benefits, and long-term commitment by all parties to ensure that funds actually contribute to improving the capabilities and welfare of beneficiaries, in line with the goal of Islamic economic justice. [26].

The lack of synergy between OJK and Bank Indonesia in supervising Islamic fintech also poses regulatory challenges. Although BI has issued BI Regulation No. 22/23/PBI/2020 on Payment Systems to support digital innovation, the policy emphasises system stability and consumer protection from a systematic perspective rather than a substantive sharia perspective. In the absence of technical regulations governing sharia accountability standards, the role of the Sharia Supervisory Board (DPS) on each platform is crucial, but its role is weakened without the support of formal legal regulations. In practice, not all Islamic platforms have a Shariah Supervisory Board (DPS) that actively oversees every transaction. This may violate the principle of fairness in Islamic transactions. However, the opportunities for growth remain enormous. According to OJK's 2023 report, the Islamic fintech sector recorded a positive annual growth of 27%, especially in the MSME lending segment. [27]. This shows that there is a great opportunity to expand Islamic financial inclusion if regulatory and institutional challenges can be comprehensively addressed. One example is Amarta Syariah which has implemented a profit-sharing scheme to directly support partner MSMEs on the ground. The platform partners with microfinance institutions and Islamic social organisations to ensure that funds are distributed based on the principles of fairness and blessings. The success of this model demonstrates that Islamic P2P fintech can function as an economically competitive, ethical, and empowering financial product, provided that the application of sharia is consistent and supported by strong regulation.

The Role of Islamic Fintech in Financing MSMEs

Sharia Fintech plays an important role in helping the micro, small and medium enterprises (MSMEs) sector in Indonesia, especially those that do not have access to conventional financial institutions, to gain access to financing. In this context, Islamic P2P Lending is a comprehensive financing solution as it does not require collateral and prioritises fair Islamic financing principles. This model is in line with the government's efforts to encourage financial inclusion with a technology-based approach. Based on DSN-MUI Fatwa No. 117/DSN-MUI/II/2018, Sharia Fintech platforms must apply sharia-compliant contracts such as *mudharabah* and *musyarakah* and avoid elements of *riba* (interest) and *gharar* (uncertainty). The implementation of this fatwa will ensure the legitimacy of Islamic law while increasing the trust of Muslim MSMEs, especially those seeking *halal* and blessed financing. Unlike the traditional practice of fixed interest rates and late fees, the Islamic P2P Lending model offers a fairer and more flexible profit-sharing scheme. While in the traditional practice the borrower bears more of the risk, in the sharia model the lender and the fund recipient share the risk according to the agreed contract. Platforms like Amarta Syariah are an example of this, building mentorship programmes for MSMEs, improving financial literacy, and profit sharing based on performance. In addition to providing access to finance, this model also considers social and psychological aspects, supporting inclusive economic empowerment. This is in line with Amartya Sen's capability approach and the *maqasid sharia* principles of preserving wealth (*hifzhu'l mal*) and establishing economic justice.

Integration of Islamic Economics and Capability Approach

The integration of Islamic economic principles with Amartya Sen's capability approach theory analysis opens new horizons in understanding economic justice more holistically. Islamic economics does not only emphasise the prohibition of exploitative practices such as usury, gharar, and maysir, but is also oriented towards overall human welfare (maqashid sharia), namely *hifdz al-din* (protecting religion), *hifdz al-nafs* (protecting the soul), *hifdz al-aql* (protecting the intellect), *hifdz an-nasl* (protecting the lineage), and *hifdz al-maal* (protection of property) [28]. Meanwhile, Amartya Sen's capability approach focuses on the real freedoms of individuals to live a life that they consider valuable, not just the accumulation of goods and resources.

In the context of Islamic P2P lending, the integration of these two approaches allows the assessment of lending not only from a legal and formal perspective (based on Fatwa DSN-MUI No. 117/2018), but also from the perspective of the extent to which the service actually empowers the beneficiaries. For example, the *mudharabah* (*musyarakah*) contract model applied in Sharia Fintech provides opportunities for active participation of MSMEs in taking risks and reaping profits. This is in line with the principle of "agency in capability", which is the ability of individuals to make decisions and take responsibility for their own lives, as listed in the table below.

Table 2. Integration of Islamic Economic Principles and Capability Approach

Islamic economics	Capability Approach	Integration in Islamic Fintech
Distributive justice	Equality of opportunity	Fair financing scheme without <i>riba</i> and <i>kafarat</i>
Maqashid syariah (<i>hifdz al-maal</i> - protection of property)	Increased functionality and substantive freedom	Funding MSMEs for a more decent and meaningful life
Prohibition of Usury Practices	Protection from structural exploitation	<i>Mudharabah</i> and <i>musyarakah</i> agreements
ZISWAF	Redistribution of basic capabilities	Social intervention and community empowerment
<i>Shura</i> and <i>ukhuwah</i>	Solidarity and participation	Partnership-based decisions, not relations of domination

As a pioneer of sharia fintech P2P lending in Indonesia, Amarta has made a significant impact in strengthening the economy of local communities, especially MSMEs in empowering women in rural areas. Utilising *mudharabah* and *musyarakah* contracts, Amarta has provided microfinance to more than 72,000 villages across Indonesia. The scheme not only provides inclusive and usury-free access to finance, but also aims to enhance business capabilities through on-the-ground support, entrepreneurship training, and financial literacy. This approach is aligned with Islamic economic values (*maslahah*, justice, and *ukhuwah*) as well as the principles of Amartya Sen's capability approach which emphasises the importance of true freedom for individuals to live a decent life.

