

The Role Of Syariah Fintech In Supporting Entrepreneurship In Surabaya

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Abstract

The rapid development of financial technology has significantly transformed the economic landscape, particularly in supporting entrepreneurial activities. In Indonesia, the emergence of Sharia-compliant financial technology (Sharia fintech) offers an alternative financing model aligned with Islamic principles, especially in urban centers such as Surabaya. However, limited access to capital remains a major challenge for small and medium enterprises (SMEs), making Sharia fintech a potentially strategic solution. This study aims to analyze the role of Sharia fintech in supporting entrepreneurship in Surabaya, focusing on its accessibility, effectiveness, and compliance with Islamic financial principles. The research employs a qualitative approach using a case study method. Data were collected through in-depth interviews, observations, and document analysis involving fintech providers, entrepreneurs, and regulators. The findings reveal that Sharia fintech plays a significant role in enhancing financial inclusion by providing easier access to funding, promoting ethical business practices, and supporting business sustainability. Moreover, its risk-sharing mechanisms and prohibition of interest (riba) create a more equitable financial ecosystem. However, challenges such as limited public awareness, regulatory constraints, and technological literacy still hinder its optimal implementation. In conclusion, Sharia fintech has strong potential to foster entrepreneurship in Surabaya, provided that supportive policies, education, and infrastructure are continuously improved.

Keywords : *Keywords: Sharia Fintech, Entrepreneurship, Financial Inclusion, Islamic Finance, SMEs, Surabaya, Digital Economy, Ethical Finance*

INTRODUCTION

The presence of financial technology, or what we call Fintech, brings changes and new innovations to the financial industry in Indonesia. This transformation occurs as technological development has rapidly expanded in the digital realm in recent years. According to Bank Indonesia (2020), financial technology is the use of technology in the financial system that produces new products, services, technologies, and/or business models, which can impact monetary stability, financial system stability, efficiency, security, and reliability of the payment system. Furthermore, according to the Financial Services Authority Indonesia (OJK), fintech is an innovation in the financial services industry that utilizes technology. Meanwhile, Sharia Fintech refers to financial services or products that employ technology based on Islamic (sharia) principles.

The emergence of Sharia Fintech in Indonesia is a response to the development of conventional fintech companies that utilize interest-based instruments in their operations (Rahman, 2019). Sharia fintech services in Indonesia are regulated under the fatwa issued by the National Sharia Council Indonesian Ulema Council Number 117/DSN-MUI/II/2018 concerning Information Technology-Based Financing Services based on Sharia Principles (DSN-MUI, 2018).

The growth of Sharia Fintech in Indonesia has enormous potential, considering that Indonesia has the largest Muslim population in the world (Pew Research Center, 2021). In addition, the increasing awareness among young people regarding sharia-based transactions presents a promising opportunity for the fintech market.

Luckandi (2018), in his research on fintech transactions among MSMEs in Indonesia, found that convenience, security, transaction suitability, and ease of use are major factors encouraging MSMEs to adopt fintech. Supporting factors include ease of financial recording, streamlined transaction processes, and increased sales performance. Furthermore, a study by Aan Slamet (2020) titled *How to Develop the Sharia Fintech Industry in Indonesia?* using the Interpretive Structural Model (ISM) approach highlights several challenges, including the lack of comprehensive regulatory instruments and limited human resources in the fintech sector. The study also emphasizes the importance of big data management capabilities and digital marketing skills. Key actors in the fintech ecosystem include government regulators, universities, and financial institutions.

On the other hand, the presence of Islamic fintech offers innovative and sharia-compliant solutions, providing alternative access to capital and financial services for entrepreneurs (Ascarya, 2020). However, many business actors have not fully utilized Islamic fintech due to limited awareness and understanding of its benefits (Firmansyah, 2021). Additionally, rapid technological advancement has made Islamic fintech increasingly relevant in supporting entrepreneurship. Nevertheless, challenges such as regulatory uncertainty and the digital divide among business actors remain significant barriers (Sudarsono, 2022).

