


# Chapter 15

## Roles and Sustainability of Islamic Fintech Lending: Case of Indonesia

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### **ABSTRACT**

*Islamic financial technology (fintech) is emerging, along with the increasing adoption of digital technology and mobile phone usage. One business model of Islamic fintech gaining traction, primarily in Indonesia, is Islamic peer-to-peer (P2P) lending or Islamic fintech lending. As it is in the development stage, studies focusing on this niche topic are limited. To address this gap, this study conceptualizes the strategic roles of Islamic fintech lending firms in society and evaluates their financial performances to assess their sustainability. A mixed method of qualitative and quantitative approaches is employed in this study. This study's results propose a framework consisting of four distinct roles of Islamic fintech lending platforms. Besides, the*

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*financial analysis shows that most firms were in alerting condition, illustrating the uncertain sustainability of Islamic fintech lending firms. This chapter provides an early warning for the managers of these firms and policymakers to keep supporting this emerging sector.*

## **INTRODUCTION**

With a Muslim population of more than 220 million or 87% of the entire population (Statista, 2023), Indonesia is the largest Muslim country and possesses a promising future for Islamic financial products to develop. Currently, various Sharia-compliant financial products are offered by numerous Islamic financial institutions in the country, such as Islamic banks, the Islamic stock market, and Islamic insurance (*takaful*). Islamic fintech, a branch of fintech coming more recently as a form of financial innovation (Firmansyah et al., 2024b), has recently been growing among established Islamic financial institutions. One business model of Islamic fintech is Islamic fintech lending or peer-to-peer (P2) lending, which has a substantial role in improving SME revenues (Kholidah et al., 2025).

This chapter aims to first discuss the strategic roles of Islamic fintech lending firms taking the case of Indonesia. This is essential because prior studies are absent on investigating the specific roles played by Islamic fintech lending firms in society. Second, since prior studies tend to investigate SME sustainability as affected by Islamic fintech lending firms (Edward et al., 2023; Firmansyah et al., 2024a; Khatimah et al., 2024; Kholidah et al., 2025), this chapter takes a different angle by focusing on the sustainability of Islamic fintech lending firms because their sustainability is also critical. This is because the sustained firms also determine SME sustainability. To do this assessment, this chapter delves into the financial statements of Islamic fintech lending companies to evaluate their performance and discuss future sustainability. Measuring financial performance is critical because many fintech firms went bankrupt due to poor governance and a shortage of capital (Al-Ishaqi, 2024).

This chapter is important for mainly Islamic fintech lending firms and policymakers to enhance this newly developed Sharia-compliant sector. Primarily, according to the research findings outlined in this study, this chapter provides an early warning to the managers of Islamic fintech lending firms because their financial sustainability is being questioned. Most of the firms experienced poor profitability and were highly dependent on the firms' capital. This condition is dangerous because it worsens the firms' financial health, thus impairing sustainability in the long run. Second, this chapter also serves as an input for the government or policymakers to be more attentive to Islamic fintech lending firms because these emerging digital startups

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