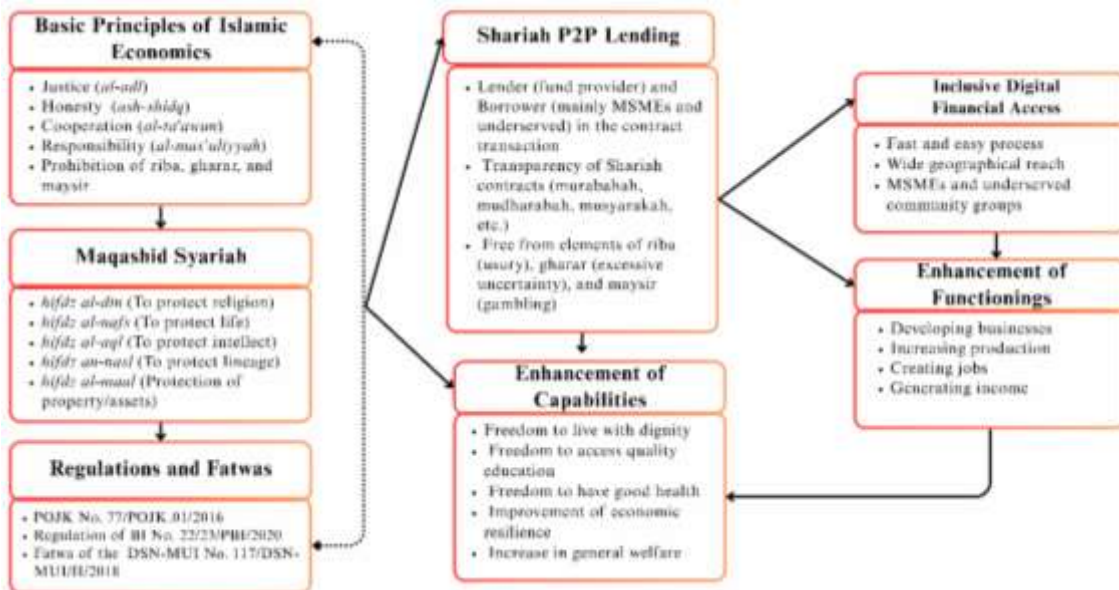


Figure 2. Diagram of the Integration of Islamic Economics and Capability Approach

Amartha specifically targets women, who occupy a key position in the MSME sector. 64% of all MSMEs in Indonesia are run by women, and 95% of Ultra Microfinance (UMi) recipients are women. The impact of this financing model not only improves business capabilities, but also directly contributes to improving family economic welfare, poverty reduction, and expanding employment opportunities. Based on information from the book Fintech Media Toolkit [26], the P2P fintech sector has created 362,000 new jobs, lifted 177,000 people out of poverty, and contributed IDR 60 trillion to Indonesia's GDP. Amartha's model is a true integration of Shariah-based finance and capability approaches, combining access to finance with support that encourages ownership, participation and control in economic decision-making. Amartha is an example of Shariah-based financial practices that are not only ethical and inclusive, but also transformative for the well-being of grassroots MSMEs.

CONCLUSION

This research examines the contribution of Islamic P2P lending in improving economic justice in Indonesia by identifying regulatory barriers and the status of implementation of Islamic economic principles from the perspective of Islamic law and by referring to Amartya Sen's capability approach framework. First, Islamic P2P lending shows great potential as a key tool in expanding access to inclusive finance, particularly for micro, small and medium enterprises (MSMEs) and marginalised communities. It bridges the access gap that these groups have felt from traditional financial institutions. This approach reflects the principles of justice and mutual assistance in Islam as explained in Q.S Al-Baqarah verse 245. In terms of capability approach, Islamic P2P lending not only provides access to capital, but also enhances functions such as business development and income generation, which ultimately expands the capabilities of beneficiaries (ability to live with dignity, access to education, improved welfare). One example is the Amartha Syariah platform which has managed to achieve a high rate of return while providing productive financing and creating a positive impact on the community. Secondly, there are some important challenges in the implementation of sharia P2P lending, particularly related to regulatory consistency and the application of sharia principles. Related regulations such as POJK No. 77/POJK.01/2016 are still general in nature and have not regulated in detail sharia contracts. Therefore, there are

still practices that are not in accordance with the principles of prohibiting usury, gharar, and maisir as stipulated in DSN-MUI Fatwa No. 117/DSN-MUI/II/2018. In addition, OJK and Bank Indonesia regulatory coordination needs to be strengthened, and the role of the Sharia Supervisory Board (DPS) needs to be institutionally strengthened to ensure sharia compliance. Another challenge is the low public understanding of Islamic financial literacy and the differences in understanding between various platforms that may lead to inconsistencies in the application of sharia. Despite these challenges, the growth potential for Islamic P2P lending in Indonesia is huge, fuelled by high public interest and the opportunity to reach a wider demographic, which was previously underserved. To fully capitalise on this potential and ensure that Islamic P2P lending truly supports economic justice, a comprehensive strategy is needed. This includes more detailed regulation of Islamic contracts, a better understanding of Islamic financial literacy among all stakeholders, and an emphasis on the role and authority of the Sharia Supervisory Board (DPS). In this way, Islamic P2P lending can grow as a financial instrument based not only on technical efficiency but also on fairness, accountability, and sustainability of contracts based on sharia principles. In this regard, this study recommends the importance of formulating more detailed regulations on sharia contracts in the fintech sector, strengthening the role and capacity of DPS institutionally, and implementing sharia financial literacy programmes for MSMEs and the public. The combination of regulation, understanding, and supervision is expected to strengthen the role of Islamic P2P lending as a financial instrument that is not only technically effective, but also fair, inclusive, and in line with Islamic principles.

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