Therefore, this study aims to explore the role of Islamic fintech in supporting entrepreneurship in Surabaya, as well as to identify existing challenges and future development potential. By understanding these dynamics, this research is expected to provide recommendations to enhance the engagement of business actors with Islamic fintech and support local economic growth.

Hypothesis Development:

H1: The use of Islamic fintech has a positive influence on entrepreneurial growth. This hypothesis assumes a direct relationship between the use of sharia-based financial services and business growth, as fintech provides easier access to capital, transaction efficiency, and trusted sharia-compliant services.

H0: The use of Islamic fintech does not have a significant effect on entrepreneurial growth. This null hypothesis states that there is no significant relationship between the use of Islamic fintech and entrepreneurial growth, serving as a baseline for statistical testing.

The Use of Sharia Fintech on Entrepreneurship Growth through Government Support as an intervening variable

H2: Government support mediates the effect of the use of sharia fintech on entrepreneurial growth.

The effect of sharia fintech on entrepreneurship can be strengthened if there is support from the government, such as regulations that strengthen fintech collaboration with small and medium enterprises (MSMEs).

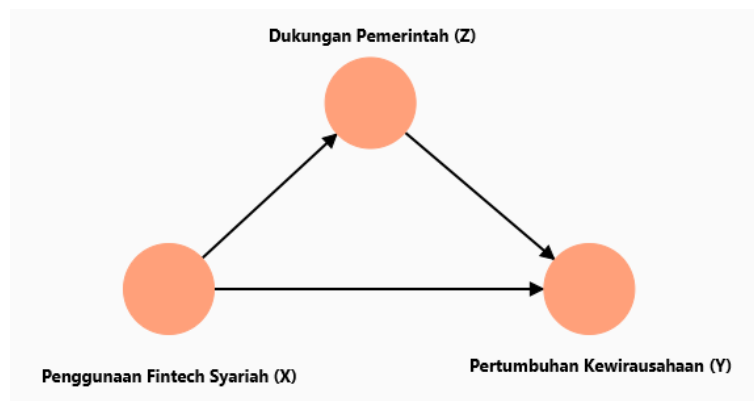


Figure 1. Theoretical Framework

Berikut adalah teks Anda yang sudah dilengkapi dengan **body note (sitasi akademik dalam teks)** secara sistematis dan siap untuk penulisan jurnal:

Figure 1. Theoretical Framework

The theoretical framework in this study is developed based on previous research findings. It consists of one independent variable, namely the Use of Sharia Fintech, Government Support as an intervening variable, and Entrepreneurship Growth as the dependent variable

(Hair et al., 2019; Slamet, 2020). This framework illustrates the relationship between variables in explaining how Sharia fintech contributes to entrepreneurial development.

METHODS

This study employs a quantitative approach with a survey design to measure the influence of Sharia Fintech on entrepreneurship growth in Surabaya (Creswell, 2014). The population of this study consists of entrepreneurs who utilize Sharia fintech services in Surabaya, with samples selected randomly from users registered on fintech platforms (Sugiyono, 2017). Data collection was conducted through a structured questionnaire consisting of closed-ended questions and a Likert scale to measure the use of Sharia fintech (accessibility, speed, and ease of transactions) and its impact on entrepreneurship (business growth, access to capital, and innovation in products/services), along with respondents' demographic characteristics such as age and gender (Sekaran & Bougie, 2016).

The collected data were analyzed using statistical software such as SmartPLS to examine the relationships between variables and test the proposed hypotheses (Hair et al., 2019). The analysis results are expected to provide a comprehensive understanding of the contribution of Sharia fintech to entrepreneurial development in Surabaya and offer recommendations for future improvements.

RESULT AND DISCUSSION

A total of 68 respondents participated in this study, with female respondents dominating at 53 individuals (77.9%) compared to 15 male respondents (22.1%). The respondents' ages ranged from 22 to 58 years. In terms of educational background, 19 respondents (27.94%) had a high school diploma or equivalent, 48 respondents (70.58%) held a bachelor's degree (S1), and 1 respondent (0.69%) had a doctoral degree (S3). Thus, the majority of respondents had a bachelor's level of education.

The Sharia fintech platforms used by respondents include PT Ammana Fintek Syariah (22.1%), Paytren (14.7%), New Livin Mandiri (10.2%), Jago Syariah (36.7%), and Qazwa (16.3%). Among these, Jago Syariah is the most widely used platform, indicating a strong preference for accessible and user-friendly digital Islamic financial services (OJK, 2022).

Analysis of Research Variable Description

The results show that the highest score for the independent variable (X) is found in indicator X1.2, with an average value of 0.848, which reflects user trust in Sharia fintech platforms. This indicates that trust is strongly influenced by compliance with Islamic principles, such as

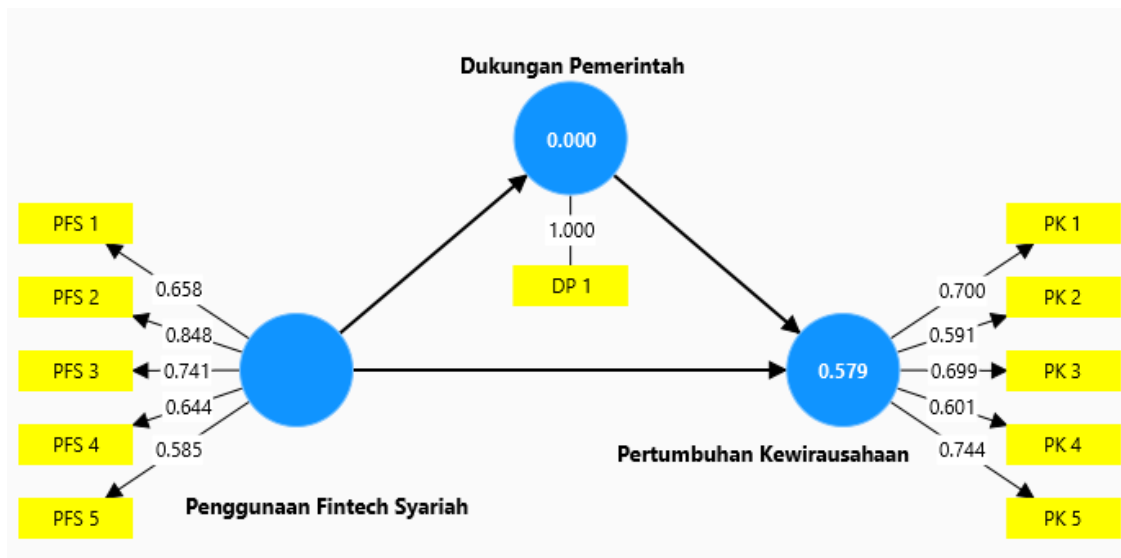
the prohibition of *riba* (interest), *gharar* (uncertainty), and *maysir* (gambling), as well as platform legality registered under the Financial Services Authority (OJK) and partnerships with credible financial institutions (DSN-MUI, 2018; Ascarya, 2020). In addition, reliable technological performance, innovative features, and responsive customer service contribute to user convenience and trust. Educational initiatives in Islamic financial literacy also play a crucial role in strengthening user confidence.

Meanwhile, the highest score for the dependent variable (Y) is found in indicator Y1.5, with a value of 0.744, representing increased business efficiency after using Sharia fintech. This finding indicates that Sharia fintech significantly enhances business efficiency through mechanisms that support Sharia-compliant operations. With faster and easier access to halal financing schemes such as *murabahab* and *mudharabah*, entrepreneurs are able to manage working capital more effectively and improve overall business performance (Rahman, 2019; Firmansyah, 2021).

	Dukungan Pemerintah	Penggunaan Fintech Syariah	Pertumbuhan Kewirausahaan
DP 1	1.000		
PFS 1		0.658	
PFS 2		0.848	
PFS 3		0.741	
PFS 4		0.644	
PFS 5		0.585	
PK 1			0.700
PK 2			0.591
PK 3			0.699
PK 4			0.601
PK 5			0.744

Validity test

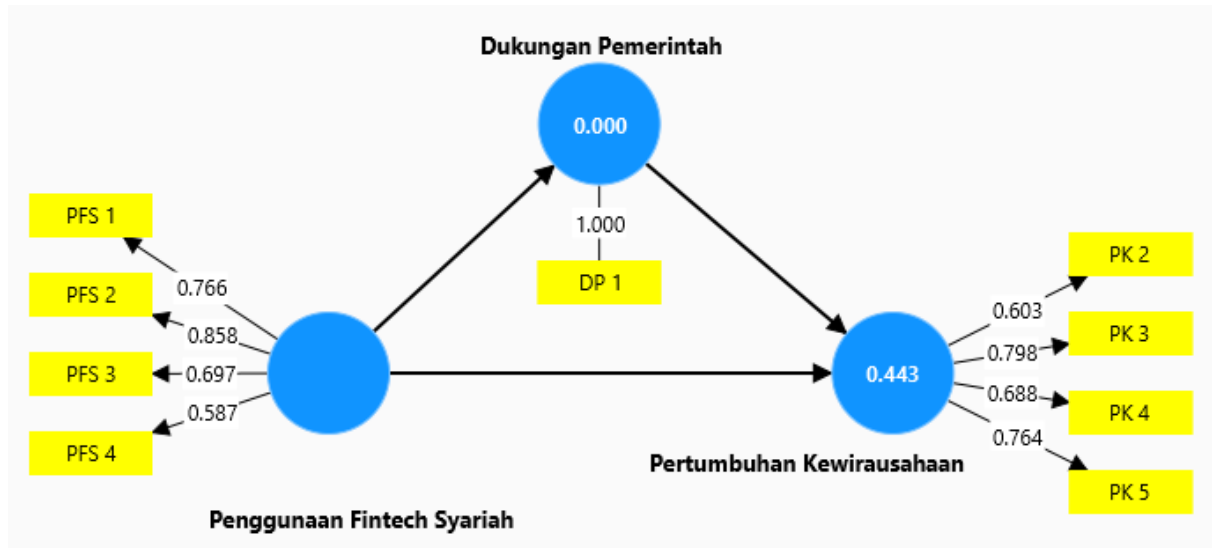
Validity testing shows the accuracy and precision of the questionnaire given to respondents. Convergent validity is used to prove that the questions of each latent variable in this study can be understood and comprehended by the researcher. This convergent validity can be accepted if the loading factor value is > 0.50 (Hair et al., 1998). The



convergent validity test image is presented in the image below.

In the figure, the results of the validity test show that the questions of the variables of Use of Sharia Fintech, Entrepreneurship Growth and Government Support are in principle very valid. However, there are still several indicators such as the variable Use of Sharia Fintech (X1.5) and the variable Entrepreneurship Growth (Y1.1) because both indicators can affect the results of the outer loading, so improvements are made by eliminating both indicators in order to obtain the value of the construct to be measured and produce a second outer model with the results:

ended as



The discriminant validity test is used to ensure that the measurement items for each latent variable are distinct and not confused by respondents when answering the questionnaire items associated with other latent variables (Hair et al., 2019; Henseler et al., 2015). Discriminant validity is considered achieved when the Average Variance Extracted (AVE) of each construct is greater than the correlations between that construct and other latent variables in the model, indicating that the construct has a higher explanatory power for its own indicators compared to other constructs (Fornell & Larcker, 1981)

	Dukungan Pemerintah	Penggunaan Fintech Syariah	Pertumbuhan Kewirausahaan
Dukungan Pemerintah			
Penggunaan Fintech Syariah	0.112		
Pertumbuhan Kewirausahaan	0.151	0.828	

Construct reliability and validity are the criteria for the validity and reliability of a construct. Reliability testing shows how much an instrument can be trusted. By using the Composite Reliability method, a research instrument is said to be reliable if the CR value is > 0.7 . R square is a value that shows how much the independent variable (exogenous) affects the dependent variable (endogenous). The R-square value is used to assess how much influence a particular independent latent variable has on the dependent latent variable. Based on data processing, the following results are obtained:

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Penggunaan Fintech Syariah	0.710	0.738	0.821	0.538
Pertumbuhan Kewirausahaan	0.705	0.763	0.807	0.514

The R-Square value from the calculation results shows that the influence of the variable of the Use of Sharia Fintech on Entrepreneurship Growth is 0.443 or 44.3% and the magnitude of the influence of the intervening variable is 0.000 or 0%. While the rest is influenced by other variables not examined in this study.

	R-square	R-square adjusted
Dukungan Pemerintah	0.000	-0.015
Pertumbuhan Kewirausahaan	0.443	0.425

Hypothesis testing is done by comparing the t-table value with the t statistic or t count. The hypothesis is accepted if the t-count is $>$ from the t-table 1.995. The results of the Smart PLS Bootstrapping process are as follows:

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
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Dukungan Pemerintah -> Pertumbuhan Kewirausahaan	-0.074	-0.076	0.085	0.875	0.381
Penggunaan Fintech Syariah -> Dukungan Pemerintah	0.001	0.002	0.129	0.008	0.994
Penggunaan Fintech Syariah -> Pertumbuhan Kewirausahaan	0.661	0.684	0.062	10.583	0.000

Based on the table above, it shows that only the relationship between the Use of Sharia Fintech and Entrepreneurship Growth has a t-value > 1.995 and a p-value < 0.05 , indicating that hypothesis H1 is accepted (Hair et al., 2019). This means that there is empirical evidence supporting the positive influence of Sharia fintech usage on entrepreneurial growth. The acceptance of H1 implies that Sharia fintech contributes significantly to increasing access to capital, accelerating transaction processes, and improving efficiency in managing business finances (Ascarya, 2020; Firmansyah, 2021).

Previous studies support these findings. Research conducted by Pramesti (2020) indicates that Sharia fintech provides broader access to financing for entrepreneurs, particularly in Muslim-majority countries, by offering financing models that comply with Islamic principles. Similarly, Sulistiyowati (2021) found that the use of digital technology in Islamic finance, such as Sharia crowdfunding, enhances the participation of young entrepreneurs in business activities. Furthermore, Putri et al. (2022) revealed that Islamic fintech platforms accelerate financial inclusion by providing accessible and transparent financial services, which in turn promote the growth of small and medium enterprises (SMEs). Thus, the acceptance of this hypothesis reinforces the view that Sharia fintech plays a crucial role in fostering a

more inclusive, efficient, and sustainable entrepreneurial ecosystem (Henseler et al., 2015; OJK, 2022).

CONCLUSION

The emergence of Sharia Fintech in Indonesia represents a strategic and value-driven response to the dominance of conventional financial technology systems that rely heavily on interest-based instruments. As a country with the largest Muslim population in the world, Indonesia holds immense potential for the development of Sharia-compliant financial services. This potential is further strengthened by the increasing awareness among younger generations regarding ethical finance and Sharia-based economic practices, making the Sharia Fintech sector a promising avenue for sustainable growth.

In the context of entrepreneurship, Sharia Fintech plays a significant role in enhancing financial inclusion, particularly for small and medium enterprises (SMEs) that often face barriers in accessing traditional banking services. By offering alternative financing models such as profit-sharing (*mudharabah*) and partnership-based schemes (*musyarakah*), Sharia Fintech not only aligns with Islamic principles but also promotes fairness and risk-sharing between parties. This creates a more equitable financial ecosystem that supports long-term business sustainability.

Furthermore, the findings of this study indicate that Sharia Fintech contributes positively to entrepreneurial growth by improving access to capital, accelerating financial transactions, and increasing efficiency in financial management. These advantages enable entrepreneurs to scale their businesses more effectively and respond to market demands in a timely manner.

However, despite its promising prospects, several challenges remain. Regulatory frameworks governing Sharia Fintech are still evolving and require greater clarity and standardization. Additionally, the digital divide among entrepreneurs, particularly in rural or underdeveloped areas, poses a barrier to equal access and utilization of these technologies. Therefore, collaborative efforts between government, financial institutions, and technology providers are essential to address these issues. Strengthening regulations, improving digital literacy, and expanding infrastructure

will be key to ensuring that Sharia Fintech can achieve its full potential in driving inclusive and sustainable entrepreneurial development in Indonesia.

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